

# **SOCIAL CAPITAL AND SUBJECTIVE WELLBEING IN ALBANIA**

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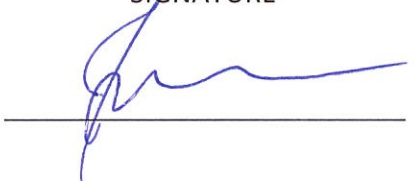


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IN PARTIAL FULFILLMENT OF THE REQUIREMENTS  
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This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Arts in Sociology

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I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and standards of ethical conduct. I also declare that, as required by these rules and standards, I have fully cited and referenced all material and results that are not original to this work.

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A handwritten signature in blue ink, appearing to be 'Suada Aga', written in a cursive style.

## ABSTRACT

### SOCIAL CAPITAL AND SUBJECTIVE WELLBEING IN ALBANIA

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This thesis explores the relationship between social capital and subjective wellbeing in Albania. Social capital is a concept that has received growing attention in the literature around the world. Studying it in the context of Albania, which is a country that reflects a dynamic and diversified history, would not only be among the first of its kind in a research field lacking of extensive studies, but would also offer the opportunity to study it in the light of subjective wellbeing which is similarly unprecedented in Albania. Therefore, this study aims to explore the relationship between social capital and subjective wellbeing by using data from the “Living Standard Measurement Survey” which was collected by Albanian Institute of Statistics INSTAT in 2012. This study measures social capital of the participants by looking at their relationship with their friends and relatives, their association membership levels, borrowing money, trust in people and their trust in government. Findings of this study show that social participation with relatives and trust in government are significant strong predictors of higher levels of subjective wellbeing. This study also controls for the effects of other variables. For example, UBN (unmet basic needs), age, income, gender, and health status have significant impacts on subjective wellbeing as well.

Keywords: Social capital, subjective wellbeing, multiple regression analysis, Albania, social participation, trust.

## ÖZ

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Bu tez, Arnavutluk'ta sosyal sermaye ile öznel refah arasındaki ilişkiyi incelemektedir. Sosyal sermaye dünyadaki literatüre dikkat çeken bir kavramdır. Dinamik ve çeşitlendirilmiş bir tarihi yansıtan bir ülke olan Arnavutluk bağlamında çalışmak, kapsamlı çalışmalardan yoksun bir araştırma alanındaki türünün ilk örneği değil, aynı zamanda Arnavutluk'ta da benzer şekilde görülmemiş olan öznel refahın ışığı. Bu nedenle, bu çalışma Arnavutluk İstatistik Enstitüsü INSTAT tarafından 2012'de toplanan "Yaşam Standardı Ölçüm Anketi" nden elde edilen verileri kullanarak sosyal sermaye ile öznel refah arasındaki ilişkiyi araştırmayı amaçlamaktadır. Bu çalışma katılımcıların sosyal sermayelerini ölçerek ölçmektedir. Arkadaşları ve akrabaları ile ilişkileri, dernek üyelik seviyeleri, borç para alma, insanlara güven ve devlete güvenmeleri. Bu çalışmanın bulguları, akrabalar ile sosyal katılımın ve devlete duyulan güvenin, öznel refah düzeylerinin yüksek düzeyde güçlü bir belirleyicisi olduğunu göstermektedir. Bu çalışma aynı zamanda diğer değişkenlerin etkilerini de kontrol etmektedir. Örneğin, UBN (karşılanmamış temel ihtiyaçlar), yaş, gelir, cinsiyet ve sağlık durumu, öznel iyi oluş üzerinde de önemli etkilere sahiptir.

Anahtar Kelimeler: sosyal sermaye, öznel refah, çoklu regresyon analizi, Arnavutluk, sosyal katılım, güven.

## DEDICATION

This thesis is wholeheartedly dedicated to my husband, daughter and our beloved families. Thank you for the inspiration, and for being a constant source of support and motivation.



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I would like to sincerely thank my thesis advisor, for his guidance and support throughout this study and especially for his confidence in me.



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## CHAPTER 1

### INTRODUCTION & LITERATURE REVIEW

This work is a study of the relationship between social capital and subjective wellbeing in Albania. The concept of social capital has been part of the literature for over a century now, but has attracted more attention only recently. Adler and Kwon define social capital as “the goodwill available to individuals or groups. Its source lies in the structure and content of the actor’s social relations. Its effects flow from the information, influence, and solidarity it makes available to the actor” (Adler and Kwon 2002). As the number of scholars contributing to this domain of studies rises, the disagreement on a single definition that would satisfy all of them is evident. Therefore, rather than agreeing on a single definition, scholars have agreed on different categories of social capital. Each type of categorization could be accounted based on their focus such as:

- 1- The relations an actor maintains with other actors and networks
- 2- The structure of relations among actors within a collectivity
- 3- Both types of linkages (the relations an actor maintains with other actors, and the structure of relations among actors within a collectivity) (Adler and Kwon 2002)
- 4- External relations “*bridging*” or “*communal*” (forms of social capital with a focus on external relations) (Woolcock 1998)
- 5- Internal relations “*bonding*” or “*linking*” (form of social capital with a focus on internal relations) (Oh et al. 1999)

Another classification of social capital could depend on other criteria, namely “strong or weak ties, horizontal or vertical, open or closed, structural or cognitive, geographically dispersed or circumscribed, and instrumental or principled” (Adler and Kwon 2002).

Subjective wellbeing has not been widely explored in sociological discussions and studies for several theoretical, pragmatic, and ideological reasons. Subjective wellbeing, as a term, has its origins in psychology and is the focus of the domain of Positive Psychology and the field of Psychology in general. Sociology has traditionally mainly focused on social problems and social-level concepts rather than individual-level concepts, feelings and emotions. Nonetheless, sociologists have been recently interested in issues regarding life satisfaction and wellbeing of individuals in the society.

Subjective wellbeing, also known as SWB is usually used synonymously with the term happiness, but scholars argue that they are different concepts. Subjective wellbeing is defined as “a broad category of phenomena that includes people’s emotional responses, domain satisfactions, and global judgements of life satisfaction” (Diener, 1999). Furthermore, SWB is claimed to have two main components, namely an affective part and a cognitive part where the affective part is a hedonic assessment guided by emotions and the cognitive part is an assessment of life based on information and expectations of their “ideal” life (Diener, 1994).

In order to remain in the sociological perspective of the study, the concept of subjective wellbeing is going to be studied on the light of the analysis of social inequalities. Social inequality is defined as the existence of unequal distribution of resources and opportunities. Some studies distinguish between inequality of opportunities and inequality of resources; while the former refers to the unequal distribution of life chances such as education, health status, and treatment by the justice system, the latter refers to wealth, income, and material goods such as e.g. housing. In this regard, this thesis looks at social capital as a resource for individuals and hypothesizes that presence or lack thereof of social capital might affect life chances, and therefore life satisfaction and subjective wellbeing.

Albania is a small country that has a very intriguing and dynamic history to study. The fact that the nation state like we know it today is fairly recent in creation does not imply that its history is just as short. In reality, Albania offers the perfect cradle for studying diversity, non-assimilation, tolerance including peaceful cohabitation of different religions, etc. just to mention a few. Its folklore, language and mythology offer immense examples of uniqueness that make it differ from the rest of the Balkans as well. Nevertheless, the fact that Albania has been under imminent threats for years before its independence in 1912 has been mainly the reason why the importance of studying it from a sociological point of view always came second. In addition, it seems its size has always downplayed any important study that could take place in Albania. To add to that, in the Eastern Europe between 1945 – 1991, the Albanian totalitarian regime of Enver Hoxha has been considered to be one of the most isolated and harsh regimes of the 20<sup>th</sup> century. This in return was able to fortify the country even further from social studies conducted either from foreign specialists whose access was limited or from Albanian sociologists themselves whose work would go through rigorous editing and review from the highest party instances before seeing the light of publishing. Fuga, an Albanian philosopher, argues that the totalitarian regime in Albania can be studied using three conceptual frames such as: spatial totalitarianism, time philosophical logic, and cultural philosophical logic (Fuga, 2002). The implementation of the totalitarian regime can be seen in different countries of the world, throughout history and its implications are reflected in the culture and collective consciousness of the people. Friedrich and Brzezinski have summarized and described the Albanian communism consisting of all the features of a totalitarian dictatorship starting from an official ideology to the centralized economy (Friedrich and Brzezinski, 1956). A single party led by the dictator, Enver Hoxha, led the masses, dictated and controlled everything through police terror. Every aspect of the society was centralized and controlled from freedom of speech, culture, religion, social participation, clothing and conduct.

According to the annual reports of Freedom House, based on the democratic indicators, the political regime in Albania is described as a “hybrid regime”. One of the periods that has deeply and negatively affected this country has been the communist regime. After having lived under this regime for almost 50 years, it goes without saying that the consequences of this regime in every aspect of the society have been deeply rooted and very harsh. M. Pajo argues that because Albania has lived under one of the harshest and isolated communist regimes in Europe, even after 26 years it has not finished its process of transition to democracy (Pajo, 2016). Consequently, after the fall of communism, Albania remained very poor hence the transitional period from communism to democracy, especially in the economical aspect. Another consequence that is closely related to concepts such as social capital and subjective wellbeing is the feeling of distrust that the majority of the society was left with. Distrust in people, distrust in the institutions and the state. Subsequently, this would result in a weaker presence of social capital. In this context, sociology has always had a hard time in being able to flourish as a science, especially in topics which relate to human wellbeing. But perhaps what it has to offer now, which adds value to any research conducted in this regard relates to the fact that the generation that lived through communism is still alive and makes a considerate part of the population and so is the new generation that dates back in the 90s following the fall of the regime. This gives the opportunity to compare and contrast between different ideologies and perspectives in relation to social capital and subjective wellbeing.

Especially in small countries like Albania, apart from one’s academic and professional background, social capital (social networks and social trust) plays a great role in one’s life through their social support mechanisms. Therefore, the aim of this study is to look at the very relationship of social capital and subjective wellbeing, how the effects of one’s ‘networks’, background and set of values reflect upon one’s life satisfaction and happiness. A quick search would reveal that the most written topics in sociology in the last 28 years in Albania following the establishment of democracy have mainly focused

on gender issues, customary laws, social care reform and cultural policy. Wellbeing has only been studied from a before and after perspective on how it has changed with different regimes but has not gone further than that. Social capital and subjective wellbeing not only remain unstudied from a symbiotic perspective with one another but also separately on their own. It was my opinion that based on this lack of research on this field, the study of how one is reflected on the other would make this study unprecedented. Both social capital and subjective wellbeing are the corner stones of a society that functions effectively since they make up the human relations and networking alongside the level of satisfaction from one's own life. To study these two main elements would open the doors to better understand a society that has been oppressed for so many years but which longs for the day that it can be economically empowered. This would offer the opportunity to understand what are the areas where people are in greater need of attention in order to feel satisfied and what can be done in this regard. Better interpersonal relations in a society are the key to a better functioning society and as such a prosperous one. It is therefore, crucial to pave the way of research in this celibate topic for a better Albania whose problems are not merely seen from a looking glass but understood from the very root.

### **1.1. Theoretical Framework**

Pierre Bourdieu (1988), James Coleman (1990), and Robert Putnam (1993, 1995) are considered to be the prominent scholars who popularized the concept of social capital. This concept has gained more attention and importance by acquiring a significant importance in sociology, political sciences, economics, and developmental studies (Mihaylova, 2004). Despite the increased applicability of the concept and the importance and attention it has gained in the field, Adam & Roncevic argue that the concept it still facing problems related to definition, measurement and operationalization (Adam & Roncevic, 2003).

Schuler argues that Bourdieu uses a combination of the concept of capital along with a dynamic analysis in the study of how different types of capital are transformed and thus

proposes a materialistic reading of culture (Schuler et al. 2000). Bourdieu was interested and focused his work on the reproduction of the society, and the preservation of the position of the dominant classes. He defines social capital as “the sum of resources, actual or virtual, that accrue to an individual or a group by virtue possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition” (Bourdieu, 1992).

Coleman on the other hand, combines both economic and sociological theories. He looks at social capital as means used to understand the models of traditional economics that are characterized by individualism and rationality. He argues that social capital is defined by its function. In so doing, he describes social capital as a selection of different entities having two elements in common where all entities comprise some social structure, and they enable actions of actors within the structure. He has a broader view of social capital where he considers social capital to be valuable to all kinds of communities rather than as something only on the hands of the elites. He suggests two approaches, one sociological and the other economic. He defines the economic approach as follows: “The economic stream, on the other hand, flies in the face of empirical reality: persons’ actions are shaped, redirected, constrained by the social context; norms, interpersonal trust, social networks, and social organization are important in the functioning not only of the society but also of the economy (Coleman, 1988).

