

Earning less than your peers can make you happy

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(Medical Xpress) -- Knowing that your colleagues and peers earn more than you can actually raise your satisfaction levels, but only if you are under 45, according to new research from the University of St Andrews.

A study by leading [economists](#) has discovered that far from being disheartened by or jealous of [peers](#) who earned bigger salaries, younger workers were incentivised by the belief that they might one day earn the same.

However, for the over 45s, the bigger [salaries](#) of high flying colleagues have been found to harm self-esteem and reduce [life satisfaction](#), because [career opportunities](#) are much more limited for older employees.

The study called 'So Far So Good: Age, Sex, Happiness and Relative [Income](#)' is the work of Professors Felix FitzRoy and David Ulph of the School of Economics at the University of St Andrews with Dr Michael Nolan of the University of Hull, and Dr Max Steinhardt of the Hamburg Institute of International Economics.

Recently presented at the Royal Economic Society Conference in Cambridge, it drew its data from major household surveys carried out in Germany.

Previous studies found that the income of peers can have a positive overall effect on satisfaction in transition economies of Eastern Europe,

typified by high growth, inequality and social mobility. By contrast, peer group income was believed to have generally negative effects on happiness at all ages in developed economies.

However, this new research from St Andrews shows the negative effect to be restricted to older workers, who are usually less mobile and can foresee their lifetime income. Retired people were much less concerned about income comparison, probably because of more urgent ageing and health issues.

Professor FitzRoy said: “This research provides a more nuanced picture of relative income effects on happiness, and underlines the importance of career aspirations and opportunities for young people.

“This is particularly significant at a time when these opportunities for so many young people are threatened by extreme austerity in the UK and other countries, though notably not in Germany with its export-led boom.”

Provided by University of St Andrews

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