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Short Communication

Benefits of income: Associations with life satisfaction among earners and homemakers

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ABSTRACT

The question of how money and happiness are associated is still debated. This study tested two hypotheses that aim to explain this association: (1) money increases happiness, and (2) happy people make more money. Using data from the World Values Survey ($N = 64{,}923$, $k = 81$ nations), we tested whether earning status (primary vs. non-primary earner) moderates the association between income and happiness. The two theories make different predictions regarding this moderation effect: if money increases happiness, household income should predict happiness equally, regardless of earning status. If happy people earn more money, household income should predict the well-being of primary earners more strongly. Multilevel models indicated that data were consistent with the money-increases-happiness hypothesis: income predicted happiness equally for primary earners, secondary earners, and homemakers who do not contribute to household income directly.
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One important question in well-being science is whether money increases people's well-being. Although links between income and well-being are often found at both the national (e.g., Diener, Ng, Harter, & Arora, 2010; Diener, Tay, & Oishi, 2013) and individual levels (Howell & Howell, 2008; Lucas & Dyrenforth, 2006), debate in this area is ongoing, especially regarding the direction and size of the association. One problem is that existing evidence is mostly limited to cross-sectional or longitudinal correlational designs, making it difficult to draw firm conclusions (Howell & Howell, 2008). In the current study, we used an innovative approach with a large, cross-national sample of primary earners, secondary earners, and homemakers to elucidate the direction of the association by testing two competing hypotheses about the effects of income on well-being.

1. Existing research on money and well-being

Classic economic theories propose that higher incomes give people more options, allowing greater realization of preferences, resulting in higher well-being (e.g., Kahneman & Thaler, 2006). In contrast, some psychological theories propose that income does not enhance well-being (e.g., Diener, Lucas, & Scollon, 2006; Ryan & Deci, 2006). Empirical studies examining associations at the individual level have often shown positive correlations, such that people with higher incomes have higher life satisfaction (e.g., Howell & Howell, 2008; Lucas & Dyrenforth, 2006).

Depending on theoretical approach, this positive association has been interpreted differently. Some researchers have argued that the association exists because happier people are more productive and, thus, earn more money (Ahuvia, 2008; Lyubomirsky, King, & Diener, 2005; Sutin, Costa, Miech, & Eaton, 2009). In support of this view, some correlational studies found that higher well-being predicts increases in income longitudinally (Diener & Biswas-Diener, 2002; Graham, Eggers, & Sukhtankar, 2004; Lyubomirsky et al., 2005; Marks & Fleming, 1999) and some studies found no associations between changes in income and subsequent changes in happiness (Marks & Fleming, 1999; Schyns, 2001).

However, in support of the money-increases-happiness view, longitudinal studies have found that gains in income predict longitudinal increases in well-being (Boyce, Wood, Banks, Clark, & Brown, 2013; Frijters, Haisken-DeNew, & Shields, 2004), decreases in income predict subsequent declines in well-being (Boyce et al., 2013), and fluctuations in income are associated with corresponding fluctuations in well-being (Luhman, Schimmack, & Eid, 2011). Evidence also indicates that winners of large sums of money experience boosts in well-being that are maintained over time (Gardner & Oswald, 2007).

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2. The current study

We used an innovative approach to test whether income increases happiness or happier people earn more money. We used the World Values Survey, a large, representative sample of adults across nations that includes data on household incomes of both income-earners and homemakers. The two theories make different predictions about the association between income and well-being for household members with different earning statuses, allowing us to test which theory is better supported by the data.

The rationale for our study stems from the fact that not all household members contribute equally to household income. In many households, one person is the primary earner and the partner is a secondary earner or a homemaker with no direct contribution to household income (Hausmann, Tyson, & Zahidi, 2012). The income differential within households allows us to disentangle the effects of income on well-being from the effects of a happy disposition on income. If money increases happiness, household income should predict the well-being of all household members, including those with small or no direct contribution to household income. In contrast, if happy workers earn more money, household income should predict the happiness of primary earners more strongly because it is the happiness of primary earners that influences household income (homemakers do not earn any income, thus their happiness cannot influence household income). The most extreme version of the happy-worker hypothesis would predict that household income is only related to primary earners' happiness and unrelated to homemakers' happiness. More likely, the correlation between income and primary earners' happiness could be driven by both effects, which leads to the prediction that household income predicts happiness of primary earners and homemakers, but the association is stronger for primary earners. We test these hypotheses by examining whether earning status moderates the association between household income and happiness.