Subjective Wellbeing (SWB) is defined as “a person’s cognitive and affective evaluations of his or her life” (Diener, Lucas, & Oishi, 2002). The cognitive elements here indicate what the person thinks about his/her life satisfaction in general and life in specific areas of it such as education, relationships, family, work, etc. Whereas, the affective elements here indicate the feelings, emotions, and moods; they are pondered to be positive when pleasant and deemed negative when these experiences are unpleasant. This concept belongs to the “hedonic” perspective, which defines happiness or wellbeing as essentially being about reducing pain and amplifying pleasure.

A study of social capital and subjective wellbeing in Europe, which uses data from the fourth wave of the European Social Survey (ESS) show that the impact of social capital on subjective wellbeing varies according to the element of social capital that is being studied. More specifically, components such as social trust, institutional trust, and social networks show a higher correlation with subjective wellbeing (M. Portela & I. Neira, M. M. Salinas- Jiménez, 2013). In addition, similar studies of the aforementioned terms social capital and subjective wellbeing have been done in Japan. This specific research by using data from the Japan General Survey 2010, seeks to look at how and what components of social capital are correlated with one's subjective wellbeing. This study shows that social capital is positively correlated with subjective wellbeing at large. Specifically, trust and volunteering are strongly and positively associated with subjective wellbeing compared to membership which was not. Also, the element of volunteering is differently correlated with one's subjective wellbeing at one's different life stages measured by age category (Matsushima, M. & Matsunaga, Y. 2015).

## **1.2. Literature Review**

Looking at the literature regarding the topic I have chosen to study, the most evident are studies of foreign scholars largely on the subject of social capital. The interest on this area of study and the use of the concept of social capital in research has definitely flourished. This is evident even in the Albanian social sciences' studies. There have been Albanian scholars studying parts of the research question and the use of concepts like social capital, life satisfaction, happiness, well-being, and so on can be easily noticed in recent studies in the domain. The concept of "social capital" in particular has been utilized and implemented broadly in development and research since the 1990s. However, the obstacles this concept faces, such as problems with its definition, measurement, and operationalization have not been diminished despite the increased use and applicability of the term (Adam & Roncevic, 2003).

Humans are social beings, and as such they are supposed to live in groups of people, communities, tribes, societies, and so on. The society and the individual have been the



center of studies of different fields of study and the focus of scholars from all around the world for centuries now. Durkheim, during the early days of sociology, came up with the concept of solidarity distinguishing between mechanical and organic solidarity and the shift from the former to the latter with the emergence of the division of labor (E. Durkheim, 1893). He along with other social scientists have made extensive contributions on the way we look at and perceive the society and social phenomena that come with it. I believe that social capital is closely related to the concept of solidarity and what it entails. There have been numerous studies around the world on the participation in social activities, and social capital and how these variables reflect on one's health, life satisfaction, happiness, wellbeing, etc.

Pierre Bourdieu (1988), James Coleman (1990), and Robert Putnam (1993, 1995) are thought to be the conspicuous researchers who promoted the idea of social capital. This idea has increased more consideration and thought by gaining a progressive hugeness in various fields of study. Regardless of the expanded appropriateness of the idea and the significance and consideration it has picked up in the field, Adam and Roncevic contend that the idea despite everything it confronting issues identified with definition, estimation and operationalization (Adam and Roncevic, 2003).

Schuler contends that Bourdieu utilizes a blend of the idea of capital alongside a dynamic investigation in the investigation of how distinctive sorts of capital are changed and, in this manner, proposes a materialistic perusing of culture (Schuler et al. 2000). Bourdieu centered his work around the multiplication of the general public (the society), and the protection of the position of the prevailing classes. He characterizes social capital as "the entirety of assets, genuine or virtual, that collect to an individual or a gathering by ideals having a strong system of pretty much regulated connections of shared colleague and acknowledgment" (Bourdieu, in Bourdieu and Wacquant, 1992). He defines social capital as "the sum of resources, actual or virtual, that accrue to an individual or a group by

virtue possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition” (Bourdieu, 1992).

Coleman, then again, connects both sociological and economical hypotheses. He takes a gander at social capital as means used to comprehend the models of customary financial aspects that are portrayed by independence and discernment. He presents us two intellectual streams in the explanation of social action, one that characterizes mainly the works of sociologists and the second that characterizes the works of economists. The fundamental virtues of the first group is explaining/ depicting action in social context and describing the way the action is shaped by the social context. The fundamental virtue of the second group is the principle of action, maximizing utility. Coleman argues for a theoretical orientation in sociology that combines both intellectual streams. This theoretical orientation consents the principle of rational action and explains how this principle combined with the particular social context can bring by not only the actions of individuals but also the development of social organization (Coleman, 1988).

Robert Putnam further popularized the concept especially after the publication of “Bowling Alone”. He introduced “trust” and “civic participation” and how they affect democratization and development. Putnam defines social capital as the “features of social organization, such as trust, norms, and networks that can improve the efficiency of society by facilitating coordinated actions” (Putnam, 1993). He distinguishes between two types of social capital, namely bonding capital and bridging capital. The former, bonding capital, appears when integrating and socializing with people of similar background, race, age, religion, education, culture, profession, etc. The latter, bridging capital, appears when integrating and socializing with people of different backgrounds. In order for people to cohabitate in a diverse society and for the society to function properly, both types of social capital are necessary and not only do they make a society work better, they also strengthen each other (Putnam and Goss, 2002).

Even after decades of research, scholars interested in happiness still argue about causes. One of the first questions that comes to mind when putting these concepts together is whether social capital predicts happiness or affects subjective wellbeing (this depending on the concept the scholar chooses to study). There has been an abundance of research concerning these types of questions and aspects of research such as Miller, E & Buys, L. (2008); Ram, R. (2010); Rodríguez-Pose, A., von Berlepsch, V., (2014); Portela, M., Neira, I., del Mar Salinas-Jiménez, M., (2013); Han, S., (2015); Leung, A., Kier, Ch., Fung, T., Fung, L., Sproule, R., (2011), etc. Studies show that not participating in social activities has a negative effect in both life satisfaction and happiness.

Miller and Buys (2008) argue that encouraging feelings of safety and trust by instigating initiatives, urban designs, and strategies, can promote life satisfaction, health and happiness. Rodríguez-Pose & von Berlepsch (2014) reached three main findings using ordinal logistic regression analysis on data that was gathered from 48,583 respondents of 25 European countries. The first finding being that across the three dimensions that were considered in the study social capital is significantly important for happiness. The second finding were the key elements of social capital that have an impact on happiness are institutional trust and informal social interaction. And last but not least, the third finding was the interaction of social capital with happiness appears to be different throughout different parts of Europe.

Another study (Ram, 2010), investigating the role of social capital in producing life satisfaction describes the parameter for social capital to be fragile, therefore, most assessments result in social capital not having a significant role in creating happiness. Ram (2010) further complements his argument by adding six other points to the discussion. Starting from the role of income being mostly positively significant, then looking at differences between high-income and low-income subgroups and their relationship with social capital, followed by the usually weak correlation of income inequality and inflation. Two different types of measurements generate similar

approximations; the veracity/ accuracy of the fact that “transition economies” (countries that changed their economies from central planning to free markets) are characterized by lower happiness.

A study conducted using the fourth wave of the European Social Survey and other measures of wellbeing (Portela, Neira, del Mar Salinas-Jiménez 2013), found that components of social capital like social trust, social networks, and institutional trust have a higher correlation with subjective wellbeing; also, in general social capital and individual wellbeing are positively correlated.

Han (2015) using the Wave 1 data from the Seoul Welfare Panel Study (SWPS) of 2008 intended to investigate the difference in happiness at different levels and comparing the relationship between social capital at the individual, administrative-area, and household and happiness. The results of the study show that the household context is more helpful to understand the difference in individual happiness than the administrative-area context. Also, social capital variables such as volunteer work and perceived helpfulness have a positive correlation with happiness; on the other hand, civic engagement/ civic participation and perceived helpfulness are positively correlated with happiness as well; and to sum up different types of social capital can react differently to happiness at different levels (Han, 2015).

In another research, authors (Leung, Kier, Fung, Fung, Sproule, 2011) have recognized blocks of social capital variables as had been identified by Coleman in the data obtained from the Canadian General Social Survey of Social Engagement Cycle 17 (2003) using bootstrap hierarchical regression analysis. Coleman more specifically divides social capital in three dimensions namely information channels, trust and obligations, and norms and sanctions (Coleman, 1988). The results of this research support the hypothesis that social capital plays an important role in predicting and producing happiness.

Social capital is a concept that has taken the attention of different fields of study other than sociology, namely political science, economy, etc. M. Ashiku in her study "Institutions, Economic Development, and Social Capital in Albania" explores the economic behavior in the Albanian society looking at the relationship between social trust and institutional authority; more specifically at the characteristics associated with social capital. The results from her study indicate that Albania has the lowest levels of interpersonal and institutional trust amongst the democratic economies of the region, due to the fact that according to the conditions that Putnam suggested, Albania has a low social capital (M. Ashiku, 2014). Another study that supports the aforementioned results is one that is conducted in southern Albania by J. Holland. This study shows that in the recent development analysis the amount of the social capital hugely affects the level of institutional capacity and level of economic development. Thus, it can be argued that distrust is predominant in the Albanian society and social capital is very weak. Moreover, Holland claims that the creation of local organizations and networks are facilitated by introducing methods of participation in decision-making over economic development (J. Holland, 1998).

Another aspect that seems to have gotten a lot of attention is the relationship between social capital and immigration. Social capital plays a vital role in the integration of the immigrants in the local society, be this social, institutional or economic aspects of it. The authors of "Forms of Social Capital and the Incorporation of Albanian Immigrants in Greece" conducted a qualitative study of Albanian immigrants in Greece (Mytilene, and Athens). They explored the experiences of immigrants' social incorporations in the Greek society, focusing on the importance and significance of social networks like family, kinship, ethnic groups, etc. by questioning the Greek migration policy (Dr. Iosifides Th., Lavrentiadou M., Petracou E., Kontis A., 2007).

Research shows that participating in social activities is a key factor and closely related to migration. Cattaneo addresses both temporary and permanent emigration in her study.

According to her, participation in social organizations is the factor that lies behind both types of the previously mentioned migrations. She furthermore argues that the results of the empirical assessment show that the likelihood of sending siblings permanently abroad is higher when families participate in social organizations. Thus, the insights of social network are crucial in this regard as social capital seems to be associated with a low probability of temporary movement of the household and a high probability of permanent migration of siblings of immigrants (Cattaneo, C., 2008).

The concept of happiness has been present since the Ancient Greeks. Scholars since then have understood the importance of this notion, thus philosophers and scholars have been looking for ways to measure happiness for the purpose of scientific studies and research. The long-awaited breakthrough came in the 1950s in the field of psychology where interest grew in positive emotions and feelings of wellbeing, which was not the case until then. Scholars agreed that self-reporting as one of the measures of what is best referred as subjective wellbeing (SWB) that could deliver beneficial information on fundamental emotional states. It is important to note that even then scholars did differentiate between concepts of subjective wellbeing and happiness as different even though often used as synonyms (Hoorn, 2007). As it is very evident in the first part of this chapter, the focus of most of studies concerning social capital look at its relationship with subjective wellbeing or happiness. In particular, according to Diener, Suh and Oishi on one hand one is to have high levels of subjective wellbeing on the off chance that he or she encounter fulfillment and happiness in life, and just rarely encounter negative feelings. And on the other hand, one is to have low levels of subjective wellbeing on the off chance that he or she is disappointed and unhappy, has little delight in life and every now and again experiences negative feelings (Diener, Suh, & Oishi, 1997).

Political scientists as well have been very much interested in studying subjective wellbeing. Berdufi (2014) argues in her paper, where she looks at the relationship between democracy and subjective wellbeing, that subjective wellbeing is only partially

“caused” by democracy and that among factors that cause a negative relationship, namely lower levels of subjective wellbeing, are corruption, legislative and electoral processes, etc.

Veenhoven perceives life satisfaction as an overall judgement of life-giving insight on two sources of information: affective information from how one feels most of the time or as he calls it hedonic level of effect, and cognitive comparison with standards of the good life differently known as contentment. He considers the term “overall happiness” to be synonymous with subjective wellbeing and life satisfaction (1984). Beerling argues that sociologists usually focus on problems and thus subjective experiences are broadly associated with concepts that represent negative states like alienation, subjective poverty, anomie, deprivation, etc. the sociological notion of subjective wellbeing designate not only how good one feels, but also about what and why one feels so (1978). Comte (1851- 1854) has included this applied of thinking in his notion of “Bonheur” (happiness), where this concept represents a combination of both “a state of intellectual enlightenment combined with sacral feelings of inclusion and consensus that result from social progress” (Ple, 2000).

