Bribery, Motivations for Bribery and Life Satisfaction in Transitional Countries

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The focus on bribery and corruption and its impact on life satisfaction is relatively new in the economics and development studies literature. This paper contributes to this emerging field by asking whether reasons for making informal payments are correlated with life satisfaction. We find that paying bribes negatively correlates with life satisfaction and that those who were extorted by public officials or made an informal payment since they thought it was expected of them reported lower life satisfaction levels. We also find that those who made an informal payment to speed things up or who thought of the payment as a gift reported higher life satisfaction. Reasons for bribery differ in their associated significance with life satisfaction by public service that is used and by income group. For example people who instigated informal payments to public officials in the civil courts report higher life satisfaction bringing into question the integrity of judicial systems in transitional countries.

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1. INTRODUCTION

In the last 20 years economists have sort to better understand the factors that cause life satisfaction. Empirical studies have found that absolute income and relative income (e.g. Clark and Oswald 1996; Easterlin 2001; Stutzer 2002), unemployment (e.g. Winkelmann and Winkelmann 1998; Clark et, 1999; Kingdon and Knight, 2001) macroeconomic indicators such as inflation (e.g. Di Tella et al. 2001), poverty level (e.g. Graham and Pettinato 2002; Schimmel, 2009), and relationships with family and friends (Cooper et al 1992; Demir et al. 2007; Demir and Weitekamp 2007; Diener and Seligman 2002) all correlate with life satisfaction.

More recent studies have focussed on the relationship between quality of government and life satisfaction to explain why some countries consistently report higher levels of life satisfaction than others. Despite measurement problems a number of studies have shown that quality of government is correlated with life satisfaction (Anderson & Tverdova, 2003; Bjørnskov et al., 2010; Rodríguez-Pose & Maslauskaite, 2012; Tavits, 2008; Warren, 2004). One proxy that is used for government quality is perceived corruption (Anderson & Tverdova, 2003; Tavits, 2008; Warren, 2008) and has been found to negatively correlate with life satisfaction (e.g. Rodríguez-Pose & Maslauskaite, 2012). However these studies fail to test for within-country variations in reported life satisfaction and whether these variations correlate with either individual-level corruption experiences or perceptions of corruption. More recently, studies have begun to use cross-country individual-level data with findings illustrating that people who pay bribes report lower life satisfaction than those who do not (Gillanders, 2011; Singer, 2013; and Sulemana et al, 2017).

In this paper we contribute to the literature on corruption and life satisfaction by firstly testing whether experience of paying a bribe to a public official correlates with life satisfaction and

secondly, whether distinguishing between the reasons for paying a bribe correlate with life satisfaction in different ways. The paper also contributes to the literature by focussing on Central and Eastern European and Central Asian countries. These countries share a common history in that they were all part of the former Soviet Union until 1989-1991 when the communist regime collapsed.[1] In the post-communist era these countries have gone through significant social, economic and political upheaval but whilst income levels have increased in this period, life satisfaction has remained low relative to Western European countries. One of the principle reasons for this is argued to be high levels of corruption at the country-level (Rodríguez-Pose & Maslauskaite, 2012). That corruption is high in these transitional countries is not unsurprising and represents something of a hangover from Soviet times when informal practices (e.g. *blat* in Russia) and petty corruption were common among public officials (Ledeneva , 2006; Kneen, 2000; Sandholtz and Taagepera, 2005).[2]

To test our hypotheses we use data from the Life in Transition-III survey, undertaken by the European Bank of Reconstruction and Development and the World Bank in 29 transitional countries throughout Central and Eastern Europe and Central Asia in 2015-16. The representative survey contains information on individual life satisfaction and detailed questions on whether people have made informal payments to public officials in the last 12 months and reasons for making these informal payments. Our results show that those who have made such payments report significantly lower levels of life satisfaction. We also find that reasons for making these payments impact differently on life satisfaction, with those who are asked to pay or pay because it is expected of them reporting significantly lower levels of satisfaction compared to those who do not pay. Amongst those who made such a payment we find evidence

[1] The Soviet Union broke down in 1991, while in most satellite countries of Eastern Europe the Communist regimes fell in 1989–1990.

[2] We do not include Western countries in the analyses since they represent a qualitatively different group compared to transitional countries since they have longer histories of functioning democracies and more transparent institutions both of which would make petty corruption a less common phenomenon.

that those who paid to speed things up or improve the service and those who saw the payment as a gift reported higher levels of life satisfaction whilst those who were directly asked for some payment by a public official or who made a payment since it was expected reported lower life satisfaction. The findings indicate that reasons for informal payments have different correlations with life satisfaction. Furthermore we find that the reason for these payments differ by the public service used and by income quantile.

The remainder of the paper is organized as follows. Section 2 reviews the literature on life satisfaction and crime with a focus on bribery, and provides the hypotheses to be tested. Section 3 describes the data, variables and estimation strategy. Section 4 presents the findings, followed by a discussion and conclusion in section 5.