It is important to note an asymmetry in the test of the models. Similar effect sizes for different earning statuses would provide strong support for the money-increases-happiness model because the happy-worker model cannot explain this finding. In contrast, a stronger effect of household income on primary earners' well-being than on non-primary earners' well-being is consistent with the happy-worker hypothesis, but could also be consistent with the money-increases-happiness hypothesis if resources are not shared equally within households. We do not have information about the distribution of resources within households, which makes it difficult to test alternative explanations of a moderation effect. However, it has not been examined whether earning status is a moderator, and the main contribution of our study is to examine this question in a large, cross-cultural dataset. Given the size of our sample, our study has high statistical power to detect the moderation effect that is predicted by the happy-worker hypothesis.

3. Method

3.1. Participants

We used data from the World Values Survey collected between 1981 and 2008 from 87 societies (World Values Survey, 2009). We restricted our analyses to individuals married or living with a domestic partner, and not living with parents. Our first set of analyses were based on primary income-earner husbands ($n = 24{,}631$), and wives who were homemakers ($n = 20{,}192$) or worked full-time but were not primary earners ($n = 11{,}046$). Thus, we had 55,869 participants from 80 nations, from years 1989 or later. Our second set of analyses were based on primary income-earner wives ($n = 4777$), and husbands who worked full-time but were not primary earners ($n = 2614$) or were homemakers ($n = 1663$). Thus, we had 9054 participants from 81 nations, from years 1984 or later. Working status (homemaker and full-time worker) was determined based on the employment status question in the WVS.

Participants were on average 41.0 years old ($SD = 11.36$). Education levels were: 13% did not complete elementary education, 13% completed elementary education, 13% some secondary education, 32% completed secondary education, 6% some university/college education, and 15% completed university (9% did not provide information).

3.2. Measures

Primary earning status was based on responses to the question "*are you the chief wage earner in your house*" (*no* = 0, *yes* = 1). Life satisfaction ($M = 6.57$, $SD = 2.47$) was rated on a scale of 1 (*dissatisfied*) to 10 (*satisfied*). Participants indicated where their household income stands on a ladder of incomes ($M = 4.87$, $SD = 2.41$, median = 5.0), with responses coded into deciles ranging from 1 to 10, rescaled to range from zero to one. Many nations provided the income brackets corresponding to each decile (e.g., for the US, the highest decile was incomes above $100,000 which corresponded to incomes of the top 10% at the time of the survey). Gender was dummy coded (0 = male, 1 = female). The interaction term was created by multiplying the centered income and gender variables.

4. Results

We analyzed the data with multilevel modeling with maximum likelihood estimation using MPlus 5 (Muthén & Muthén, 2007). Data from individuals (level 1) were nested within nations (level 2), creating a 2-level model. We estimated random intercepts and slopes to allow for cross-national variability in the estimates. Significant random variance indicates differences across nations in the associations, whereas nonsignificant random variance indicates that associations do not vary across nations and estimation of fixed effects is more appropriate. Our outcome was life satisfaction and our predictors were income, gender (i.e. earning status), and their interaction. Predictors were grand-mean centered. All results are shown in Table 1.

First, we compared primary-earner husbands and homemaker wives. The interaction term was not significant, indicating that the association between life satisfaction and income did not depend on earning status. Furthermore, the moderating role of earning status did not differ across nations, indicated by a nonsignificant variance estimate. The main effects indicated that higher income predicted higher life satisfaction, whereas gender was not significantly associated with life satisfaction. Both main effects showed significant variance across nations. Second, we repeated our analysis comparing primary-earner husbands with non-primary-earner and homemaker wives. Once more, earning status was not a significant moderator.

Third, we compared primary-earner wives with homemaker husbands to ensure that results are not due to confounding of gender and earning status. Results also showed a nonsignificant interaction, indicating that the association between life satisfaction and income did not depend on earning status, even when the primary earners were women. The effect did not differ across nations. Higher income predicted higher life satisfaction, and the strength of this association varied across nations. Interestingly, gender also predicted life satisfaction, such that primary-earner wives were more satisfied than homemaker husbands, an effect that did not differ across nations. Fourth, we repeated our analysis comparing primary-earner wives with non-primary-earner and homemaker husbands. Earning status was once again not a significant moderator.

5. Discussion

Our primary goal was to test whether money increases happiness or happy workers earn more money using a large, cross-national dataset of household incomes of primary earners, secondary earners, and homemakers. We did this by examining whether the association between income and happiness differed for primary income-earners and those

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