In order to distinguish the analysis of subjective wellbeing in this paper from the ones conducted by psychologists, I will be incorporating the notion of social inequality when looking at the concept of subjective wellbeing and its relationship to social capital. Different from subjective wellbeing, social inequality is quite a sociological concept to study. With the term social capital, socio-economic literature indicates a broad plurality of concepts, using an even wider multitude of measures. In a very simplified way two main notions can be identified: one that underlines some cultural factors such as the ability to cooperate with others and virtues (Putnam et al., 1993, Guiso et al., 2010); (Fujyama, 1995), and the original one (Bourdieu 1980, Coleman, 1988), whereby the social capital is intended as an endowment of social networks. There is broad consensus that

social capital, especially in its first notion (the ability to cooperate with others and virtues), is positively linked to economic growth (Blasio and Sestito, 2011).

The relationship between social capital and inequality has been less investigated. There are, however, important theoretical and empirical references suggesting a negative link: higher social capital would be associated with less uneven distribution patterns. In a cross-country analysis for 72 countries at a different level of economic development, Jordhal (2007) highlights a negative association between the World Values Survey (WVS), and an index of inequality (The Gini index) derived from the World Income Inequality Database archive.

Negative association might also reflect the effect of social capital on distribution. This is, for example, the mechanism emphasized by Putnam et al. (1993), when it suggests that a characteristic of the Italian areas characterized by greater "civic sense" is to have a less pronounced inequality. The social capital's negative impact on inequality can derive from the fact that the social capital stimulates economic growth and this is associated with less inequality. Or it may also depend on the fact that social capital has a wider influence on the economic possibilities of slower-class individuals in the distribution of income and wealth. The social capital's impact on the distribution may be due to the effect social capital has on the efficiency and quality of public services argue Giordano and Tommasino (Giordano and Tommasino, 2011) on the availability of household and corporate credit (Guiso et al., 2004), or on the type of welfare systems. Rothstein and Uslaner (2006), for example, argue that in countries with low social capital opportunities, the necessary support for universal-level social protection programs could be lacking to reduce inequalities.

The negative association between social capital and inequality may also reflect the effect vice versa, meaning the effect of inequality on social capital. If distributed less unequal assets could favor accumulation of social capital, for example, because they reflect the



broader possibility of repeated interactions among those belonging to the same socio-economic group. Fischer and Torgler, in one of their works, study the relationship between income positions and several aspects of social capital using 14 different measures. Their discussion focuses on four dimensions of social capital such as: trust in institutions, trust between people, social norms, and voluntary activities or networks (Putnam, 2001; Bjørnskov, 2005). The results of this study show that the aspects of social capital that were most affected by relative income position were social norms and generalized trust (Fischer and Torgler, 2006).

With reference to the US context, Alesina and La Ferrara (2000) show that individuals with a greater propensity to trust others are more likely to live in areas with lower income inequality (and lower ethnic heterogeneity). The relationship between social capital and inequality may as well differ depending on the nature of network relationships. For example, bonding networks may tend to maintain inequalities between groups / families; those linking to allow more opportunities for adherents. However, those bridging social capital, which promote opportunities and contacts with people other than the group, and are non-exclusive to outsiders, should be more clearly associated with inequality (Sabatini, 2009). Thus, bridging social capital increase social inequality.

There are a number of studies that argue for a strong correlation between subjective wellbeing and an active social life and a network of close friends and relatives. One study showed that the 10% of college students who were the happiest amongst others were found to participate a lot in social activities (Diener, Seligman, 2002). Additionally, another experiment that included both extrovert and introvert college students asked them to record their moods and activities throughout a 3-week diary. The results of the experiment presented that both introverts and extroverts were happiest when participated in social “extroverted” activities (Fleeson, Malan, Achile, 2002).

## **CHAPTER 2**

### **METHODOLOGY**

#### **2.1 Research Design and Research Questions**

The main research question this study pursues to answer is how social capital affects and has an impact on subjective wellbeing in Albania? The keywords in the title of this study are social capital, and subjective wellbeing. Thus, the first and foremost question will be defining the key concepts of that are used throughout this work. Coming to the questions this study seeks to answer, I will initially look at both these phenomena (social capital, and subjective wellbeing) separately. For the very reason that there is no single variable such as “social capital”, I will be looking at a number of variables that are connected to the notion of social capital and can best describe the situation of this phenomenon in the Albanian context. A number of controlling variables (socio-demographic elements) will also be added to the analysis to control the effects of social capital of subjective wellbeing in Albania.

More specifically, as also indicated in the theoretical model below, the independent variable of social capital is composed of several elements. Variables such as social participation with friends and social participation with relatives are used in the analysis to measure the social participation component of social capital. The variable network membership is incorporated to measure the civic engagement of the heads of the households in any association or organization. The variables social trust in people and social trust in government are utilized to measure the level of trust in general (trust between people) and the trust in government and their institutions. Last but not least, the variable borrow money is another measure of “trust” but in another dimension. A number of control variables are also added to the analysis. The variable of age was divided into four age groups, namely 15-29, 30-44, 45-64, and 64+ which is also chosen as the reference group. Other control variables include gender, education, marital status (divided into 5 dummy variables: married, divorced, living together, widower, and

single), health status, employment, home ownership, living area (urban, rural), religion (among which the major religious groups were chosen Muslim, and Christian), and UBN (unmet basic needs – this variable is composed of four indicators of non-monetary poverty such as inadequacy of water, of housing conditions, of energy supply, and overcrowding of the dwelling).

Onwards, I will look at the relationship between social capital and subjective wellbeing; how one's social capital affects one's subjective wellbeing. In order to get a clearer picture of the situation in Albania, social, political, economic and cultural contexts must be taken into consideration. This will be incorporated and reflected in the discussion part of this study. Also, looking at the second part of the question (subjective wellbeing) from the perspective of the social inequality will contribute to a better understanding and also better interpretation of the results obtained from the analysis.

To sum up the aforementioned research questions, the theoretical model of the analysis is as follows:

$$Y = B_0 + B_1 * \text{age group 15 – 29} * \text{age group 30 – 44} * \text{age group 45 – 64} * \text{highest diploma attained} * \text{sex} * \text{married} * \text{divorced} * \text{living together} * \text{widower} * \text{single} * \text{health} * \text{total employment} * \text{income} * \text{home ownership} * \text{ubn number} * \text{social participation relatives} * \text{social participation friends} * \text{network membership} * \text{borrow total} * \text{social trust1} * \text{social trust2} * \text{Muslim} * \text{Christian} * \text{Living Area}$$

Hypotheses:

H<sub>0</sub>: Social Capital and demographic variables have a statistically significant impact on the subjective wellbeing of the head of the households controlling for other demographic variables.

H<sub>1</sub>: Social Capital and demographic variables do not have a statistically significant impact on the subjective wellbeing of the head of the households controlling for other demographic variables.

## **2.2 Research Methodology**

The methodology of this thesis comprises of two main parts, the first being the theoretical framework and the literature review section of this thesis, and the second being the statistical analysis itself. The main part of this study, namely the statistical analysis, will comprise of descriptive analysis, bivariate analysis, and most importantly the multiple regression analysis (Ordinary Least Square Regression). OLS will test the impact of the independent variables on the dependent variable. The primary dependent variable is subjective wellbeing. The primary independent variable is social capital, which is measured through variables such as social participation with friends, social participation with relatives, borrowing money, group and network membership, trust in people, and trust in government. The control variables that are also going to play an important role in the regression analysis as well are gender, age groups (15 - 29, 30 - 44, 45 – 64 and 65+), marital status (married, divorced, living together, widow/er, single), health, employment, education, home ownership, income, UBN (Unmet Basic Needs), religion (Muslim, Christian), and type or place of residence (urban, rural).

## **2.3 Sample and Data Collection**

In order to analyze the variables for our research question, namely the relationship between social capital and subjective wellbeing in Albania, this study will depend upon a quantitative research method to garner results by using a survey data. The data used in this thesis was planned, organized, formulated, and gathered by The Institute of Statistics (INSTAT) of the Republic of Albania. It is the “Living Standard Measurement Survey”, which is conducted in four waves across the years, namely in 2002, 2005, 2008, and 2012. The survey comprises of a total of 6,671 households that represent the units of the survey. The sample is chosen randomly by two rounds of selection. The frame of the sample was taken from Population and Housing Census done on October 2011. In

the first cycle, 834 Primary Selection Units (PSUs) have been picked arbitrarily to represent the entire region of the nation. At that point, 8 households for each PSU were selected through a systematic sample technique to be investigated. Other 4 family units for each PSU were picked as substitutes to deal with instances of non-response or no contact. In this way, the target of 6,671 completed surveys is guaranteed. The methodology of the 2012 LSMS wave has been kept similar to the previous waves. Having said that, the geographic areas of the analysis have been extended to incorporate the 12 prefectures of Albania, by urban and rural strata, contrasted with four geographic regions (Central, Coastal, Mountain, and Tirana) by urban and rural strata already characterized as domains of the survey. This required an extensive increment in the sample size from 3,600 to 6,671 households, making possible to calculate indicators of living standard 24 strata and notwithstanding for the four main areas of the country in order to compare the regional results to those from the previous surveys of 2002, 2005, and 2008, and study the regional trends and patterns for different indicators. The main objective of LSMS is to collect information for measuring the Albanian household's welfare and to identify factors that determine it.

The questions that are utilized in the analysis of this study were only answered by the heads of the households. That is why the analysis of this research is limited only to these individuals. So, instead of looking at the general relationship between social capital and subjective wellbeing in Albania, this study will explore the relationship between social capital and subjective wellbeing of head of households in Albania.

## **2.4. Description of the Measurements**

### **2.4.1. Dependent Variables**

The primary dependent variable is subjective wellbeing. The LMS 2012 survey has a wide range of modules with specific questions accordingly. There are several questions which are related to subjective wellbeing. For this reason, there emerged the need to come up with a combination of several variables in order to better fit the model of the research and better answer the main research question.

*Subjective Wellbeing.* This variable was created by summing together two questions: 1) Do you feel that your financial situation in the past three years has... The response categories were “improved a lot (coded with a 6), somewhat improved (5), remained the same (4), somewhat deteriorated (3), deteriorated a lot (2), don’t know (1), and refuse to answer (0)”.

The second question is 2) How satisfied in general are you with your current life? The response categories were “fully satisfied (coded with a 6), rather satisfied (5), less than satisfied (4), not at all satisfied (3), don’t know (2), refuse to answer (1). Both questions were reverse coded and the values “don’t know” and “refuse to answer” were coded as missing. A Cronbach’s alpha of .75 suggested strong internal consistency with these two measures. Cronbach’s alpha is a measure of internal consistency or reliability in other words. It was first developed by Lee Cronbach in 1951. Coefficient alpha is expressed as a number, from 0 to 1, where generally a coefficient alpha of .70 is considered to be “acceptable”, less than .70 is considered to be “low” and above is considered to be “high” alpha coefficient of reliability (Tavakol M., Dennick R., 2011).

#### **2.4.2 Independent Variables**

The primary independent variable is social capital. The concept of social capital itself is comprised of several variables that are social participation, loaning, trust and general trust, and network/ group membership.

*Social Participation.* This variable is composed of two indices, each of them by combining 2 questions for each index. The following questions: 1) How often do you get together with relatives? 2) How often do you contact (tel, internet) relatives? were combined to form the index of social participation with relatives. Whereas questions 3) How often do you get together with friends? 4) How often do you contact (tel, internet) friends? Were combined to form the index for social participation with friends. The response categories for these questions are: 1 means “Daily”, 2 means “Every week (not every day), 3 means

Several times a month (not every week), 4 means “Once a month”, 5 “At least once a year (less than once a month)”, and 6 “Never”. All the questions were first reverse coded. The new values are 1 is “Never”, 2 is “At least once a year (less than once a month)”, 3 is “Once a month”, 4 is “Several times a month (not every week)”, 5 is “Every week (not every day)”, and 6 is “Daily”. The new values range from 1 to 6, they were first added and then the average was taken for each index.

*Network Membership.* This variable was created by summing together 19 measurements in one question: 1) I would like to start by asking you about the groups or organizations, networks, associations to which you or any member of your household belong. These could be formally organized groups or just groups of people who get together regularly to do an activity or talk about things. (See the list below):

Of how many such groups are you or any one in your household a member? The response categories varied as follows:

<i>A. Farmer/fisherman association</i>	<i>J. Association for environment protection</i>
<i>B. Irrigation related association</i>	<i>K. Association for water supply</i>
<i>C. Traders or Business association</i>	<i>L. Association for the consumers' protection</i>
<i>D. Professional association (doctors, teachers,)</i>	<i>M. Sports group</i>
<i>E. Trade unions</i>	<i>N. Youth groups</i>
<i>F. Neighborhood/village council of dignitaries</i>	<i>O. NGO</i>
<i>G. Religious or spiritual group</i>	<i>P. Ethnic-based community group</i>
<i>H. Political group or movement</i>	<i>Q. Veterans associations</i>
<i>I. Cultural association</i>	<i>R. Voluntary groups</i>
<i>S. Other groups (specify)"</i>	

The response categories ranging from A to S were combined into an index in order to have a single variable that could benefit the analysis in the study. 0 means no membership, 1 means membership in only one of these networks, and 19 means membership in all of the networks.