2. Life Satisfaction and Crime

The relationship between individual actions and performing criminal acts has its microeconomic foundations in the work of Gary Becker (1968). One conclusion from his utility maximising model of individual behaviour is that deterrence measures cuts crime and the traditional policy responses to criminal activity are consistent with this conclusion such as the length of sentences and law enforcement. However, other conclusions from the theory are to offer ways to reduce poverty (Kelly, 2000), improve quality of education (Machin et al, 2011) or change the preferences of individuals away from crime. Criticism of Becker's work focusses on the fact that most people do not use such a framework in deciding to commit a crime (e.g. Loftin and McDowall, 1982) and that deep underlying causes relating to low self-esteem (Kaplan, 1975; Trzesniewski et al, 2006), family background (Case and Katz, 2001) and income inequality (Kennedy et al, 1998; Choe, 2008; Bourguignon, 2001; Eide, 1999; Freeman, 1999; Nilsson, 2004) are preferred ways to try and understand the causes of criminal activity.

As well as what motivates someone to commit a criminal act, research has also focussed on the impact of crime on the victim(s). Dolan et al (2005) distinguish between tangible and intangible costs of crime to victims with Shapland and Hall (2007) finding that victims of crime are less trusting, are more likely to feel guilty about the crime, suffer from indirect financial losses, suffer psychological trauma that can last for years, change their social lifestyle and think the perceived risk of future victimisation has increased. Being a victim of crime often implicitly assumes the criminal act itself is something exogenous that happens to the individual and it seems reasonable to assume this results in lower well-being. Evidence from different countries confirms that being a victim of crime reduces subjective well-being and life satisfaction (Ross, 1993; Michalos and Zumbo 2000; Powdthavee, 2005; Davies and Hinks, 2010; Kurocki, 2013; Sulemana, 2015; Cohen, 2008) with evidence suggesting victims' well-being may take many years to recover or not recover fully at all.

A natural progression of this research has focussed on the relationship between life satisfaction and particular types of crime. Typically this has involved distinguishing between property (e.g. burglary, robbery) and violent (e.g. murder, rape, sexual assault) crime (Powdthavee, 2005; Cohen, 2008; Kurocki, 2013). A less researched area of crime though is that of corruption and bribery and the impact these have on life satisfaction. Using country-level data, Layard et al (2012) find perceptions of corruption negatively impact on national life satisfaction something confirmed in Djankov et al (2016) for ex-Soviet countries. Using the World Bank corruption indices and Transparency International's corruption indices Rodrıguez-Pose and Maslauskaite (2012) find that life satisfaction declines as corruption perception increases in a sample of 10 Central and Eastern European countries taken from the 1999 and 2008 European Values Surveys. Djankov et al (ibid) also find that individual perceptions of corruption have no significant correlation with life satisfaction in transitional countries in Europe and Central Asia using the 2010 Life in Transition-II survey (LITS-II). Perceptions of corruption though are not

the same as experienced corruption and recent evidence from sub-Saharan Africa from Gillanders (2011) and Sulemana et al (2017) find that making an informal payment to a public official is associated with lower life satisfaction.

There are two questions that stem from the above that we answer in this paper. Firstly whether experienced corruption is correlated with lower life satisfaction in ex-Soviet countries rather than previous work that focusses on individual perceptions of corruption that finds no relationship. Secondly, we ask whether the reason for making an informal payment such as a bribe to a public official matters in relation to life satisfaction. For example if the instigator of the payment is the user of the public service rather than the public official then would this be associated with higher life satisfaction compared to someone who makes a payment because they are asked by the public official? To answer this question we need to distinguish between possible reasons for making informal or unofficial payments. The LITS-III allows us to do this by distinguishing between four reasons with each possibly having a different association with life satisfaction.

The first reason for making an informal payment is that people have been asked for an informal payment by the public official. We interpret this reason as evidence of extortion on behalf of the public official towards the individual and expect this to be negatively associated with life satisfaction. Secondly people may have made the payment since it was expected of them. There is no clear expectation of whether this would be positively or negatively related to life satisfaction. For example, it could be that people adapt to these expectations of paying bribes and there is no impact on life satisfaction. However, it could also be that intrinsic ethical and moral characteristics of the individual stress that paying a bribe is wrong and that this overrides adapting to bribery. Thirdly people may have made the payment to get things done quicker or better. This pro-active reason to make an informal payment to a public official is expected to be positively correlated with life satisfaction else the person would not do it. Fourthly people

may have made the informal payment to show their gratitude to the public official(s) involved which in itself creates a warm-glow feeling for the gift-payer associated with higher levels of life satisfaction. Such gift-giving may also be associated with higher life satisfaction since it begins or cements personal relations with the public official that in itself does not have to result in any tangible benefits (Rose-Ackerman, 1998).

3. DATA, VARIABLES AND ESTIMATION STRATEGY

The data set used is the third round of the Life in Transition Survey (LiTS III) conducted between the end of 2015 and beginning of 2016 by the World Bank and European Bank of Reconstruction and Development. The survey comprises interviews in 34 countries, comprising 29 transition countries, two western country comparators (Germany and Italy) and Greece, Turkey and Northern Cyprus. Unlike previous rounds of LITS the number of households to be interviewed for each country was 1,500. The survey was designed by means of a multi-stage random probability stratified clustered sampling and the sample was stratified by geographical region and degree of urbanity. In the first stage of the sampling exercise, 75 Primary Sampling Units (PSUs) were selected in each country. The primary respondent was selected randomly from all eligible respondents in each household and completed the majority of the questionnaire with the head of household or anyone knowledgeable of the household's characteristics and finances asked to complete sections on household composition and dwelling and living conditions.

