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Exploring the Relationship between Subjective Well-being and Objective Poverty Indices:
Evidence from Panel Data in South Africa

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This study investigates the relationship between subjective well-being and objective poverty indices such as income poverty and multidimensional poverty. Although they are popular indices, very few studies have analyzed their relationship using rigorous econometric approach. By applying the Blow-up and Cluster estimation of fixed effects ordered logit model to a panel data collected in South Africa, this study finds that both income and multidimensional poverties significantly aggravate subjective well-being. However, their effects are not robust to the inclusion of household income, implying that being below the poverty lines does not provide additional information to explain subjective well-being. Moreover, a large part of the variation in subjective well-being cannot be explained by these objective poverty indices, suggesting strong complementarity between subjective and objective welfare measures. This study also finds that multidimensional poverty index, constructed based on principal component analysis, performs better than the conventional approach, casting doubt on the conventional multidimensional poverty index.