*Borrowing Money.* This variable was included in the analysis for the very fact that being able to borrow money from someone is an indicator of social support. This variable was created by summing together three questions: 1) Let's suppose that suddenly you need to borrow a small amount of money [RURAL: enough to pay for expenses for your household for one week; URBAN: equal to about one week's wage], are there people beyond your immediate household and close relatives to whom you could turn? The same question was asked for "Relatives", "Friends", and "Neighbors". The response categories were as follows "Yes (coded with a 1), Yes probably (2), I don't know (3), Probably not (4), No (5), I have no relatives/friends/neighbor (6), No answer (7)". Each question was recoded and the new values 1 "Yes" and 2 "Yes probably" recoded as 1 denote "Yes" and values 3 "I don't know" through 6 "I have no relatives/friends/neighbor" recoded as 0 denote "No". The variable "No answer" was coded as missing.

*Social Trust 1.* This variable was created by summing together and taking the average of two questions in order to measure the trust of people in the government (central or local): A) How much do you trust local government officials? and B) How much do you trust central government officials? The response categories are "completely (coded as (1), somewhat (2), neither trust nor distrust (3), not much (4), not at all (5). Both questions were reverse coded as they had the same response categories where the new values are 1 "not at all", 2 "not much", 3 "neither trust nor distrust", 4 "somewhat", and 5 "completely".



*Social Trust 2*. This variable was created by summing together and taking the average of two questions in order to measure the trust in people: 1) In general do you agree or disagree with the following statements A) Most people in this village/ neighborhood are willing to help if you need it, and B) In this village/neighborhood, there are people who want to take advantage from you. The response categories were “strongly agree (coded as a 1), somewhat agree (2), neither agree nor disagree (3), somewhat disagree (4), strongly disagree (5). Both questions were reverse coded as they had the same response categories. The new values are 1 “strongly disagree”, 2 “somewhat disagree”, 3 “neither agree nor disagree”, 2, “somewhat agree”, and 1 “strongly agree”.

*UBN (Unmet Basic Needs)*. In order to come up with a variable such as “extreme poverty”, there is the need to look at the non-monetary aspect of poverty taking into consideration the basic essential services and their quality. More specifically, the unmet basic needs’ (UBN) index will play a crucial role in measuring this variable. Unmet Basic Needs (UBN) index is composed of four coexistent indicators of non-monetary poverty. This indicator provides a synthetic picture of the non-income dimensions that complements the analysis of the income dimension of poverty. The indicators are as follows:

- Inadequacy of water (unavailable running water in the dwelling)
- Inadequacy of housing condition (subject to subjective assessment of housing conditions, as perceived by the household)
- Inadequacy of energy supply (power shut off for 6 hours or more per day)
- Overcrowding of the dwelling (3 or more persons per room)

This variable was created by summing together four questions: 1) What is the main source of water supply system used by this household? 2) What is the condition of the dwelling unit? 3) Do you have a contract with KESH (Korporata Elektroenergjitike Shqiptare – The Albanian Power Corporation? and 4) Number of rooms that your family

occupies: (excluding verandas, balconies, bathrooms, toilets, corridors, warehouses or rooms smaller than 4 m<sup>2</sup>). In order to have a more accurate measurement regarding the "crowding" in the dwelling, the actual household size was divided by the number of rooms that the family occupies. The four questions were then combined into an index called UBN (Unmet Basic Needs). A Cronbach's alpha for the aforementioned index is .465. An individual or a household is defined as UBN-poor when two or more of these basic needs/ indicators are unmet, and to be in extreme UBN-poverty when three or more of the aforementioned indicators are unmet.

*Total Employment.* This variable was created by summing together three questions: 1) During the past 7 days, have you worked (at least one hour) for someone who is not a member of your household, for example, a public or private enterprise or company, an NGO or any other individual?, 2) During the past 7 days, have you worked (at least one hour) on a farm owned or rented by you or a member of your household, whether in cultivating crops or in other farm maintenance tasks, or have you cared for livestock belonging to you or a member of your household?, and 3) During the past 7 days, have you worked (at least one hour) on your own account or in a business enterprise belonging to you or someone in your household, for example, as a trader, shop-keeper, barber, dressmaker, carpenter, taxi driver, car wash, etc.?. The response categories are "Yes (coded with a 1), and No (2)". The three questions were merged into a new variable (employment). The new values are 1 ("Employed") and 0 ("Unemployed").

*Sex.* A dichotomous variable was created to indicate whether a respondent was male (0) or female (1). The reference group for this study was chosen to be "male".

*Education.* The following question was used to look at the education level of the head of the households. 1) What is the highest diploma you have attained? The response categories were "None (coded with a 1)", "Primary – 4 years (2)", "Primary - 8/9 years (3)", "Gymnazium (4)", "Technicum < 2 years (5)", "Vocational 2/3 years (6)", "Vocational

4/5 years (7)", "Tertiary(BA) (8)", "Tertiary(BAMA) (9)", "Tertiary (old system before Bologna) (10)", "Post-graduate/Master (11), and "Doctorate/PhD (12)".

*Marital Status.* Dummy variables were created for each of the response categories of the question on the gender of the respondent, namely "married", "divorced", "living together", "widow/er", and "single". Married individuals were excluded from the OLS as the reference group.

*Age.* The variable age was recoded into three age groups, namely age group 15 – 29, 30 – 44, and 45 – 64. This was done so that the results could better interpret the current situation. The reference group here is the age group 65+.

*Income.* The values of this variable range from 0 to 10,000,000. In order to normalize the distribution of the variable and to make the coefficients more interpretable natural log of income was used.

*Health.* The head of the households were asked about how would they rate the health condition of each of the member of the household. The response categories varied from 1 to 5 where 1 is "Very good", 2 is "Good", 3 is "Average", 4 is "Poor", and 5 is "Very poor". In order for higher values to indicate higher (better) health status, this variable was reverse coded. The new values are 1 "Very Poor", 2 is "Poor", 3 is "Average", 4 is "Good", and 5 is "Very good".

*Home Ownership.* This variable was created using the question: What is the ownership of this dwelling? The response categories are "Owner with legal act, no loan (coded with 1)", "Owner with legal act (mortgage or loan) (2)", "In process of acquiring legal act (3)", "Rented from a private individual (4)", "Rented from the state (5)", "Live for free (6)", and "Other (7)". In order to better serve the study, the variable was recoded such as 1 "Owner with legal act, no loan" and 2 "Owner with legal act (mortgage or loan)" into 1

denoting “own the dwelling”, and 3 “In process of acquiring legal act” through 7 “Other” into 0 denoting “doesn’t own the dwelling”.

*Religion.* Looking at the statistical distribution of the religious groups in Albania, the highest percentages belonged to the Muslim and Catholic religious groups, and as such they were chosen to be part of the analysis looking whether being part of a religious group had any impact on the subjective wellbeing of a head of a household. Dummy variables were then created out of the two response categories of the question, namely Muslim and Catholic.

*Living Area.* This variable describes the area of living of the respondents, more specifically whether they live in an urban or rural area. Dummy variables were created out of the two response categories of the question, namely urban and rural.

## **2.5 Limitations**

The first limitation encountered by this study has been the lack of previous research on this topic in Albania. Even though on the one hand, this factor adds to its originality and makes the research more authentic, it does on the other hand make it hard to gather information relevant to this research. Searching for data on the topic resulted to be scarce and limited in amount but also very hard to find and compile together. Along the same line, another limitation confronted in this research was the fact that subjective wellbeing on its own is very recent in the sociological domain. The topic itself has only recently appeared in big scale research, which added yet another difficulty in providing excessive background on the matter.

Additional limitation for this study would be the absence of exact corresponding variables of the research question to the variables of the actual survey, more specifically variables such as social capital and subjective wellbeing. Because of this very fact, the definitions of the main concepts that are going to be studied will change slightly

compared to the definitions made from other scholars that were mentioned in the literature review part of this study. The concepts used in the analysis are going to take their actual and true form and definitions according to the variables chosen for each concept. This will also reflect in the analysis itself and eventually the results at the end.

Another limitation of this research regards the survey methodology. Due to the fact that most of the questions related to the survey are not open-ended questions but give a series of alternatives out of which the respondents should pick, is known to lead to what is considered as the problem of “the first-choice selection” (Jackson, 2011). As the name suggests it comes due to the fact that people tend to choose the first answer as the most convenient one, which in return creates a biased result. An additional problem that arises from the survey questionnaire is the fact that it can fall pray of the Socially Desirable Responding. What this suggests is that when people take surveys even if the survey is being asked in person they interpret information in such a way that makes them look good. They do not choose to deliberately lie but their natural tendency to fit in social norms, show that you are better than others or even due to survey fatigue leads them to give an answer which in fact does not describe them (Zerbe & Paulhus, 1987).

## **2.6 Contribution/ Significance of the Study**

Social capital has been analyzed and discussed by sociologists for a long time now, whereas subjective wellbeing is a recently popular topic of discussion in sociology. Many sociologists that subjective wellbeing is a social construct of notions and perceptions of the good life of a society.

One of the theories that support this claim the social construction theory. This theory argues about how people make sense of things and that people use collective notions to “construct” their perceptual representation of reality. In this regard, subjective wellbeing is a social construction as well. Some scholars argue that this “construct” can be achieved by shaping perspectives toward optimism or pessimism. For example, optimistic cultures tend to look at the positive aspects of life (e.g. American culture), while pessimistic

cultures highlight the negative aspects (e.g. French culture) (Ostroot & Snyder, 1985). Another mechanism used in this regard, is comparing notions of “life-as-it-is” with perceptions of “how-life-should-be” (Michalos, 1985).

Sociologists have taken great interest in matters of life satisfaction and subjective wellbeing as illustrated above. Therefore, I believe that the contribution of this study, “Social capital and subjective wellbeing in Albania”, is of great importance. This is for a few reasons. Firstly, due to the fact that there are not many studies of this kind in the current literature. The literature not only is very anemic in sociological studies that focus in Albania but is even more lacking of contemporary topics. Most of the studies focus rather on issues that related to long standing problems with the Albanian society such as the gender discrimination for instance. Secondly, it is a fact that sociology is still an underestimated field of study considering the phenomena and issues that this field can contribute to in Albanian society.

Another important reason would be the fact that despite these two concepts being studied before, a sociological perspective is lacking. The previous studies are more focused on the economic and political perspective of the subject. Focusing on these two important concepts like social capital and subjective wellbeing in an Albanian setting, brings to the reader’s attention the need for further research on the topic at hand and similar studies in the field. Studying subjective wellbeing and social capital is a great way to explore the performance of the democratic system. Subjective wellbeing is bound to affect the functioning of the social system, networks, social and work organization etc. because it is a very important element. But at the same time social capital and subjective wellbeing are outcomes of the functioning of these systems.

## **CHAPTER 3 ANALYSIS & RESULTS**

### **3.1 Analytical Strategy**

This analysis will be conducted by using Ordinary Least Square (OLS) regression to examine the relationship between the multiple independent variables and the dependent variable subjective wellbeing. The independent variables include age groups (15-29, 30-44, 45-64, and 65+), highest diploma attained, sex, marital status (married, divorced, living together, widower, single), health, employment (wage laborer, farmer, self-employed), income, home ownership, UBN number (unmet basic needs), social participation (relatives, friends), network membership, borrow money, social trust (between people, in government), religion (Muslim, Christian), and living area (urban, rural). There are three hierarchical models of regression which are created by adding independent variables to each upcoming model. The hierarchical model was used in order to better see visually the changes in the values and significance of each additional regression model. Correlation matrices showing the bivariate relationship between all of the variables used in these OLS regression models will be added provided below.

### **3.2 Descriptive Statistics**

#### **Demographics**

In order to deliver a brief description of the general situation, I will be listing the descriptive statistics for all the variables that are part of the analysis.

Descriptive statistics for the Albanian sample demographics are presented below in tables 1 and 2 (n= 6668). From these Tables, we can draw a picture of the typical head of the household in this study sample. The sample was not evenly distributed in terms of gender, with a predominance of male head of the household (32.2% female, 67.8% male). The mean age of the respondents was 52 (52.2 to be exact) years old, but respondents aged anywhere from 15-102 years old. The largest proportion of the sample were the age group 45-64 (49.3%), followed by the age group 30-44 (25%), then age group 65+ (19.9%) and lastly age group 15-29 (5.8%). Most of the Albanian head of the

households in this sample had primary 8/9 years of education (44.8%). About 8.6% only finished primary education (4 years), and 26.6 % did finish high school (Gymnazium). Ultimately, only 11.3% of the respondents finished a Tertiary education (Old system before Bologna). As for marital status, the majority of the head of the households were married (84%), about 10% were widow/ers, 4 % of the respondents were single, and about 2% of them were divorced.