Variables of Interest

The dependent variable we use for life satisfaction is taken from the question "*All things considered, I am satisfied with my life right now*", with five options ranging from strongly disagree to strongly agree. In life satisfaction research this is a relatively common term to adopt and answers reflect individuals comparing their perceived life satisfaction to some

expected (in this case 'considered') life satisfaction and in this sense involves some level of cognition rather than an affect (Frey and Stutzer, 2002). If expected life satisfaction is far in excess of perceived life satisfaction, then this is reflected in a low life satisfaction score.

The bribery variables stem from the answer to the question "*Did you or any member of your household make an unofficial payment or gift when using these services over the past 12 months?*". Individuals are asked this question in relation to interacting with eight types of public official; road police, officials in charge of passports, visas, etc, official in courts for a civil matter, teachers in primary and secondary education, teacher in vocational education, medical staff in public health systems, officials in charge of unemployment benefits and other social security benefits.

Whilst this question does not explicitly mention bribery, individuals are primed before answering a series of questions on whether they have interacted with public officials in the last 12 months by being told that such interactions *should deliver services free-of-charge except any legitimate fees that may apply*. Any additional payments whether they be described as unofficial or informal are thus highly likely to be associated with bribing and have been interpreted in this way by previous research (e.g. Ivlevs and Hinks, 2015a, 2015b, 2018; Djankov et al, 2016) and in the EBRD's Life in Transition Report (2016).[3] People in the survey can report interactions with each of these public officials and record whether they made an unofficial payment or not. We create a dummy variable that takes a value of 1 if the individual has ever made an unofficial payment to any one of these public officials and 0 if they have not.

[3] Whilst it could be argued that an unofficial payment and an informal payment are not interpreted in the same way by a respondent it is not possible to test whether this is the case or not in the publically available LITS III data. We thank an anonymous referee for drawing out attention to the possibility that the two terms may be interpreted differently and suggest that questions of this kind should use the same wording throughout so as to avoid any possible confusion amongst respondents.

Those people who made an unofficial payment or gift to a public official in using the services were then asked for the reason they made this payment through the question *Why did you make an informal payment for the services you should have received for free?*. Four options are provided: (1) I was asked to pay (2) I was not asked to pay but I knew that an informal payment was expected (3) I offered to pay to get things done quicker or better (4) I was not asked to pay but I wanted to express my gratitude.

We expect people's life satisfaction to differ according to which reason was given for making the unofficial payment. As discussed previously it is reasonable to assume that those who are asked for payment by the public official (extorted) are expected to have a lower life satisfaction and that those who make a payment to speed things up or improve the quality of service are expected to have higher satisfaction levels. If satisfaction levels are higher amongst those who provide a gift to a public official then this supports the altruism and social capital argument, assuming that gift is not a bribe (Rose-Ackerman, 1998). Making an unofficial payment because it is expected of you would be expected to lower life satisfaction if such a payment is considered wrong. One likely determinant of these expectations could include previous experiences the individual has had with public officials. It is also feasible that payments are made because they are expected and have no impact on life satisfaction, if expectations are based on a society-wide perception that such payments are normal.

A limitation of the question on reasons for unofficial payments is that only four categories are provided when additional categories or an option to provide a qualitatively different answer to the four possible answers was not provided. Whilst less than five percent of our sample of people who made unofficial payments failed to choose one of the four options, the

questionnaire would have benefitted in gathering rich information from these people.[4] Another more significant issue is that making an informal payment to get things done quicker or to make the service better captures two different reasons for making a payment rather than one. We can reasonably argue that making a payment to speed things up is likely to be positively correlated with life satisfaction. However, whether making a payment to get things done better will have a similar correlation with life satisfaction is not clear. If the payment is for a service that could demonstrably improve the life of the person(s) the payment is expected to help, then this may be associated with higher life satisfaction of the respondent. They could directly benefit from this improved service which is associated with higher life satisfaction or they could report higher life satisfaction through a warm glow feeling of helping other members of the family. For this reason and as a robustness check we estimate life satisfaction equations for the different public services used. For example, someone who offers to make an informal payment to get things done quicker or better to a police officer may be less likely to expect the service to be better and is making the payment to speed things up whereas someone who makes the payment to a public official in education may be more likely to do so because they want a better service rather than to speed up the service.

A possible issue with the questions on unofficial payments concerns whether the bribes were made before the service was provided, during the service was being provided or after the service had been provided. The initial question on whether a family member made an informal payment frames the question in relation to using the service while the follow-up question asks why did they make an informal payment for the services, implying payment was made at the end of the process. This timing issue has possible implications for what reasons were given

[4] It should be noted that in our models we include the *don't know* responses but do not report the coefficients. We thank an anonymous referee for highlighting this shortcoming.

for making the payment. This is particularly problematic when payments are made to express gratitude to the public official. For example if someone wished to express their gratitude for some health care they have received from seeing a doctor or wished to express their gratitude after a child passed a school examination then these services have already been provided before the payment is made and would not constitute a bribe. However if such payments were offered by users prior to services being provided or during services being provided then in the same scenarios this could represent extortion of public officials by users. This could result in some individuals selecting a reason that is not correct, particularly in relation to paying to speed up a service/make it better and paying out of gratitude, making results difficult to interpret.[5]

In line with previous work on determinants of individual-level life satisfaction we control for net household income level, household wealth[6], the self-reported health of the person, whether they are unemployed or not, gender, age-category, primary, secondary and tertiary education level and rural-urban location. We also include dummy variables for each country in the sample (country fixed effects) to account for all national-level influences on life satisfaction and making an informal payment. This means that the estimated coefficients capture within country relationships rather than between-country relationships of the variables of interest.[7]

Estimation Strategy

The objective of the paper is to estimate two baseline models:

[5] The question should be clearer in the timings of the payments in relation to using the public service. We thank an anonymous referee for highlighting this limitation.

