



The association of life satisfaction and self-rated health with income dynamics among male employees in Japan



Takashi Oshio^{a,*}, Maki Umeda^b, Mayu Fujii^c

^a Institute of Economic Research, Hitotsubashi University, 2-1 Naka, Kunitachi, Tokyo 186-8603, Japan

^b Graduate School of Medicine, The University of Tokyo, 7-3-1 Hongo, Bunkyo-ku, Tokyo 113-0033, Japan

^c National Institute of Population and Social Security Research, Hibiya Kokusai Building, 6th Floor, 2-2-3 Uchisaiwaicho, Chiyoda-ku, Tokyo 100-0011, Japan

ARTICLE INFO

Article history:

Received 13 February 2013

Received in revised form 18 August 2013

Accepted 24 September 2013

Available online 4 October 2013

JEL classification:

J10

D3

Keywords:

Life satisfaction

Self-rated health

Income dynamics

Income profile

ABSTRACT

In this study, we analyze how life satisfaction and self-rated health are associated with income dynamics. We used data from male employees in Japan ($N = 1004$) drawn from a panel dataset of career wage records spanning a period of over 30 years. The income history used in this study was based on administrative records; thus, the data were almost free of recall error. Our results show that life satisfaction was more closely associated with a change in lifetime average income or maximum income than with a change in income compared to the previous year, whereas the opposite was true for self-rated health. In addition, life satisfaction tended to resist a decline in response to a fall in income from its average or maximum level, but this was not the case for self-rated health. Furthermore, an income peak experienced in the past made both life satisfaction and self-rated health more sensitive to changes in income, whereas a trough experienced in the past made them less sensitive. These findings suggest that the association of income between subjective well-being and health should be studied further, within a dynamic framework.

© 2013 Elsevier B.V. All rights reserved.

1. Introduction

A number of empirical studies have shown that income is a key determinant of an individual's life satisfaction, along with other variables of socioeconomic status (Burchardt, 2005; Diener and Biswas-Diener, 2002; Frey and Stutzer, 2002; Frijters et al., 2004; Layard et al., 2008). Higher income levels generally increase people's living standards by enabling them to purchase more goods and services and to save for the proverbial "rainy day," thereby providing them with material resources that drive life satisfaction. In addition, higher incomes per se can promote life satisfaction on account of higher self-appraisals and an increased sense of control.

Higher incomes also enhance the health or self-rated health of individuals by providing them with more opportunities to promote their health through better access to health services and increased health literacy (Gunasekara et al., 2011). A reduction of exposure to risk and uncertainty is another benefit of having a higher income, buffering against psychological stress related to life in general.

However, the association between income and life satisfaction is not stable or straightforward, as stressed by Kahneman et al. (2006) and Diener et al. (2010); individuals are likely to be

concerned about various aspects of their income. The same is possibly true of self-rated health as well. As the following subsections indicate, several studies have shown that both life satisfaction and self-rated health are associated with a person's current income, as well as his or her past income dynamics.

In this study, we examined how life satisfaction and self-rated health are associated with income dynamics among male employees in Japan, using the dataset from our nationwide Internet survey linked to official career wage records. We concentrated on wages, i.e., personal income, rather than household income as a measure of income. To precisely examine the association of life satisfaction and self-rated health with income dynamics, we needed continuous and reliable income profiles; these were available only for wages of this type of worker. It should be noted, however, that many studies including Blanchflower and Oswald (2004) have assessed the effects of household income (rather than personal income) on subjective well-being. Also, Lee and Ono (2008) examined the effects of personal income, household income, spouse's income, and others in the Japanese context, although their outcome measure was marital satisfaction rather than life satisfaction. One of their findings was that men were sensitive to their own personal income, while women were not. Hence, the results of the current study, which concentrate on personal income of male employees, should not be generalized to the overall population.

Another limitation of the current study is that our sample excluded not only female workers but also people with an unstable

* Corresponding author. Tel.: +81 43 580 8372; fax: +81 43 580 8372.

E-mail addresses: oshio@ier.hit-u.ac.jp (T. Oshio), makiumedatky@umin.ac.jp (M. Umeda), fujii-mayu@ipss.go.jp (M. Fujii).

occupational status or no work experience. The association between life satisfaction/self-rated health and the dynamics of personal income among these individuals may be different from that among male employees with strong attachment to the labor market. In addition, our analysis may not be free from sample selection bias because it did not follow the sample who exited from the labor force due to dissatisfaction and/or poor health. Hence, we should be cautious in interpreting the findings obtained from this study.