As for the employment status, 20.1% of the respondents were wage labors who work for someone else, 12.7% of them were farmers, and 8.4% of the head of the households were self-employed. The sample was relatively evenly distributed in terms of living area, where 54% of the respondents lived in urban areas, and 46% of them lived in rural areas. Only 14% of the sample were members of at least one association of organization, whereas 86% of them were not. The majority of the respondent was part of the social security scheme of the country (72.3%), and 27.7% of them were not part of the social security scheme. Looking at the variable of religion, the majority of the sample (76%) were Muslim, followed by Catholic (11.2%), then Orthodox (8.8%), Bektashian (2.7%), Atheist (0.9%), and Other (0.3%). Very interestingly, the matrix shows that heads of households have the tendency to ask to borrow money more from their neighbors compared to friends and relatives. One would have expected for the relatives to have a higher correlation with borrowing money, but it appears not to be the case. It seems that neighbors hold an important place in one's life in Albania in 2012 as borrowing money is a quite sensitive topic (See tables 1 and 2)

Table 3.1. Descriptive Statistics for Categorical Variables

	Variables	N	1	2	3	4
1	Sex	6668	67.8 (male)	32.2 (female)		
2	Religiosity	6668	0.9 (not religious)	99.1 (religious)		
3	Muslim	6668	76 (Yes)	24 (No)		



Table 3.1. Continued

4	<b>Christian (Orthodox + Catholic)</b>	<b>666 8</b>	<b>20.01</b>	<b>79.9</b>		
5	Marital Status	666 8	15.9 (Unmarried)	84.1 (Married)		
6	Married	666 8	84.1 (Yes)	15.9 (No)		
7	Divorced	668	1.6 (Yes)	98.4 (No)		
8	Living together	666 8	0.2 (Yes)	99.8 (No)		
9	Widower	666	10 (Yes)	90 (No)		
1 0	Single	666 8	4.1 (Yes)	95.9 (No)		
1 1	Network Membership	666 8	14.5 (Yes)	85.5 (No)		
1 2	Living Area	666 8	54.1 (Urban)	45.9 (Rural)		
1 3	UBN Number	666 8	16.4 (Inadequacy of water)	26.4 (inadequacy of housing)	0.6 (inadequacy of energy)	0.2 (crowding )
1 4	Home Ownership	513 9	87.9 (Yes)	12.1 (No)		
1 5	Employment	666 8	20.1	12.7	8.4	
1 6	Borrow money	666 8	36.6 (Relatives)	46.2 (Friends)	61.9 (Neighbors)	
1 7	agegroup 15-29	666 8	5.8	94.2		
1 8	agegroup 30-44	666 8	25	75		
1 9	agegroup 45-64	666 8	49.3	50.7		
2 0	agegroup 65+	666 8	19.9	80.1		

Table. 3.2 Descriptive Statistics for Numerical Variables

	Variables	N	Minimum	Maximum	Mean	Std. Deviation
1	Subjective Wellbeing	5280	1	4	2.14	0.7
2	Social Participation Relatives	6257	1	6	3.99	1.26
3	Social Participation Friends	6257	1	6	4.24	1.3
4	Social Trust 1	6668	1	5	3.47	1.18
5	Social Trust 2	6257	1	5	3.19	0.86
6	Education	6487	0	11	3.26	2.35
7	Age	6668	15	102	52.02	14.224
8	Income	5940	7.09	16.12	12.49	0.8
9	Health	6668	1	5	4.12	0.87

### 3.2 Bivariate Statistics

Correlation is a statistical test that looks at the relationships between variables measuring the strength and the direction of their relationship; it is a measuring tool of how things are related. Correlation analysis on the other hand studies the way things are related, while the correlation coefficient associates a value to the relationship of variables under examination. This coefficient has a valued of between -1 and 1; a “0” denotes there is no relationship what so ever between the variables, whereas -1 or 1 denotes that there is a negative or positive correlation between them. The Spearman rank correlation is a statistical test used to measure the relationship between two variables on a scale that is at least ordinal. The Pearson product-moment correlation on the other hand is mostly used to measure and analyze a linear relationship between variables. The correlation coefficient for sample data is computed by dividing the sample

covariance by the product of the sample standard deviation of x and the sample standard deviation of y (D. R. Anderson, D. J. Sweeney, Th. A. Williams (2008)).

$$r_{xy} = \frac{S_{xy}}{S_x S_y}$$

The results from the correlation matrix are as follows in table no. 3.3:



Table. 3.3 Correlation Matrix

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	
1. Subjective Wellbeing	-																									
2. AG 15-29	0.014	-																								
3. AG 30-44	-0.029	-0.144	-																							
4. AG 45-64	0.026	-0.245	-0.569	-																						
5. Education	0.231	0.060	0.055	0.051	-																					
6. Gender	-0.02	0.108	0.066	-0.104	0.009	-																				
7. Married	0.052	-0.185	0.103	0.144	0.01	-0.371	-																			
8. Divorced	-0.061	-0.01	0.031	0.005	0.012	0.083	-0.294	-																		
9. Living Together	-0.02	0.021	0.011	-0.018	0.052	0.004	-0.094	-0.005	-																	
10. Widow/er	-0.042	-0.083	-0.136	-0.081	-0.098	0.370	-0.789	-0.463	-0.014	-																
11. Single	0.01	0.470	-0.005	-0.144	0.110	0.070	-0.474	-0.026	-0.008	-0.069	-															
12. Health Status	0.241	0.142	0.229	0.018	0.184	-0.070	0.133	-0.021	0.007	-0.215	0.092	-														
13. Employer	0.148	-0.036	0.130	0.167	0.223	-0.210	0.143	-0.007	0.024	-0.161	-0.02	0.261	-													
14. Income	0.402	0.003	0.011	0.046	0.352	-0.028	0.160	-0.067	0.023	-0.177	0.023	0.173	0.273	-												
15. Home Ownership	0.078	-0.091	-0.091	0.038	-0.016	-0.030	0.019	-0.056	-0.013	0.02	-0.040	-0.003	0.02	0.048	-											
16. Living Area	-0.064	-0.032	-0.014	0.030	-0.235	-0.225	0.106	-0.046	-0.008	-0.063	-0.069	-0.045	0.135	-0.192	0.105	-										
17. UBN Number	-0.124	0.207	0.125	-0.089	-0.023	0.523	0.038	-0.019	0	-0.149	0.169	-0.028	-0.113	-0.023	-0.152	-0.031	-									
18. Soc Part Relatives	0.143	0.039	0.038	0.027	0.086	-0.095	0.052	-0.02	0.018	-0.090	0.050	0.104	0.085	0.120	0.018	0.049	-0.023	-								
19. Soc Part Friends	0.168	0.052	0.049	0.039	0.190	-0.092	0.056	-0.014	0.013	-0.113	0.078	0.158	0.122	0.194	-0.014	-0.108	-0.042	0.688	-							
20. Network Membership	-0.068	0.036	0.018	-0.055	-0.095	0.077	-0.081	0.019	0.006	0.047	0.029	-0.033	-0.130	-0.109	-0.037	-0.077	0.029	-0.094	-0.113	-						
21. Borrow Money	-0.018	-0.02	0.035	0.027	-0.057	-0.066	0.057	0.001	-0.021	-0.053	-0.02	0	0.011	-0.051	0.033	0.158	0.004	0.165	0.114	-0.025	-					
22. Trust in People	0.298	0.001	-0.004	0.013	0.099	-0.01	0.023	-0.014	0.014	-0.02	-0.006	0.108	0.074	0.105	0.042	0.050	-0.053	0.122	0.101	-0.028	0.047	-				
23. Trust in Government	0.074	-0.02	0.037	0.008	-0.009	-0.102	0.064	-0.027	0.003	-0.030	-0.056	0.068	0.100	0.023	0.084	0.188	-0.066	0.166	0.137	-0.104	0.277	0.148	-			
24. Muslim	-0.024	0.051	0.035	-0.017	-0.037	0.026	0.032	-0.026	0.006	-0.034	0.007	0.024	0.004	-0.076	-0.037	0.009	0.053	-0.004	0.012	0.01	-0.033	-0.01	-0.057	-		
25. Christian	0.015	-0.048	-0.045	0.01	0.016	-0.012	-0.027	0.008	-0.002	0.032	-0.005	-0.026	-0.036	0.040	0.049	-0	-0.027	-0.02	-0.044	0.02	0.057	0.002	0.080	-0.892	-	

\*\* Correlation is significant at the 0.01 level (2-tailed).  
 \*\* Correlation is significant at the 0.01 level (2-tailed).

Table 3. presents correlations among core study variables for the total sample. The strongest correlations that also strike the most attention are relationships among variables of the same or similar categories, such as Christian with Muslim ( $r=-0.892$ ,  $p<0.01$ ), widow/er with married ( $r=-0.769$ ,  $p<0.01$ ), social participation friends with social participation relatives ( $r=0.668$ ,  $p<0.01$ ), age group 45-64 with age group 30-44 ( $r=-0.569$ ,  $p<0.01$ ), and single with married ( $r=-0.474$ ,  $p<0.01$ ).

Apart from these correlations, the data shows other strong relationships between other variables that stand for different and interesting connections/associations within the variables of this study. More specifically, the data shows that UBN number is highly positively correlated with gender ( $r=0.523$ ,  $p<0.01$ ) which suggests that households whose heads are females tend to be poorer than males. As would be expected, there is a strong positive relationship between single and age group 15-29 ( $r=0.470$ ,  $p<0.01$ ) meaning that the people who belong to this age group are mostly single. The next strongest correlation is between income and subjective wellbeing ( $r=0.470$ ,  $p<0.01$ ). As the level of income increases, the level of subjective wellbeing also increases or vice versa; as subjective wellbeing increases, income likewise increases. Categories of marital status such as married have a strong and inverse relationship with gender ( $r=-0.371$ ,  $p<0.01$ ) and widow/er has an also strong but positive relationship with gender ( $r=0.370$ ,  $p<0.01$ ).

Additionally, there is a moderate, positive and significant correlation between income and education ( $r=0.352$ ,  $p<0.01$ ). Not surprisingly, as the level of education rises, the level of income likewise increases, and vice-versa. Moreover, there is a relatively weaker relationship between income and employment ( $r=0.273$ ,  $p<0.01$ ). As expected, higher income is associated with an increase in the level of employment. Again, another weak relationship is evident between employment and education ( $r=0.223$ ,  $p<0.01$ ). As perceived, a rise in employment is associated with a rise in the education level as well. Interestingly, there is a highly significant and positive correlation between trust in people

and subjective wellbeing ( $r=0.298$ ,  $p<0.01$ ) and trust in government and borrow money ( $r=0.277$ ,  $p<0.01$ ). Also, education and subjective wellbeing have a weak and positive correlation ( $r= 0.231$ ,  $p<0.01$ ). As observed, increase in education is associated with increase in subjective wellbeing. The next correlation is positive between employment and health status ( $r=0.261$ ,  $p<0.01$ ). When people are employed they report better health statuses. Again, another positive relationship is seen between health status and subjective wellbeing ( $r=0.241$ ,  $p<0.01$ ). As perceived, higher health status is associated with higher subjective wellbeing. Furthermore, education is highly and positively correlated with subjective wellbeing or vice versa. This suggests that, as education increases, the level of subjective wellbeing increases as well. Another inverse correlation is among living area and education ( $r=-0.235$ ,  $p<0.01$ ).

### **3.3. The hierarchical multiple regression model**

The term multiple regression was first used by Pearson, 1908. The general aim of multiple regression analysis is to observe and better understand the relationship between a dependent variable and numerous independent variables. This type of regression allows/permits us to take more factors into consideration and thus find better estimates/assessments than are usually possible with simple linear regression. There are two main variables in regression or statistical terminology, the independent and dependent variables. The variable that is being predicted is called the dependent variable and the variable/s being used to predict the value of the dependent variable are called the independent variables. Usually in statistical symbolization,  $y$  represents the dependent variable and  $x$  represents the independent variable (D. R. Anderson, D. J. Sweeney, Th. A. Williams (2008)). The essence of the regression analysis is that we can fit a model to our data and utilize it to predict values of the dependent variable (DV) from one or more independent variables (IVs). This tool is very useful because it allows us to go a step beyond the data that we collected.

This study seeks to investigate the data in order to find out whether there is a linear relationship between relevant independent variables and to construct a linear function that will better explain the relationship between social capital and demographic variables and subjective wellbeing with Ordinary Least Square regression (OLS). This method is considered to be by far the most commonly used modeling method. OLS regression is a statistical method of analysis that estimates the relationship between one or more independent variable and a dependent variable. This technique assesses the relationship by minimizing the sum of the squares in the difference between the observed and predicted values of the dependent variable configured as a straight line; in other words, it finds the line that best fits the data.

