

Lasting increases in income improve well-being, extra work makes people more dissatisfied

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In a new study, mathematical economist Prof. Dr. Christian Bayer, from the Hausdorff Center for Mathematics at the University of Bonn, has demonstrated a connection between long-term income increases and personal satisfaction. Overtime also affects personal levels of happiness – but in a negative way. His findings will be presented in the latest issue of the "American Economic Journal".

Does money bring [happiness](#)? A study by Professor Christian Bayer from the University of Bonn provides new answers to this often-discussed question. In the project, Prof. Bayer worked with his colleague Prof. Falko Jüssen from Bergische Universität Wuppertal to research how increased income and workload influenced overall life satisfaction. Their findings were clear: more money does make people happier – but only if there is a long-term increase in income. A temporary increase does not have any noticeable effect on an employee's level of happiness, even if it is a large increase. By contrast, a permanent increase in income results in a significant rise in well-being, even if the raise is small.

Those who consistently have more work are less happy

The researchers identified a second important way in which professional life influences personal happiness: the number of hours that employees work. "Those who consistently have to work more become less happy,"

says Prof. Bayer, an instructor and researcher at the Institute for Macroeconomics and Econometrics at the University of Bonn. "This finding contradicts many other studies that conclude people are more satisfied when they have any job than none at all." The new study suggests that the unemployed suffer from the lack of income not the lack of employment per se.

For their studies, the mathematical economists developed a new approach to analyze the link of income to personal levels of happiness. While earlier studies on this topic were based purely on static models, Prof. Bayer and Prof. Jüssen also included the dynamics of changing income levels. As it turned out, that was a key step toward a better understanding of how [income level](#) and working hours affect well-being. Long-term income increases have a completely different effect on an employee's satisfaction than temporary raise does. Previous studies had not taken this distinction into account, and treated all changes in income equally.

The formula of happiness

The study also proves that a functioning financial market is important for balancing out the effects of [income](#) fluctuations and extra work on a person's well-being. "Our findings show that wages and working hours have more to do with a worker's happiness and/or unhappiness than was previously assumed," says Prof. Bayer. "So the formula for greater satisfaction in life seems to be: persistently more money while working the same number of hours."

More information: "Happiness and the Persistence of Income Shocks." *American Economic Journal*. DOI: [dx.doi.org/10.1257/mac.20120163](https://doi.org/10.1257/mac.20120163)

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