1.1. Income dynamics and life satisfaction

A person's past income dynamics have been found to affect his/her life satisfaction independent of current income (Burchardt, 2005; Clark, 1999; Di Tella et al., 2010; Frijters et al., 2011; Grund and Liwka, 2007). The association between a person's income dynamics and life satisfaction is consistent with the relative income hypothesis of Easterlin (1995), which states that individuals evaluate their current income relative to their past income (habituation) and others' incomes (social comparison). As surveyed by Clark et al. (2008), the findings of several empirical studies support this hypothesis, showing that income changes from the past can affect a person's current life satisfaction, even after controlling for current income (Burchardt, 2005; Clark, 1999; Grund and Liwka, 2007). The psychological basis for the relative income hypothesis is provided by behavioral science as reference-dependent preferences (Kahneman and Tversky, 1979; Kahneman, 1994). If people use their past income as a reference point for utility, they are likely to relate their life satisfaction to it, even after controlling for current income.

It may be difficult, however, to predict in which ways a comparison with past income may affect a person's current life satisfaction. The relative income hypothesis may imply that an increase (decrease) in income from a past reference point increases (reduces) a person's life satisfaction. However, this may not always be the case. For example, it may take time for people to respond to a reduction in income, whereas they adjust immediately to an increase in income. In this regard, Duesenberry's (1949) ratchet effect hypothesis with regard to consumption expenditures emphasizes consumption habits: as individuals' income levels increase, they become accustomed to a higher level of consumption, and it may become difficult for them to curtail such expenditures as their incomes fall. Considering that life satisfaction is likely to be closely related to consumption expenditures – which constitute a realization of disposable material resources – it is reasonable to believe that life satisfaction can resist a reduction in response to a fall in income. If this ratchet effect hypothesis holds, life satisfaction may have a positive, rather than a negative, association with a reduction in income, after controlling for current income.

1.2. Income dynamics and self-rated health

A number of studies have shown the association between income dynamics and health or self-rated health (Duncan, 1996; Kaplan et al., 2008; Lindahl, 2005). Some studies identify certain disadvantageous financial statuses – such as those associated with persistently low income, cumulative exposure to economic hardship, and income instability – as important predictors of health (McDonough et al., 1997).

The relative income hypothesis seems to hold true for health as well. As with life satisfaction, a habituation version of the hypothesis holds true for health, when either an increase or a reduction of income compared to the past may affect a person's current health condition, even after controlling for current income (Kaplan et al., 2008; McDonough et al., 1997). However, it is still

uncertain as to which aspect of income dynamics – that is, current, past, or lifetime income – is the most influential on a person's health and self-rated health (Gunasekara et al., 2011; McDonough and Berglund, 2003). Furthermore, the association with past income may differ between life satisfaction and self-rated health.

1.3. Previous studies in Japan

An abundance of studies on life satisfaction and perceived happiness conducted by Japanese economists exist, notably chapter articles included in Ohtake et al. (2010), which addressed the association of life satisfaction with labor, joblessness, income inequality, division of labor in the household, and work-life balance. Urakawa (2011) provided a comprehensive survey of recent research on these issues. More recently, Tsutsui and Ohtake (2012) found that the level of happiness is stationary, whereas the integrated process of changes is non-stationary with a rising trend, based on using data from a daily web survey. Meanwhile, studies in social epidemiology, including Fukuda and Hiyoshi (2012) and Kondo et al. (2008), have shown that income is a key determinant of physical and mental health as well as self-related health in Japan.

1.4. Research questions and hypotheses

Following these studies, we investigated how life satisfaction and self-rated health are associated with the income dynamics of male employees in Japan ($N = 1004$) by using a panel dataset of career wage records covering a period of over 30 years.

This study has the following features that distinguish it from those of previous studies. First, we compared the associations of income dynamics with life satisfaction and self-rated health in the same analytical framework, whereas most previous studies examined them separately with different model specifications. Predicting that life satisfaction and self-rated health are associated with income dynamics differently is reasonable; life satisfaction was assumed to be more multidimensional and more closely related to consumption and other economic behaviors than self-related health was.

Second, we considered various aspects of income dynamics, while examining the possibility that life satisfaction and self-rated health may have different income reference points. For example, we examined changes in income from the previous year, average income, and maximum income, in addition to current income. Third, we explicitly distinguished and compared the impacts of an increase and a reduction in income by considering the possibility of asymmetric life satisfaction and self-rated health responses to increases or reductions in income changes (Bowman et al., 1999; Sareen et al., 2011). Finally, we examined how income profile patterns – that is, whether the respondents had experienced a peak or a trough in income in the past – compounded the association of life satisfaction and self-rated health with income changes.

To address these issues, we focused on the respondents' career wages as found in administrative records in Japan – a methodology that improves the accuracy of income data compared to that gathered through self-reporting. The respondents were asked to post their annual wages from the administrative records reported in their Social Security statement, which is an official statement of public pension programs regularly mailed from the government to people who pay public pension premiums. This method helped us preclude recall errors in income reporting.

To our knowledge, the current study is one of the first attempts to address how life satisfaction and self-rated health is associated with the income dynamics of people in Japan. Japan is a country with employment and wage systems that differ from those in the West, such as lifetime employment and steeper age–wage profiles

Download English Version:

<https://daneshyari.com/en/article/5086195>

Download Persian Version:

<https://daneshyari.com/article/5086195>

[Daneshyari.com](https://daneshyari.com)