In the section below, we will analyze whether the distribution of the social capital and the demographic variables have any statistically significant impact on the subjective wellbeing of the head of households in Albania. The first step in this analysis is the writing of the theoretical model and the hypotheses:

Theoretical model:

$$Y = B_0 + B_1 * \textit{age group 15 - 29} * \textit{age group 30 - 44} * \textit{age group 45 - 64} * \textit{highest diploma attained} * \textit{sex} * \textit{married} * \textit{divorced} * \textit{living together} * \textit{widow} * \textit{single} * \textit{health} * \textit{employment} * \textit{income} * \textit{home ownership} * \textit{living area} * \textit{ubn number} * \textit{social participation relatives} * \textit{social participation friends} * \textit{network membership} * \textit{borrow money} * \textit{trust in people} * \textit{trust in government} * \textit{Muslim} * \textit{Christian}$$

Hypotheses:

H<sub>0</sub>: Social Capital and demographic variables have a statistically significant impact on the subjective wellbeing of the head of the household controlling for other demographic variables.

H<sub>1</sub>: Social Capital and demographic variables do not have a statistically significant impact on the subjective wellbeing of the head of the household controlling for other demographic variables.

The second step of testing the hypotheses above is to determine the level of significance which is the probability of dropping the zero hypotheses when it is true, or otherwise the level of risk. For this step, we will determine the level of importance equal to 5%.

The third step of testing the hypothesis above is the B unstandardized coefficient, which are the values for the regression equation for predicting the dependent variable from the independent variable.

The multiple regression of this study consists of three hierarchical models as I have previously mentioned. New variables are added to each of the previous models in the upcoming models, more specifically six new variables are added to the second model, and two other new variables are added to the third model. By doing this, we will be able to look at the changes that occur to the variables, their p-values and unstandardized coefficients along the way while adding other variables to the first set of values in the first model. The first model includes the basic socio-demographic variables. The second model then has an addition of the components of the social capital variable. And the third model has an addition of the variable of religion. Religion has always been part of and played a vital role in any society and also related to other aspects of the society. For this very reason, the third model was dedicated to this variable to see whether it would have an impact on the outcome variable, subjective wellbeing.

In the section below, I have included the results of the three models consequently for each variable. In order to get a clearer picture of the results of the analysis and also to minimize any confusions with the three models of regression, the models are fitted in a



single table alternately. A final comparison of the three models and the results of the analysis will also take place in the next chapter, conclusions.



Table 3.4 Hierarchical Multiple Regression

Hierarchical Multiple Regression Model									
Coefficients <sup>a</sup>	Model 1			Model 2			Model 3		
Variables	Beta	Std. Beta	Sig.	Beta	Std. Beta	Sig.	Beta	Std. Beta	Sig.
15-29	-0.061	-0.014	0.383	-0.082	-0.019	0.225	-0.082	-0.019	0.223
30-44	-0.197	-0.119	0.000	-0.201	-0.121	0.000	-0.199	-0.120	0.000
45-64	-0.136	-0.099	0.000	-0.143	-0.104	0.000	-0.142	-0.103	0.000
Education	0.029	0.100	0.000	0.023	0.078	0.000	0.023	0.079	0.000
Female	0.145	0.075	0.001	0.134	0.068	0.002	0.133	0.068	0.002
Divorced	-0.147	-0.028	0.065	-0.147	-0.028	0.053	-0.138	-0.026	0.071
Living Together	-0.375	-0.015	0.284	-0.502	-0.020	0.134	-0.502	-0.020	0.134
Widower	-0.034	-0.016	0.479	-0.032	-0.015	0.485	-0.029	-0.014	0.522
Single	-0.043	-0.008	0.593	-0.049	-0.009	0.524	-0.052	-0.010	0.501
Health Status	0.170	0.211	0.000	0.147	0.183	0.000	0.146	0.182	0.000
Employment	0.000	0.000	0.998	0.010	0.008	0.622	0.010	0.009	0.593
Income	0.299	0.335	0.000	0.272	0.304	0.000	0.274	0.306	0.000
Home Ownership	0.071	0.032	0.029	0.070	0.031	0.025	0.070	0.031	0.025
Living Area	0.106	0.077	0.000	0.067	0.049	0.002	0.068	0.049	0.002
UBN	-0.153	-0.128	0.000	-0.139	-0.117	0.000	-0.140	-0.118	0.000
Social Participation Relatives				0.049	0.086	0.000	0.049	0.087	0.000
Social Participation Friends				-0.001	-0.002	0.903	-0.001	-0.003	0.895
Network Membership				0.030	0.016	0.246	0.028	0.015	0.290
Borrow Money				-0.007	-0.013	0.378	-0.007	-0.014	0.345
Trust in Government				0.143	0.239	0.000	0.143	0.239	0.000
Trust in People				0.017	0.020	0.162	0.016	0.019	0.188
Muslim							0.084	0.053	0.072
Christian							0.074	0.044	0.136

a. Dependent Variable: Subjective Wellbeing

Model Summary									
					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.484a	0.234	0.231	0.60510	0.234	78.125	15	3828	0.000
2	.550b	0.302	0.298	0.57812	0.068	61.940	6	3822	0.000
3	.550c	0.303	0.299	0.57802	0.001	1.6410	2	3820	0.194

Taking a look at the p-value associated with age group 30-44, it can be noted that it is less than 0.05 meaning that this variable (it) has a statistically significant impact on the outcome variable. On average, being in the age group 30 to 44 decreases subjective wellbeing by 0.197 units. Moreover, in the second and third model, the impact of this variable remains statistically significant less than 0.05 with a value of 0.000. The unstandardized coefficient for the second model is – 0.201 and changes to – 0.199 in the third model. This means that the people who belong to the age group 30-44 tend to have a lower level of subjective wellbeing compared to the reference group (65+) by 0.197 units.

Just as previously, the age group 45-64 as well seems to be a negative predictor on subjective wellbeing. With the same significance as the age group 30-44 0.000, the unstandardized coefficient for the variable age group 45-64 is – 0.136. In this case, this means that being 45-64 years of age, the subjective wellbeing will decrease with 0.136 units. Besides, the p-value remains 0.000 in both upcoming models 2 and 3. The unstandardized coefficients range from – 0.143 in the second model to – 0.142 in the third model. This implies that when the age group 45-64 increases with one unit, the outcome variable subjective wellbeing decreases by the values 0.143 in the second model and 0.142 in the third model.

However, it seems to work differently for the education variable. From the calculations, it seems that the variable of education has a positive impact on the outcome variable with a statistically significant p-value of 0.000. The unstandardized coefficient value for this variable is 0.029, meaning that as the education of the head of the household increases with one unit, the subjective wellbeing of these head of the household will increase by 0.029 points. In other words, it indicates that the higher the education level, the higher the subjective wellbeing of the head of the household. Education continues to be significant and important in the models 2 and 3 as well with a p-value of 0.000. Having said that, the unstandardized beta coefficients are 0.023 in both models denoting that as the education level of the head of the household increases, the subjective wellbeing of the head of the household increases at both models with 0.023 units.

Gender as well is a positive predictor of subjective wellbeing just as education was. Its p-value of 0.001 is statistically significant at the 0.05 level. Results show that female head of the households have higher subjective wellbeing than in the case of male head of households. The unstandardized coefficient of 0.145 means that women on average have higher levels of subjective wellbeing in comparison to men. Controlling for other factors, being female in comparison to being male increases subjective wellbeing by 0.145 units. Besides, in the second and third model the p-values change from 0.001 in the first model to 0.002 in the two others. The unstandardized coefficients range from 0.134 in the second model to 0.133 in the third model, which means that even after controlling for the effects of the variables added in the second and third models females have the tendency to be more satisfied with their life than males.

Health status is another positive predictor of subjective wellbeing. With a p-value less than 0.05, more specifically 0.000, this variable has an unstandardized coefficient of 0.170. What this means is that if the health status increases with one unit, the subjective wellbeing of the head of the household will increase with 0.170 units. There is no doubt that the healthier the head of the households, the happier and satisfied with their lives

they will be. The trend for the health status variable remains in the same significance level at 0.000 for the two other models as well. The unstandardized coefficients for the second model is 0.147 and 0.146 for the third model. This means that when the health status increases with one unit, the second and third model will also increase by the value 0.147 and 0.146 in the second and third models respectively.

The next variable, which is income is also among the positive predictors of the outcome variable with a significant p-value of 0.000. The unstandardized coefficient for this variable is 0.299, which leads to the fact that when the income increases with one unit, the outcome variable the subjective wellbeing increases with 0.299 units. Furthermore, the income variable remains significant at 0.000 for both upcoming models. The unstandardized coefficients for this variable in the second and third models are 0.272 and 0.274 respectively. This means that if the income variable increases with one unit, the outcome variable subjective wellbeing increases with 0.272 in the second and 0.274 units in the third model. It is apparent that income is a crucial factor in the subjective wellbeing of head of households.

Furthermore, it results that home ownership is another positive predictor for subjective wellbeing. The p-value for this variable is 0.029, which is less than 0.05 and is statistically significant. The unstandardized coefficient 0.071 means that if the home ownership variable increases by one unit, the subjective wellbeing variable increases with 0.071 units. Looking at the same variable in the second and third models, the p-value increases in significance from 0.029 in the first model to 0.025 in the second and third model. The unstandardized coefficients for the other two models are 0.070, meaning that when the home ownership variable increases with one unit, the subjective wellbeing increases with 0.070 units for both models. Said differently, it means that the ownership of a home seems to play a great role in one's subjective wellbeing.

Living area is yet again a positive predictor with a statistically significant p-value of 0.000. Head of the households who live in the rural areas surprisingly seem to be more satisfied with their life and have higher subjective wellbeing than those who live in urban areas. The unstandardized coefficient for the living area variable is 0.106. This means that if the living area variable increases with one unit, then the subjective wellbeing outcome will increase with 0.106. The p-value of this variable for the second and third model changes to 0.002 but still remains statistically significant less than 0.05. The unstandardized coefficients for the living area variable in the second and third models are 0.067 and 0.068 respectively. This means that if the living area variable increases by one unit, the subjective wellbeing variable increases by the values 0.067 in the second model, and 0.068 in the third model.

The variable of UBN on the other hand acts different with the subjective wellbeing variable. It is negatively statistically significantly associated with the outcome variable with the p-value of 0.000. The unstandardized coefficient for this variable is – 0.153, which means that if the UBN variable increases with one unit, the subjective wellbeing variable decreases by 0.153 units. Additionally, this variable remains statistically significant for both second and third models at 0.000 p-value. The unstandardized coefficients for this variable are – 0.139 and – 0.140 for the second and third model respectively. In other words, if the UBN variable increases with one unit, the subjective wellbeing will decrease with 0.139 in the second model and 0.140 units in the third model.

Among the new variables that were added to the second model, a statistically significant variable with a p-value 0.000 is social participation relatives which seems to have a positive impact on the outcome variable. This variable has an unstandardized coefficient of 0.049, which also means that if social participation relatives increases with one unit, the subjective wellbeing increases by 0.049 units. It is interesting to see such an impact of social participation of relatives in the subjective wellbeing of the head of the

household. One would think that in 2012, the impact of the social participation of friends would be more significant in one's subjective wellbeing, but the results from the data say otherwise. Looking at this variable in the third model, it still remains statistically significant with an unchanged p-value of 0.000 and an unstandardized coefficient of 0.049. In other words, just like in the second model, if the social participation relatives increase with one unit, the subjective wellbeing also increases with 0.049 units in the third model as well.

Another positive predictor that seems to have an impact on subjective wellbeing of the head of the households is trust in government variable. This variable has a p-value of 0.000 and an unstandardized coefficient of 0.143, meaning that when the trust in government increases with one unit, the subjective wellbeing increases by 0.143 units. The variable trust in government remains significant with an unchanged p-value and unstandardized coefficient as in the second model, namely 0.000 and 0.143. As for the third model, the analysis does not show any additional significant predictors that have either positive or negative impact on the outcome variable the subjective wellbeing.

Looking at the standardized coefficients, income in the first model has the largest absolute value (0.335), which means that it has the strongest impact on subjective wellbeing. Income, is then followed by the variable of health status (0.211) and education (0.100). As for the negative impact on subjective wellbeing, the UBN variable has the largest negative value. The significance of these aforementioned variables follows in the second and third models as well.

## CHAPTER 4

### CONCLUSIONS AND DISCUSSION

#### 4.1. Conclusions

This paper has broadly explained the meaning and different standpoints regarding two important concepts in sociological discussions: social capital and subjective wellbeing. Chapter one dealt extensively with the explanation, definition and categorization of the concepts and how they are presented in the Albanian society based on limited studies so far. It also laid the main question of how these two terms are reflected in the Albanian society by taking them separately. The research methodology focused most importantly the statistical analysis alongside the correlation and multiple regression analysis which were included in this part.

Chapter two centered around the theoretical framework, which consisted of different work and studies from mostly sociologists and psychologist such as Coleman and Bourdieu. The two most important pillars of these research though remain the literature review detailed in Chapter One which would set what would be later compared with the statistical analysis illustrated later in Chapter Three. The literature review, made up by different international and Albanian scholarly papers on social capital and subjective wellbeing presented the substantive findings in these fields. On the other hand, Chapter Three dealt entirely with the analysis which incorporated data that were collected and adopted from previous INSTAT analysis in year 2012, which consisted of the most comprehensive data available to date. The core analysis of this study, say descriptive statistics, correlations, and regression, were written and edited in the syntax and run in SPSS, which in return made possible results that explained and described the relationships among the independent variables with the dependent variable and their impacts on each other.