[6] We use principal components analysis to create the wealth variable based on whether households have a mobile phone, TV, computer, washing machine, car, motorcycle and the internet.

[7] For a review of the findings from the happiness literature see Clark (2018) or Stutzer and Frey (2010).

$$Model\ 1: LS_{i,j} = \alpha_0 + \beta_1 Paid\ Bribe_{i,j} + \beta_2 Individual\ Characteristics_{i,j} + \beta_3 Country\ Dummies_j + \varepsilon_{i,j} \quad (1)$$

$$Model\ 2: LS_{i,j} = \alpha_0 + \beta_1 Asked\ to\ pay_{i,j} + \beta_1 Expected\ to\ pay_{i,j} + \beta_1 Speed\ up_{i,j} + \beta_1 Gift\ payment_{i,j} + \beta_5 Individual\ Characteristics_{i,j} + \beta_3 Country\ Dummies_j + \varepsilon_{i,j} \quad (2)$$

We estimate the model using an ordered probit regression since the life satisfaction term is ordinal and not cardinal in nature although estimates when using OLS are very similar in size and significance. For all regression we calculate robust standard errors.

Limitations

In both of the models the estimated coefficients represent associations with life satisfaction rather than being causal since it could well be that bribes cause changes in life satisfaction, but equally that someone who has a higher life satisfaction may be more likely to bribe an official to speed things up or to make a gift to a public official.[8] It is likely that our control variables are correlated with both life satisfaction and whether someone makes an informal payment. For example someone who is more wealthy may be more willing to pay a bribe to speed things up since their time is more precious something borne out in studies of bribe behaviour (e.g. Hunt and Laszlo, 2012; Guerrero and Rodriguez-Oreggia, 2008). In order to test the degree to which making an informal payment correlates with life satisfaction we run an initial regression

[8] Sulemana et al (2017) instrument for paying a bribe by using the individual's perceptions of how democratic their country is and find that paying a bribe causes life satisfaction to decline. When using similar instruments in our estimations we found them to be invalid.

that controls only for an informal payment, with further models including country dummies and additional controls. If the sign, size or significance of the coefficient alter significantly then this indicates some degree of correlation. Another limitation of the analysis is that of omitted variables that could impact both life satisfaction and whether someone makes an informal payment or not. The values and ethics that people have is likely to be correlated with both life satisfaction and whether they make an informal payment. The same too can be said for people's trust towards others, their social status and whether they are risk-takers or risk-averse.

4. RESULTS

In Table 1 we estimate three ordered probit regressions. In the first we only control for whether someone makes an informal payment to a public official and find this is associated with a life satisfaction score that is 0.05 points lower on the 1-5 Likert scale.. When adding country dummies the size of the coefficient declines to 0.038 points. When we include our controls we find the coefficient increases in size to -0.068 indicating some evidence of correlation between informal payments and these controls. However the sign of the coefficient does not change and the coefficient remains significant in all the model specifications indicating that, in line with other research, that there is a correlation between informal payments to public officials and life satisfaction (e.g. Wu and Zhu, 2016; Sulemana et al, 2017).

The control variables confirm previous work in the life satisfaction literature with richer and wealthier people as well as people feeling healthy all reporting higher life satisfaction. Unemployed people, men and those living in urban areas are significantly less satisfied with their lives. The U-shaped relationship between age and life satisfaction is found confirming previous literature and suggests that, ceteris paribus, those people aged between 45 and 54 years report the lowest life satisfaction levels. Those with a tertiary level of education have

higher life satisfaction relative to those with a secondary level of schooling, while those with a primary level of education have significantly lower life satisfaction, which is consistent with previous findings (e.g. Botha, 2014; Gerdtham & Johannesson, 2001; Helliwell, 2003; Witter, Okun, Stock, & Haring, 1984).

Insert Table 1 here

In Table 2 we distinguish between the four motivations for making an unofficial payment. Those who are extorted report life satisfaction that is 0.183 units lower than not being extorted. Those who paid a bribe since it was expected report lower life satisfaction of the order of 0.122 units. There is no relationship between life satisfaction and paying a bribe to speed things up/better service. As suggested in the earlier discussion this finding must be treated with a degree of caution since paying a bribe to speed things up and paying a bribe to improve the service may not be correlated in the same way with life satisfaction. There is no significant relationship between the informal payment being a gift and life satisfaction. Model 5 includes all of the possible payment methods and finds that those who are asked for a bribe by the public official or made a payment since it was expected report significantly lower levels of life satisfaction (0.183 and 0.123 units lower respectively) compared to those who made contact with a public official but did make an unofficial payment of any sort.[9]

Insert Table 2 here

In Table 3 we estimate life satisfaction models only for those people who make an informal payment and separately control for type of payment that was conducted. Controlling for other

[9] Individuals may have interacted with different public officials and may have different motivations for making an unofficial payment or not.

factors, people who were asked for an informal payment by the public official reported a 0.160 unit reduction in life satisfaction compared to individuals whose reason for making a payment was different. The decline in life satisfaction is significant but lower at 0.088 units for those people who paid a bribe since they thought it was expected. Those people who make an informal payment to public officials to speed things up or improve the quality of the service saw an associated 0.144 unit increase in life satisfaction. As before, the interpretation of this finding is not straight forward. However it could be that payment to speed things up or payment to make the service better are both correlated with higher levels of life satisfaction. Those who gave a gift reported a similar associated rise in life satisfaction of 0.123 units. Although the sample size is much smaller the signs and significance of the control variables do not change from Table 2.

