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Money and success – Sibling and birth-order effects on positional concerns

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ABSTRACT

Survey data is used to investigate how birth order and presence/absence of siblings affect positional concerns in terms of success at work and of earned income. We find that people's positional concerns in terms of work-related issues generally are weak, but there are some differences in this regard: we find that only-children are the most concerned with relative position. Moreover, even if birth order itself has very small effects, the positional concern increases with the number of siblings among those who grew up together with siblings. Furthermore, people whose parents often compared them with their siblings generally have stronger positional concerns. We also find that younger respondents are far more concerned with relative position than older in all studied situations.

1. Introduction

This paper utilizes unique Swedish survey data to increase our understanding of the extent to which birth order and other family variables affect a person's positional concerns in terms of earned income and success at work. By positional concern we mean the concern that people have with their own position compared to that of others in terms of, e.g., income, success, and consumption of certain goods. Ever since the seminal work by Easterlin (1974), many studies have found that relative issues affect people's well-being and are therefore important to investigate.[1] Yet, almost no work has been done to understand what in our backgrounds and childhood can explain the existence of positional concern. To our knowledge, this is the first study that links the potential effects of family variables, such as birth-order and being the only child, to positional preferences.

Most of us have a sense that our siblings (or absence of siblings) affect us throughout our lives. From popular media we have for instance heard that if you are a first-born you are orderly and likely to become a leader. One might also think that an only-child, who during childhood was always used to being the foremost (never surpassed by any brothers or sisters), would

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[1] See, e.g., Frank (1985a), Easterlin (1995), Solnick and Hemenway (1998), McBride (2001), Johansson-Stenman, Carlsson, and Daruvala (2002), Alpizar, Carlsson, and Johansson-Stenman (2005), Ferrer-i-Carbonell (2005), Torgler, Schmidt, and Frey (2006), Carlsson, Johansson-Stenman, and Martinsson (2007), and Caporale, Georgellis, Tsitsianis, and Yin (2009).

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be eager to be more successful than others also as an adult, while a last-born, who through his/her entire upbringing could not achieve as much as his/her older siblings, would not be equally concerned with relative position. Sulloway claims in a highly debated article from 1996 that first-borns are more conscientious than later-borns at the same time as later-borns are more agreeable and extraverted, while Freese, Powell, and Carr Steelman (1999) find very small differences in social attitudes between first-borns and later-borns. However, Saroglou and Fiasse (2003) argue that it is important to distinguish between middle-borns and the youngest, and not simply regard both groups as later-borns.[2] Moreover, Beck, Burnet, and Vosper (2006) find in a within-family study that first-borns score higher on dominance and later-borns on sociability. Blake (1991) investigates whether only-children and others raised in small families are less social, more egocentric, and/or more goal-oriented but concludes that this is not the case. There are also quite a few studies that have found that birth-order and/or family size affect educational attainment and wage level.[3]

We specifically analyze how birth order and the presence/absence of siblings affect positional concerns. We conducted a survey that enables us to check whether different siblings have different impacts on a person's positional concern. We distinguish between the siblings one grew up with and those one did not grow up with, and we also analyze whether growing up with step- and half-siblings matters for positional concern. Although most previous studies on positional concern have focused on comparisons with "people in general", Kingdon and Knight (2007) find that a person can have several reference groups,[4] and Frank (1985b) argues that people compare themselves with those they compete with for important resources. We include three specific reference groups, namely parents, siblings, and friends, and analyze whether positional concerns differ depending on the reference group; is it more important not to earn no less than one's siblings, or are friends a more important reference group? Moreover, Solnick and Hemenway (2005) find that positional concern varies widely across issues. Therefore, we do not consider relative income to be the only measure of position, but also look at relative success at work, which has not been done before.

Our purpose is to investigate whether birth order and other family background variables can explain (at least partly) why some people care more about relative issues than others. This is important since previous research has shown that positional concern matters for well-being. The notion of positional concern is also important for decision making, which will be different if relative and not only absolute consumption or income matters. e.g., Pingle and Mitchell (2002) find that people who exhibit positional concerns are likely to follow others' labor supply choices in order not to lose in relative income. It also follows that positional concern has important policy implications since it affects, e.g., optimal taxation and optimal public goods provision.[5] According to Fischer and Torgler (2006), positional concern per se is undesirable because people with lower income perceive frustration over not being able to keep up with the Joneses, which may decrease trust in society. Relative-status seeking also affects wage formation (Agell & Lundborg, 1995, 2003) and labor-force participation (Neumark & Postlewaite, 1998).[6] The prevalence of positional concerns in terms of income and consumption has also been used as an argument when designing tax policies. However, if positional concerns are formed (at least partly) already during childhood, there may be heterogeneity in these preferences that is hard to consider in policy making.

The present paper shows that people's positional concerns in terms of work-related issues generally are weak. However, we find some differences in this regard: only-children and those who grew up with many siblings are more likely than others to find these issues important. This is also true for those who perceive that their parents compared them with their siblings during childhood. We also find that especially young people, who are to enter the labor market, have stronger positional concerns. Therefore, in terms of well-being, these groups might suffer more than others from having lower income and being less successful. Although our study is not primarily concerned with behavior, these groups are perhaps more influenced by others' labor-market decisions in accordance with Pingle and Mitchell's (2002) observation of the follower behavior. Relative comparison is therefore likely to add another dimension to the choices of education and occupation.

The remainder of the paper is organized as follows. Section 2 describes the design of our survey and the descriptive statistics. Section 3 reports the empirical results from the analyses. We study the positional concerns both descriptively depending on birth order and in regressions where we first analyze the whole sample and then the sub-sample of respondents who were brought up together with siblings. Finally, Section 4 concludes the paper.

2. Design of survey and descriptive statistics

In this section we will first describe the questions stated in our survey. We will then describe the explanatory variables used in our analyses and show descriptive statistics of these in Table 1.

[2] They find that last- and first-borns are similar in conscientiousness, religion, and educational achievement, while middle-borns are less conscientious, less religious, and have lower school performance.

[3] Hanushek (1992) finds that first-borns have better educational attainment, since they are more likely to come from a small family. Black, Devereux, and Salvanes (2005) and Kantarevic and Mechoulan (2006) explain it with birth order rather than with family size. Booth and Kee (2009) find that both family size and birth order matter for educational attainment, while Kessler (1991) finds no effects of birth order or family size on wage level.

[4] e.g., One's own past, family members, others with similar characteristics, and people at one's workplace.

[5] Boskin and Sheshinski (1978), Oswald (1983), Persson (1995), Ireland (2001), and Aronsson and Johansson-Stenman (2008) all study the effects on optimal taxation and Ng (1987) those on public goods provision.

[6] Neumark and Postlewaite (1998) find that a woman's labor-market decision depends on the labor-market status of her sisters and on the relative income of her sisters and their spouses; if a woman's spouse earns less than her sister's, and the sister does not work outside the house, the woman is more likely to join the labor force in order to achieve a higher family income than her sister.