Below, this paper compares and contrasts the results that emerged from previous literature review with the results obtained by the statistical analyses conducted for the purpose of this study. It corresponds the findings with previous studies to check whether they match or how they change from previous results.

The results of the analyses conducted and explained extensively in the previous chapter showed several negative and positive predictors on the outcome variable. For example, the variables age group 30-44 and age group 45-64 both have a statistically significant and negative impact on subjective wellbeing. Older people seem to have higher levels of subjective wellbeing. In other words, the younger age group (15-29) and the older age group (65+) have the tendency to have a high level of subjective wellbeing compared to age groups such as 30-44 and 45-64.

This though appeared to be quite different however when it came for the variable of education. Education appeared to be a highly significant and positive predictor for subjective wellbeing. Just as expected, education of course is an important factor in one's life and as a result also for the subjective wellbeing. Usually, a high level of education is followed by good employment, which in turn is followed by good income, thus education has a huge impact on subjective wellbeing at large. Gender on the other hand presents as a positive predictor as well for the outcome variable. It was eventually concluded that female head of households tend to have higher levels of subjective wellbeing than male head of households. Moreover, health status is another positive predictor for subjective wellbeing just like education and gender. As anticipated, the healthier the head of the household is, the happier and more satisfied with their life he/she is which comes to show the impact of health status on one's satisfaction.

Income again is a positive predictor and has a high impact on subjective wellbeing, which is explainable given the fact that the health status previously had a very similar outcome. Also, looking at previous literature, the Easterlin Paradox is the claim that Richard

Easterlin made in 1974 arguing that increasing average income does not increase average well-being. However, more comprehensive data has enabled extensive research on this famous claim. Over time, further studies across countries on the matter have pointed to a positive relationship between income and wellbeing (Deaton, 2008; Stevenson and Wolfers, 2008; Sacks, Stevenson, and Wolfers, 2013; Wolfers, Stevenson, 2013). Home ownership is yet another positive predictor for subjective wellbeing. Apparently, being the possessor of a home, no matter its characteristics, would have a positive impact on subjective wellbeing and would in return turn the possessor into a more contented and satisfied person in comparison to non-owners.

Living area shows to have a positive and important role, too. The analysis shows that head of the households who live in the rural areas surprisingly seem to be more satisfied with their life and have higher levels of subjective wellbeing, whereas the respondents who live in the urban areas show lower levels of subjective wellbeing. UBN, which stands for the Unmet Basic Needs index turned out to be a negative predictor for subjective wellbeing. Since this variable is the objective measuring of “extreme poverty” it is safe to say that the less poor the head of the household is, the higher his/her level of subjective wellbeing is. Such claims could also be quite predictable and deducted even from looking at the income and how that affects people.

Social participation with relatives holds a statistically significant positive impact on subjective wellbeing. Interestingly enough social participation with relatives seems to have a strong impact on the outcome variable, whereas one would have expected that social participation of friends to be more significant. Studies have shown that not participating in social activities is associated with a negative effect in both happiness and life satisfaction. Trust in government seems to have a significant and positive impact on the outcome variable, subjective wellbeing. Previous research in Albania show that Albania has the lowest levels of interpersonal and institutional trust amongst the democratic economies of the region (M. Ashiku, 2014). However, other findings indicate

that social capital is significantly important for happiness and the key elements that have an impact on happiness are institutional trust and informal social interaction (Rodríguez-Pose & von Berlepsch, 2014). Moreover, other studies find that institutional trust has a positive impact on well-being, and institutional performance as well has a direct impact on subjective well-being (Hudson, 2006).

As previously mentioned, there are three hierarchical multiple regression analysis models in the actual analysis. Overall, the variables have the tendency to preserve their trend (positive or negative) across the three models by slight changes in coefficients or remaining unchanged for some variables. However, the third model did not seem to bring much value to the study, meaning that religion did not appear to be a strong predictor of subjective wellbeing compared to the other independent variables.

To sum up, social capital in this study has been presented as a combination of several independent variables such as social participation relatives, social participation friends, network membership, borrowing money, trust in people, and trust in government. Subjective wellbeing on the other hand, has been presented as an index of two questions that focused on asking about one's financial situation and current life satisfaction, both being fundamental parts of one's subjective wellbeing. Some demographic variables, here acting as control variables, were also added to the analysis to complete and fulfill the idea behind this study and receive a more comprehensive answer to the research questions. The study has developed some expected and some interesting results as were mentioned above.

Looking at the bigger picture, this study shows that elements of social capital such as income, health status, gender, and living area have a distinguishable positive impact on subjective wellbeing. While, other elements like UBN number and age group 30-44 have an also noticeable but negative impact on the dependent variable that is subjective wellbeing. According to the results from this data heads of the households that have high

levels of subjective wellbeing are of a profile: belong to the age groups 15-29 or 64+, female, educated, employed, have a good income, are in a good health condition, live in rural areas, and are not part of the extreme poverty category meaning that they are able to provide their basic needs to live.

#### **4.2 Discussion**

The results of the statistical analysis above without a further interpretation and connection to the Albanian context may seem dry and lacking of proper explanation and connotation. The variable of social capital is measured through a number of other variables that can help describe and explain the concept of social capital in this analysis. The variables that are directly related to social capital are: social participation with relatives and social participation with friends, trust in government and trust in people, borrowing money, and network/association membership. According to the multiple regression analysis, among these variables only some of them show a statistically significant and positive impact on the dependent variables, subjective wellbeing.

A distinct characteristic of the Albanian society relates to the fact that blood ties and the relationship with the relatives are very important in this society. Albanian people put great importance to interpersonal relations with their families and the bonding between people that share the same bloodline. This is a very known phenomena of the whole region and Albania is considered as the perfect reflection of this Mediterranean culture. Due to this fact, this part of the Albanian society is naturally resonated in the results of the analysis above. One of the things that has attracted the most attention when scholars have studied the Balkans has been exactly the strong ties based on kinship. In this analysis the importance undoubtedly as expected mirrored this side as well.

Taking into consideration that our reference age group is 64+, this group of people belong to the generation who have lived during the communist regime in Albania and can be considered the generation who suffered through it the most. The data shows that

this age group tends to have higher levels of subjective wellbeing compared to other age groups. Living in democracy and far from the totalitarian regime they have experienced the majority of their adult lives, they are hopeful for the future. Being witnesses of some positive steps taken by the government such as the visa liberalization, and the talks about Albania's candidate status in EU has had major effects on people. During the parliamentary elections of June 2017, the electoral campaign showed that the focus of the participating parties in general was the individual, the Albanian citizen with promises in continuing the reforms in administration, judiciary system, and education. All major parties promised increasing job opportunities, increase wages, and living standards.

An important development that it is worth mentioning and, in my opinion, plays an important role in people's trust in government is the new platform "For the Albania that we want!" ("Për Shqipërinë që duam!"). This is a communication and interaction platform with citizens. The real aim of it is to offer a service to the Albanian people so that their issues and complaints can be addressed and registered in real time. It also enables and encourages its citizens to participate more actively in discussions for important reforms and measures, to fight corruption. This platform is a tool of co-governance with every ordinary citizen who wants to be part of the Albania we want because the Albania that we want does not belong either left or right, the challenges we are facing today are neither socialist nor democratic, they are our common challenges to fight and find solutions to. All of the abovementioned factors, along with the goodwill for the good of the country, of their families and children that characterize especially this age group of the population (64+) contribute in increasing the trust in government. (<https://www.shqiperiaqeduam.al/>)

According to the results of the multiple regression analysis, the age groups 30-44 and 45-64 tend to have lower levels of subjective wellbeing compared to the younger part of the population (age group 15-29) and the eldest part of the population (64+). The data might not be as expected at first glance, but when put in the Albanian context there are several

arguments that help in understanding and explain the situation. The individuals that are part of the age groups 30-44 and 45-64, which appear to have low levels of subjective wellbeing correspond to the majority of the Albanian work force. If we were to make a comparison between these individuals and the reference age group of this study (64+) there are several key elements that differ in these two groups and contribute to their particular tendencies toward subjective wellbeing. For example, the age group 30-64 have higher living costs now compared to the reference age group (64+) when they were part of the work force. They belong to the generation that experienced the transition period of Albania, and the reference group belong to the generation who experienced the communism period in Albania. They have higher life expectations from themselves and their families/ children and lack of opportunities compared to their expectations. They have more access to information, internet, and technologies which, increases their dissatisfaction when they compare themselves to other people in different parts of the world.

According to the Labor Costs Survey (LCS), in Albania, in 2016, average hourly cost per full-time working unit in enterprises with over 10-49 employees is 303 ALL, and for enterprises with 1 thousand employees is 438 ALL. (INSTAT, 2016). Moreover, data from INSTAT show that the average monthly wage per employee was 48,287 ALL (388 EUR) for the third quarterly of 2015, and changed to 50,392 ALL (405 EUR) for the third quarterly of 2018. Also, the approved minimum wage has increased from 22,000 ALL (177 EUR) for 2015 to 24,000 ALL (193 EUR) for 2018. Having said all that, the situation differs significantly when comparing the same situation in the capital of Albania (Tirana) and other cities, not mentioning here for instance when comparing it to rural areas.

Many sociologists believe that subjective wellbeing is notion that should belong in the psychological studies, and others including me, believe that subjective wellbeing is more than just a mental state or a matter that belong to the individual per se. The subjective wellbeing of individuals of a society indicate and denote to the very conditions of this

society and the social system they live in. Lyubomirsky and Diener argue that people that are satisfied with their lives, individuals who have high levels of subjective wellbeing are better citizens as a result. They utilize the services they are offered better, are more drawn to access information and make good use out of it, and are more active in social participations and civil action (2005).

This area of study needs further research and development in order to increase the awareness for this kind of phenomena in the developing Albanian society. Unfortunately, Albania lacks the research and development in this area and falls behind in studies focusing on the aforementioned topics. Nevertheless, it seems that talks to join the EU have opened new windows of opportunities for such sociological terms to gain importance due to their significance in better understanding the values of the Albanian society. Consequently, this makes the prospect hopeful that in the near future both social capital and subjective wellbeing will gain momentum and will be discussed further and, in more detail, which all things considered make this work even more vital in laying the seed to future progress.