Insert Table 3 here

Robustness Checks

The evidence so far indicates that paying a bribe is associated with lower life satisfaction and that the reason for the unofficial payment made is important to understand what drives this association. There is the possibility though that people have different experiences when using different public services and that our findings may not be universally the same for all of these services. In Table 4 we estimate separate models for each category of public service used to test what impact different reasons for making an unofficial payment have on life satisfaction. In the majority of categories being asked for a payment or making a payment since it is expected correlate negatively with life satisfaction compared to someone who contacted the public official and did not make an unofficial payment. However there is evidence that those who used the courts or legal system and who either made a payment to speed things up or make it better or who made the payment as a gift, reported higher life satisfaction. More apparent is the positive relationship between making a payment to speed things up/make better or as a gift

to public officials working in unemployment and social security services and life satisfaction. This is somewhat surprising since those who access unemployment benefits or the social security system are likely to be financially less secure so offering such unofficial payments would be expected to reduce life satisfaction. What could explain such findings is that accessing the available funds from the welfare state may take far more time due to excessive bureaucracy and that instigating bribes or offering gifts works in speeding up the process. It is though debatable whether such payments would be made to make the service better. As long as the cost of the payment or gift is outweighed by the expected future benefits from gaining the funds more quickly, then overall life satisfaction will improve.[10]

In order to test this hypothesis further we repeated the estimations but this time for each net household income quintile. Table 5 indicates that rather than only people from households in the lowest quintile being more likely to make informal payment to public servants working in unemployment and social security services to speed things up, that this motivation is repeated for all income quintiles. A possible explanation for this is that there is no alternative to these services for anyone, rich or poor. This means that making a payment to speed things up or as a gift is something that rich and poor do in order to access funds more quickly compared to people who make no unofficial payment. This in turn is associated with higher levels of life satisfaction across household income quintiles. Table 5 also indicates that life satisfaction declines for those who are asked for money by any of the public officials or who make a payment since it is expected across all income quintiles.

The estimates also strongly suggest that paying to speed things up/make service better or giving a gift to public servants working in the civil courts system is associated with significant

[10] A similar process is discussed in Justesen and Bjonskov (2014).

increases in life satisfaction, independent of the household income quintile the person is in. If people can avoid paying fines to the state or to others, or can avoid a conviction that may damage the person's future by instigating a payment to the public official or officials, then this is likely to be associated with higher life satisfaction. Even if someone is innocent of charges, it may be less risky to simply offer a payment or offer a gift to the official so the charges are dropped.

Table 5 also shows that for the lowest income group, people who make payments to any of the different public officials in order to speed things up or make the service better, report significantly higher levels of satisfaction compared to those who make no payment. The sign of the coefficients for the remaining income quintile groups on making a payment to speed things up/make service better is insignificant. It is unclear why only the poorest would report higher life satisfaction when offering a payment to speed things up/make service better to a member of the police force. A possible explanation for a similar finding when using educational services is that people from the lowest income group want to give their children as good an education as those from richer households and are willing to offer informal payments to teachers to improve the quality of the service that would increase the chances of better results. A similar argument can also be made for instigating bribes to medical staff in the public health sector with people wanting to ensure medical support and care is as good as that received by richer households. Whilst this explanation is muddied by the possibility that people could make such payments to speed up the delivery of the service rather than make it better it does point to another possible explanation for these findings. People from poorer households may be restricted in the services they can access, either because they cannot afford them (e.g. private

education, private healthcare) or because there are simply fewer educational and healthcare choices accessible to them where they reside.[11]

Insert Table 4 here

Insert Table 5 here

Given some country and regional heterogeneity within our sample we also estimate model 5 from Table 2 for six geo-political areas: Slav-Russian states (Russia, Ukraine and Belarus), the Caucasus (Georgia, Azerbaijan and Armenia), Central Europe (Poland, Slovakia, Hungary, Czech Republic, Romania and Slovenia), Central Asia (Kazakhstan, Kyrgyzstan, Tajikstan, Uzbekistan and Mongolia), Baltics (Latvia, Estonia and Lithuania) and the Balkans (Serbia, Montenegro, Kosovo, FYR Macedonia[12], Croatia, Albania, Bosnia and Herzegovina and Bulgaria). These regions are chosen since they were incorporated into the former USSR at different points in time in the 20th century meaning people have different experiences of what life was like under communism with respect to bribery and corruption. Table 6 shows that being asked for a payment by a public official has the expected sign for all regions though the size and significance of the coefficient varies. The same is also true for those people who make a payment since it was expected with this only being significant in the Caucasus and the Baltic states. There is variability by region when analysing the remaining motivations for making an unofficial payment. In the Caucasus those who make a payment to speed things up/make service better report significantly higher levels of satisfaction compared to those who contact an official but make no payment, while in other regions the sign of the coefficient is positive but not significant. Offering a gift to public officials out of gratitude produces odd results for

[11] We thank an anonymous referee for this insight.
[12] FYR Macedonia was renamed the Republic of North Macedonia in February 2019.

the Caucasus, Central Asia and the Baltic states with the finding for the Baltics states requiring further research beyond the scope of this paper.

