

## HAPPINESS PAYS

Some say money buys you happiness, but new research shows that happiness makes people earn more. This may be because happier people are simply more productive and get promoted faster.

These are the important new findings from a UCL London and Warwick University team of researchers, **Dr Jan-Emmanuel De Neve** and **Professor Andrew Oswald**, presented at the Royal Economic Society's 2012 annual conference at the University of Cambridge.

Dr De Neve and Professor Oswald look at the happiness of thousands of randomly sampled young people and show that, even allowing for other influences, their happiness tells you a lot about who is going to have higher earnings in life. The researchers present the first in-depth investigation of whether today's happiness is a predictor of income a decade later.

Following a large US representative sample of individuals (called the Add Health data), they show that adolescents and young adults in America who report higher 'positive affect', which is a technical measure of happiness, or higher 'life satisfaction' grow up to earn significantly higher levels of income later in life (figure 1).

The effect is big. Their analysis shows, for example, that a one-point increase in life satisfaction (on a scale of 5) at the age of 22 is associated with almost \$2,000 higher earnings per annum at the age of 29. This is on top of other influences on incomes.

Their study also shows that this is in part because people with sunny dispositions are more likely to get a degree, get hired, and get promoted.

### **More...**

They use the availability of siblings in the data to show that happier siblings tend to grow up to earn higher levels of income. Table 1 and Figure 2 illustrate these sibling-based findings. These results are robust to the inclusion of important other factors such as education, physical health, genetic variation, IQ, self-esteem, and current happiness. They show that the effect of individual happiness on income is greater than the well-known influence of income on happiness.

They also study *how* happiness may influence income. Mediation tests reveal a direct effect as well as indirect effects that carry the influence from happiness to income. Significant mediating pathways include obtaining a college degree and a job, higher degrees of optimism and extraversion, and less neuroticism.

These findings have important implications for academics, policy-makers, and the general public. For academics, these results reveal the strong possibility for reverse causality between income and happiness—a relationship that most have assumed

unidirectional and causal. For policy-makers, it highlights the importance of promoting general well-being (GWB), not just because happiness is what the general population aspires to (instead of GDP) but also for its productive effects—i.e. it may pay off to focus policy on maximizing happiness and minimizing suffering. For the general public, and parents in particular, it means that the emotional well-being of children and adolescents is key to their future success and this research provides yet another reason for the need to create an emotionally healthy home environment.

ENDS

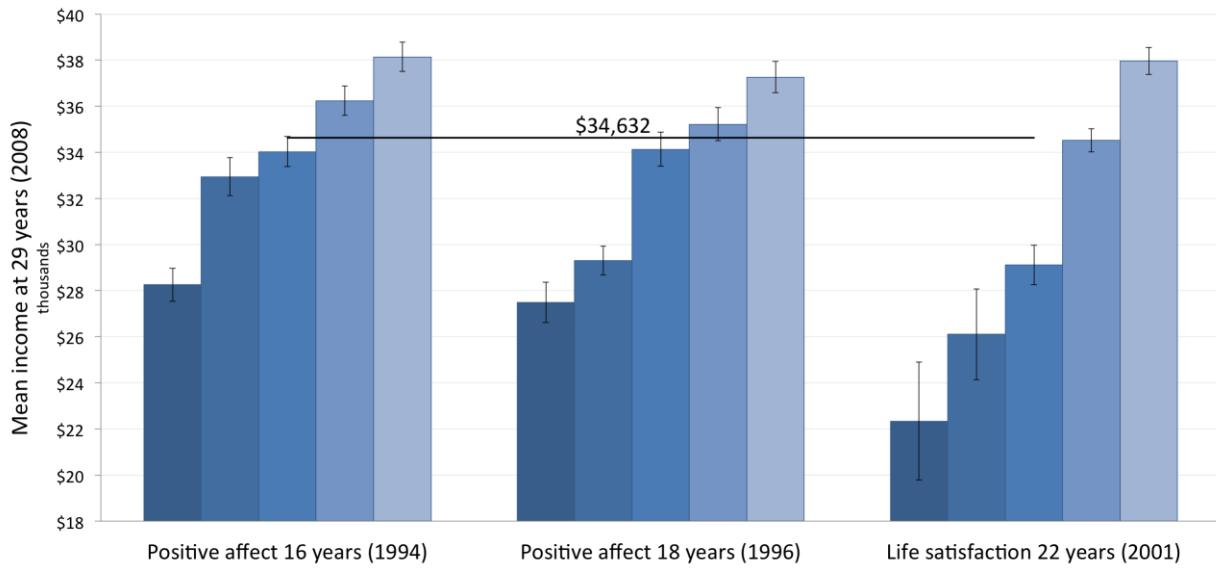
'Happiness Pays: Measuring the effect of subjective well-being on later income using sibling fixed effects' by Jan-Emmanuel De Neve and Andrew Oswald.

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Figure 1: Happiness (measured by 'positive affect' and life-satisfaction) in young adulthood predicts later income when the person reaches age 29.



Data: National Longitudinal Study of Adolescent Health

Table 1: Sibling fixed effects model of log income (2008) on lagged subjective well-being

Table 2: Sibling fixed effects models of log income (2008) on lagged subjective well-being.

	<i>Model 1</i>		<i>Model 2</i>		<i>Model 3</i>		<i>Model 4</i>	
	Coeff.	P-value	Coeff.	P-value	Coeff.	P-value	Coeff.	P-value
Positive affect (1994)	0.064	0.030					0.024	0.464
Positive affect (1996)			0.051	0.086			0.037	0.235
Life satisfaction (2001)					0.056	0.042	0.063	0.027
Positive affect (2008)	0.069	0.012	0.060	0.031	0.067	0.014	0.043	0.135
Male	0.183	0.000	0.191	0.000	0.179	0.000	0.190	0.000
Age	0.126	0.000	0.110	0.000	0.123	0.000	0.110	0.000
College	0.175	0.000	0.186	0.000	0.169	0.000	0.172	0.000
IQ	0.007	0.861	0.039	0.022	0.022	0.573	0.020	0.627
Medication	-0.009	0.747	-0.015	0.570	-0.010	0.722	-0.015	0.571
Self-esteem (1994)	0.039	0.189					0.013	0.684
Self-esteem (1996)			0.035	0.244			0.016	0.615
Self-esteem (2001)					0.065	0.027	0.043	0.146
Intercept	10.13	0.000	10.14	0.000	10.13	0.000	9.971	0.000
<i>N</i>	3,235		3,047		3,236		3,035	
<i>R</i> <sup>2</sup>	0.11		0.13		0.11		0.13	

Note: Variable coefficients are standardized and P-values are presented. Variable definitions are in the appendix.

Figure 2: Happiness in young adulthood predicts later income: sibling fixed effects model predicted values with 95% confidence intervals (quadratic fits).