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## APPENDICES

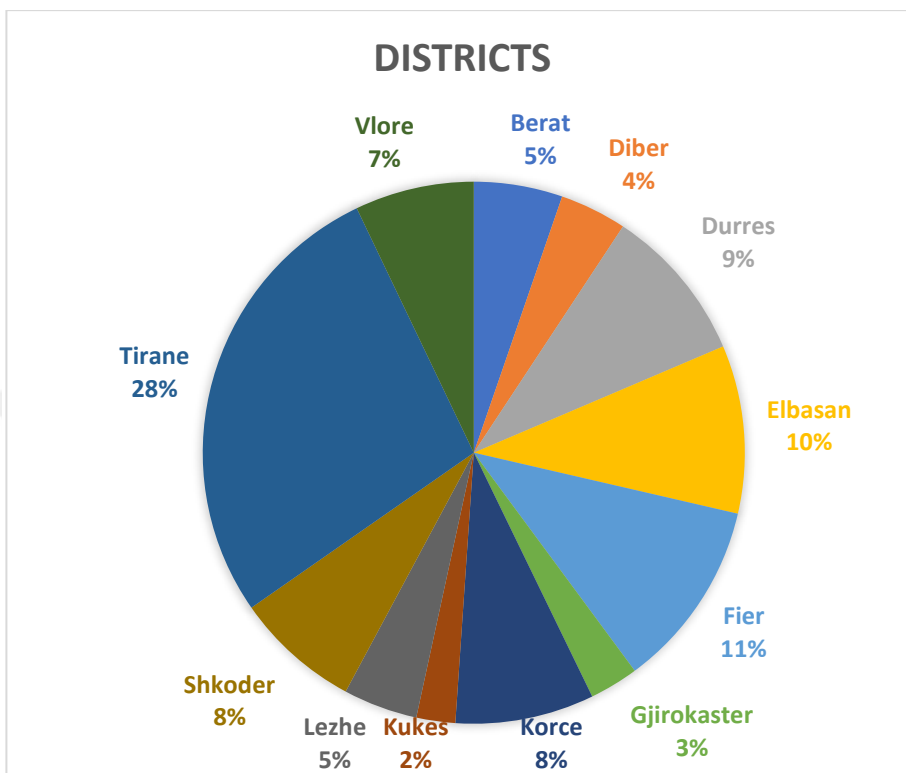


Figure A.1. The distribution of the respondents in districts in percentage

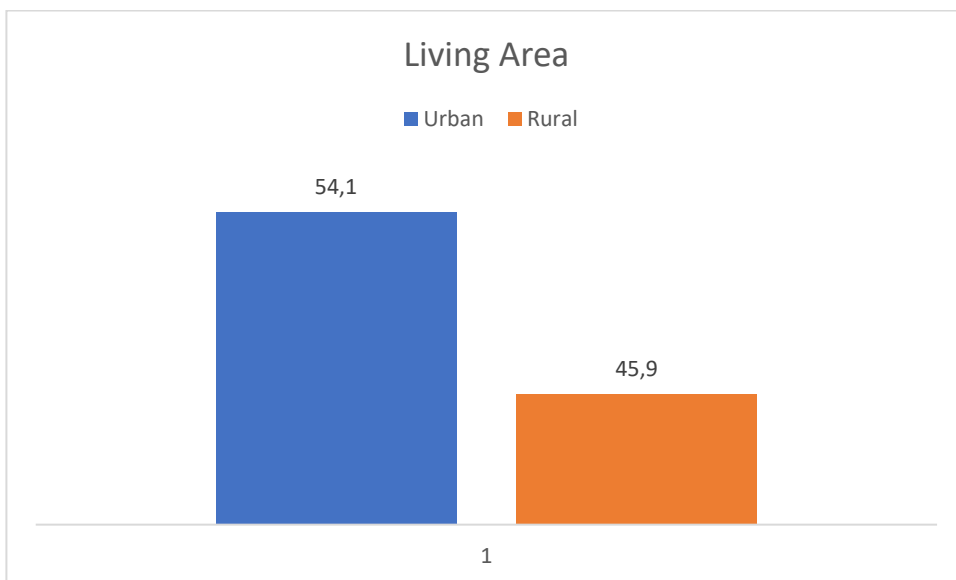


Figure B. The distribution of participants in living areas in percentage

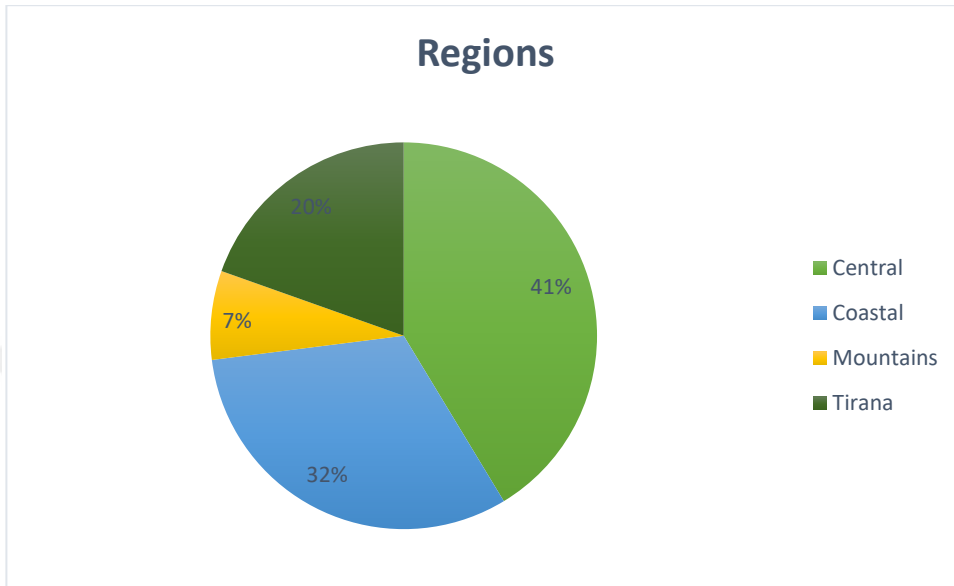


Figure C. The distribution of the respondents in regions in percentage

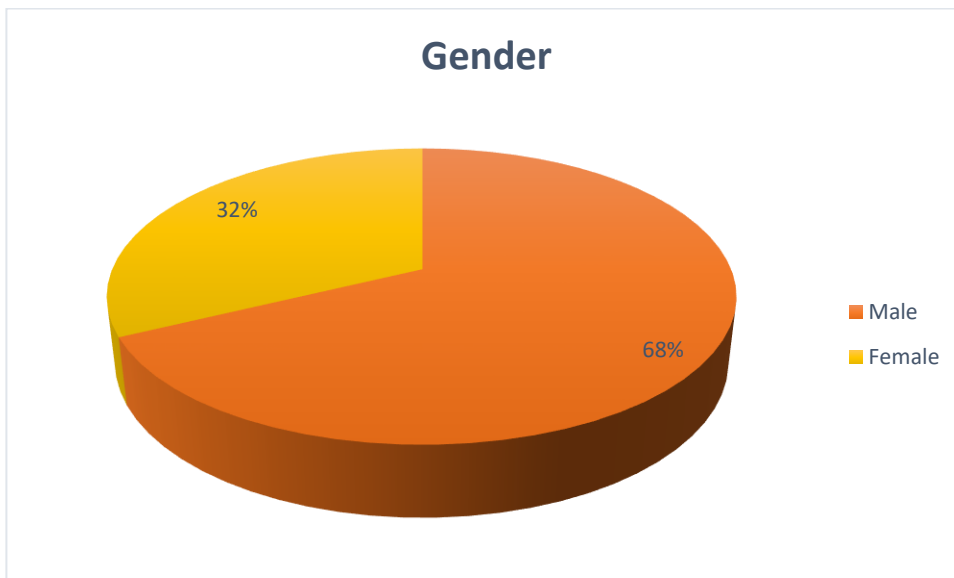


Figure D. The gender of the participants in percentage



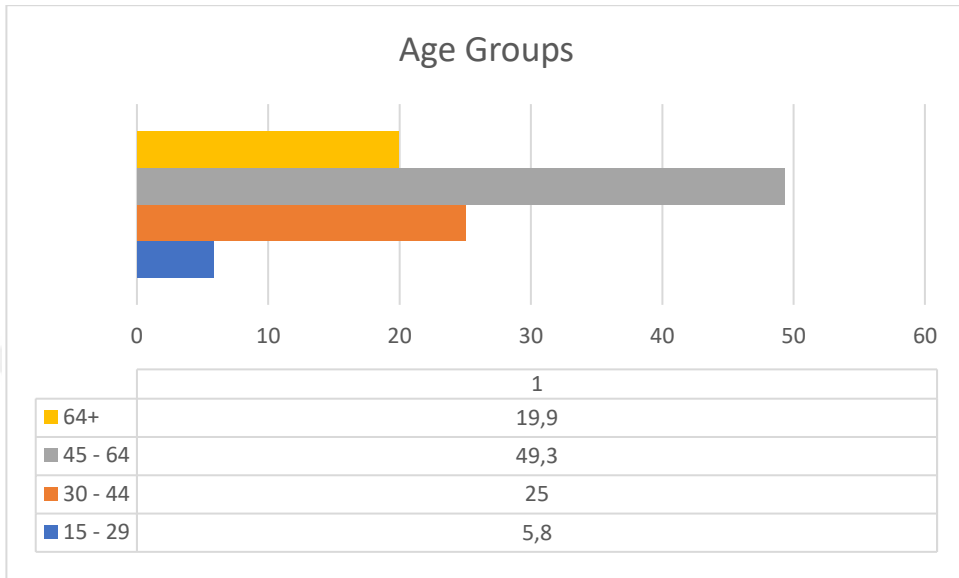


Figure E. The age of the participants in age-groups in percentage

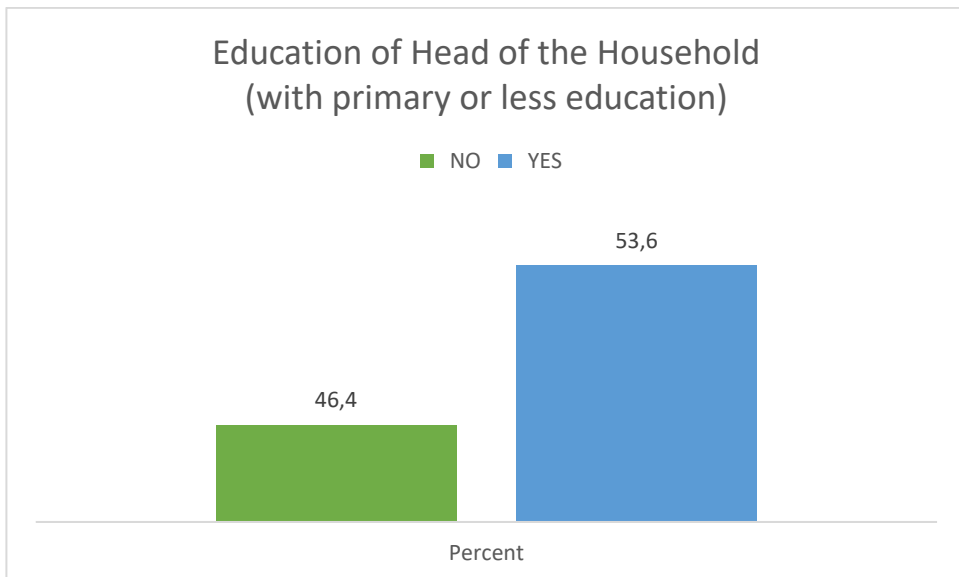


Figure F. The education of the head of the household in percentage

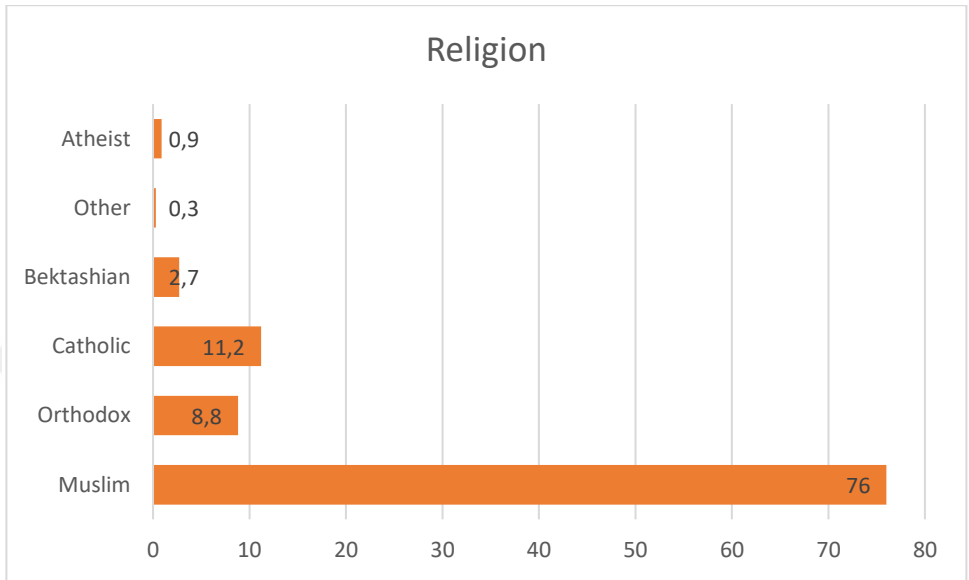


Figure G. Religion of the participants in percentage

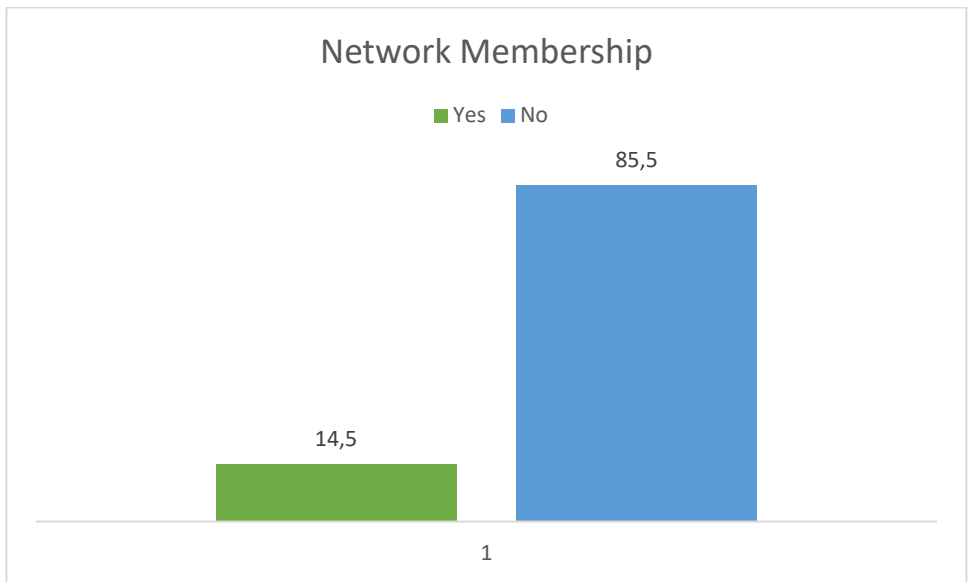


Figure H. Network Membership of the respondents in percentage