Insert Table 6 here

5. DISCUSSION AND CONCLUSION

Our findings show that individuals who make an unofficial payment to a public official report lower life satisfaction and that the reasons for making this payment are correlated differently with life satisfaction. Being extorted by a public official or making an informal payment since it is expected is correlated with a lower level of life satisfaction amongst those who came into contact with a public official and amongst those who made one of four kinds of unofficial payment to a public official. This supports the argument that petty corruption on behalf of public officials is detrimental to the good of society. The findings also highlight that the experiences of making informal payments by individuals and of their friends and family, that we argue at least partially determines whether they make a payment because it is expected, is correlated with lower life satisfaction. This supports the argument that people have not accepted bribery as something that is normal and that is adapted to. If they had then we would not expect to find such a strong negative correlation between life satisfaction and making unofficial payments because it is expected. Those who instigated the payments to public officials do report higher satisfaction levels but these are not significant in our main results but are significant when we observe the motivations of making an unofficial payment amongst those who have paid a bribe.

The robustness checks indicate significant differences in what motivates making unofficial payments along the lines of the public service used, how rich the individual's household is and geo-political region. An important finding for policy makers is that people across all income quintiles report greater life satisfaction when they make informal payments to officials who

work in unemployment services or in social security services in order to speed things up or as a gift. This suggests that accessing funds from these services may take a long time and that people are happy to make such payments in order to speed things up. This is consistent with the idea that greasing the wheels of public institutions is the best way to access funds you are entitled to despite people already funding these services through taxation. Increasing the salaries of public officials in these departments through increasing direct taxes on the population could make the public at least question their behaviour and could result in a reduction in informal payments. Alternatively adopting more e-government in using unemployment and social security services will reduce face-to-face interactions with public officials thus stopping the opportunity of these payments. However governments must be aware that in order to stop life satisfaction declining amongst those who access these services the e-government systems must speed up access to funds.

Equally if not more important is the finding that people are more satisfied with their lives if they offer unofficial payments or pay gifts to public officials who work within the civil courts system. Even if people are innocent of civil crimes or misdemeanours, an informal payment to quash or lesson a civil action against you takes away any risk of being found guilty and the subsequent punishment. Thus instigating the payment to the public official will increase life satisfaction of the user. This explanation has weight behind it when we look at other studies that focus on how the civil legal system works in ex-communist countries. Levin and Satarov (2000, 120) report that in Russia, the weakness of the judiciary system "manifests itself in the failure of the fiscal and executive branches of power to provide for salaries of judges and operation of courts." This failure is a perfect breeding ground for public officials to either extract rent or be open to offers of bribery in return for favourable rulings. Greater monitoring of the civil courts is required by local civil action groups that requires a safe political

environment to work in. Simply monitoring the courts by appointing independent committees opens the possibility of bribery being simply moved up the chain.

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Table 1 Informal Payment and Life Satisfaction (Ordered Probit and OLS regressions)

VARIABLES	Ordered Probit LS	Ordered Probit LS	Ordered Probit LS	OLS LS
Dependent Variable = Life Satisfaction (1-5)				
Made an Informal Payment	-0.050***	-0.038**	-0.068***	-0.065***
Log of net monthly household income			0.168***	0.156***
Wealth Index			0.091***	0.089***
Unemployed			-0.467***	-0.455***
Self-Reported Health			0.262***	0.246***
Male			-0.075***	-0.070***
Age 18-24			0.128***	0.103***
Age 25-34			0.038	0.035
Age 35-44			*Ref*	*Ref*
Age 45-54			0.005	0.005
Age 55-64			0.135***	0.126***
Over 64			0.358***	0.342***
Primary education			-0.035*	-0.037**
Tertiary education			0.127***	0.110***
Urban			-0.101***	-0.094***
Albania		0.025	-0.391***	-0.328***
Armenia		-0.896***	-1.306***	-1.258***
Azerbaijan		0.080	0.616***	0.595***
Belarus		-0.198***	-1.314***	-1.231***
Bosnia		-0.186***	-0.007	-0.001
Bulgaria		-0.449***	-0.179***	-0.171***
Croatia		0.176***	0.126**	0.089*
Czech Republic		0.283***	-0.041	-0.042
Estonia		0.276***	0.600***	0.547***
Georgia		-0.374***	0.178***	0.134**
Hungary		-0.490***	-1.049***	-1.008***
Kazakhstan		0.357***	-0.133*	-0.126*
Kosovo		-0.212***	0.096*	0.093*
Kyrgyzstan		0.439***	0.358***	0.337***
Latvia		0.186***	0.601***	0.566***
Lithuania		0.085*	0.489***	0.447***
Fyrom		-0.256***	-0.614***	-0.585***
Moldova		-0.530***	-0.331***	-0.322***
Mongolia		0.082	-0.569***	-0.531***
Montenegro		-0.101*	0.154**	0.143**
Romania		-0.185***	0.073	0.046
Russia		-0.258***	-0.539***	-0.510***
Serbia		-0.107*	-0.487***	-0.449***
Slovakia		0.014	0.332***	0.323***

Slovenia		0.251***	0.459***	0.434***
Tajikstan		0.541***	0.972***	0.885***
Ukraine		-0.506***	-0.389***	-0.383***
Uzbekistan		0.961***	0.241**	0.140
Observations	23,753	23,753	23,753	23,753
Pseudo and Adjusted R-squared	0.000	0.042	0.083	0.214

*Notes: Reference groups are 35-44 year olds, secondary school education and Poland. *** significant at the 1% level, ** significant at the 5% level, * significant at the 10% level. Heteroscedasticity-robust standard errors.*

Table 2 Motivation for making unofficial payment and Life Satisfaction

VARIABLE	(1)	(2)	(3)	(4)	(5)
Dependent Variable = Life Satisfaction (1-5)					
Contacted public official but did not make unofficial payment					Reference Group
Contacted public official and was asked to pay a bribe	-0.183***				-0.183***
Contacted public official and was expected to pay a bribe		-0.122***			-0.123***
Contacted public official and paid bribe to speed things up			0.038		0.042
Contacted public official and gave a gift out of gratitude				0.013	0.007
Log of net monthly income	0.172***	0.173***	0.172***	0.172***	0.173***
Wealth Index	0.090***	0.089***	0.088***	0.088***	0.091***
Unemployed	0.259***	0.259***	0.261***	0.261***	0.259***
Self-Reported Health	-0.463***	-0.467***	-0.467***	-0.467***	-0.464***
Male	-0.077***	-0.077***	-0.078***	-0.078***	-0.076***
Age 18-24	0.134***	0.133***	0.134***	0.134***	0.133***
Age 25-34	0.040*	0.040*	0.039	0.039	0.041*
Age 35-44	*Ref*	*Ref*	*Ref*	*Ref*	*Ref*
Age 45-54	0.005	0.007	0.007	0.007	0.006
Age 55-64	0.135***	0.135***	0.137***	0.136***	0.134***
Over 64	0.355***	0.357***	0.358***	0.357***	0.356***
Primary education	-0.037*	-0.040**	-0.040**	-0.040**	-0.036*
Tertiary education	0.127***	0.127***	0.127***	0.127***	0.128***
Urban	-0.107***	-0.108***	-0.108***	-0.108***	-0.107***
Country Fixed Effects	yes	yes	yes	yes	yes
Observations	23,855	23,855	23,855	23,855	23,855
Pseudo R-Squared	0.083	0.083	0.082	0.082	0.083

*Notes: Reference groups those who contacted a public official but did not make an unofficial payment, are over 64 of age, secondary school education and Poland. *** significant at the 1% level, ** significant at the 5% level, * significant at the 10% level. Heteroscedasticity-robust standard errors.*

Table 3 Motivation for making unofficial payment and Life Satisfaction amongst bribe payers

VARIABLES	(1) LS	(2) LS	(3) LS	(4) LS
Dependent Variable = Life Satisfaction (1-5)				
Asked for a bribe	-0.159***			
Expected to pay a bribe		-0.072***		
Paid bribe to speed things up			0.141***	
Gift to express gratitude				0.113***
Log of net monthly household income	0.120***	0.124***	0.120***	0.123***
Wealth Index	0.094***	0.092***	0.091***	0.092***
Unemployed	0.271***	0.270***	0.273***	0.270***
Self-Reported Health	-0.536***	-0.551***	-0.549***	-0.549***
Male	-0.081**	-0.083***	-0.086***	-0.081**
Age 18-24	0.109	0.109	0.110	0.109
Age 25-34	0.000	-0.001	0.001	0.001
Age 35-44	*Ref*	*Ref*	*Ref*	*Ref*
Age 45-54	0.049	0.053	0.053	0.053
Age 55-64	0.081	0.080	0.088*	0.081
Over 64	0.311***	0.312***	0.321***	0.313***
Primary education	-0.036	-0.045	-0.040	-0.043
Tertiary education	0.119***	0.120***	0.123***	0.117***
Urban	-0.088**	-0.095***	-0.093***	-0.091***
Country Fixed Effects	*yes*	*yes*	*yes*	*yes*
Observations	4,748	4,748	4,748	4,748
Adjusted R-Squared	0.081	0.080	0.081	0.081

*Notes: Reference groups are over 64 of age, secondary school education and Poland. *** significant at the 1% level, ** significant at the 5% level, * significant at the 10% level. Heteroscedasticity-robust standard errors.*

Table 4 – Motivations for Unofficial Payments and Life Satisfaction by Public Service used

Dependent Variable = Life Satisfaction (1-5)	Extorted	Expected	Speed Up	Gift	No Bribe
Police	-0.248***	-0.178***	-0.002	-0.023	*Ref Group*
Documents/Passports	-0.243***	-0.174***	-0.002	-0.028	*Ref Group*
Courts/Legal	-0.112**	-0.055	0.123***	0.106***	*Ref Group*
Primary or Secondary Education	-0.212***	-0.141***	0.040	0.025	*Ref Group*
Vocational Education	-0.216***	-0.148***	-0.043	0.016	*Ref Group*
Medical	-0.195***	-0.148***	0.024	-0.005	*Ref Group*
Unemployment	-0.077*	-0.016	0.158***	0.159**	*Ref Group*
Social Security	-0.082**	-0.0009	0.151***	0.151***	*Ref Group*

*Notes: Reference groups are over 64 of age, secondary school education and Poland. *** significant at the 1% level, ** significant at the 5% level, * significant at the 10% level. Heteroscedasticity-robust standard errors. Controls not reported are country fixed effects, net household income, household wealth, self-reported health status, whether unemployed, gender, age category, education level, urban-rural location.*

Table 5 Motivations for Bribery and Life Satisfaction by Income Quantile and Public Official Contacted

VARIABLES	Police	Documents/ Passports	Civil Courts	Primary or Secondary Education	Vocational Education	Medical	Unemployment	Social Security
Poorest Income Quintile	.	.	.	.	.	.	.	.
Extorted	-0.155***	-0.164***	-0.090	-0.125**	-0.123**	-0.143***	-0.069	-0.062
Expected	-0.085*	-0.098**	-0.026	-0.055	-0.055	-0.077**	-0.006	0.005
Speed-Up	0.096**	0.089**	0.154***	0.126***	0.126**	0.111***	0.178***	0.178***
Gift	0.087*	0.070	0.144***	0.115**	0.117**	0.087**	0.176***	0.176***
Second Income Quintile								
Extorted	-0.195***	-0.157***	-0.092	-0.160***	-0.183***	-0.190***	-0.077	-0.093*
Expected	-0.130***	-0.099**	-0.029	-0.092**	-0.122***	-0.137***	-0.019	-0.032
Speed-Up	0.059	0.091**	0.155***	0.096**	0.069	0.058	0.164***	0.151***
Gift	0.032	0.060	0.140***	0.076*	0.037	0.020	0.150***	0.138***
Third Income Quintile								
Extorted	-0.238***	-0.247***	-0.156***	-0.216***	-0.199***	-0.233***	-0.102*	-0.105**
Expected	-0.187***	-0.192***	-0.101**	-0.168***	-0.147***	-0.191***	-0.042	-0.047
Speed-Up	0.001	-0.010	0.085*	0.022	0.046	-0.005	0.143***	0.140***
Gift	-0.029	-0.032	0.069	-0.008	0.023	-0.035	0.137***	0.121**
Fourth Income Quintile								
Extorted	-0.204***	-0.198***	-0.068	-0.175***	-0.141***	-0.173***	-0.071	-0.067
Expected	-0.146***	-0.135***	-0.010	-0.116***	-0.079*	-0.125***	-0.009	-0.003
Speed-Up	0.034	0.036	0.163***	0.063	0.099**	0.046	0.168***	0.167***
Gift	0.008	0.015	0.153***	0.049	0.087*	0.030	0.157***	0.166***
Richest Income Quintile								
Extorted	-0.185***	-0.218***	-0.130**	-0.197***	-0.162***	-0.203***	-0.118**	-0.123**
Expected	-0.116***	-0.151***	-0.069	-0.127***	-0.093**	-0.140***	-0.055	-0.055
Speed-Up	0.061	0.033	0.114**	0.055	0.090*	0.038	0.116**	0.116**
Gift	0.046	0.002	0.097*	0.035	0.069	0.011	0.107**	0.103**

*Notes:*** significant at the 1% level, ** significant at the 5% level, * significant at the 10% level. Heteroscedasticity-robust standard errors. Controls not reported are country fixed effects, net household income, household wealth, self-reported health status, whether unemployed, gender, age category, education*

level, urban-rural location. Reference group is those who used the public service but did not make an unofficial payment.

Table 6 Motivations for Bribery and Life Satisfaction by Geo-political Region

VARIABLE	Slav Russian	Caucasus	C.Europe	C.Asia	Baltics	Balkans
Dependent Variable = Life Satisfaction (1-5)						
Contacted public official but did not make unofficial payment	*Ref*	*Ref*	*Ref*	*Ref*	*Ref*	*Ref*
Contacted public official and was asked to pay a bribe	-0.160*	-0.151*	-0.299**	-0.254***	-0.273	-0.106
Contacted public official and was expected to pay a bribe	-0.092	-0.267**	-0.127	-0.100	-0.162*	-0.065
Contacted public official and paid bribe to speed things up	0.007	0.277**	0.105	0.027	0.034	0.066
Contacted public official and gave a gift out of gratitude	0.069	-0.239	0.094	-0.015	-0.151**	0.047
Observations	2,237	2,208	4,771	4,077	3,607	6,237
Pseudo R-squared	0.032	0.087	0.088	0.067	0.067	0.053

*Notes: *** significant at the 1% level, ** significant at the 5% level, * significant at the 10% level. Heteroscedasticity-robust standard errors. Controls not reported are country fixed effects, net household income, household wealth, self-reported health status, whether unemployed, gender, age category, education level, urban-rural location. The sample sizes add up to 23,137. The difference between this number and the sample we have used throughout the paper (n=23,753) is because Moldova has been excluded from the geo-political regions since it is not easily placed within any of the regions yet is still a transitional country. Our results do not change significantly if we exclude the Moldovan sample from the paper.*