

Understanding the Relationship between Education and Life Satisfaction

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The relationship between education attainment and life satisfaction is a controversial issue in the literature of happiness economics. To establish consistent patterns on this relationship is very important because both individuals and public administrations devote a lot of resources to education. If it is the case that returns to schooling exceed those well established by labor and health economics we may conclude that these returns are underestimated and thus we may expect private and public underinvestment on education.

Part of the literature considers that increasing aspirations are among the main factors likely to mediate between education and life satisfaction (Clark and Oswald 1994, Frey and Stutzer 2002, Ferrante 2009). Thus, education is claimed to be neutral in terms of life satisfaction. But there is increasing evidence on the fact that education is associated to higher levels of life satisfaction on top of its indirect association through health, employment status and income. Helliwell (2003) identified two additional channels: social participation and social capital. Two recent papers find that education may have a direct effect on life satisfaction. The residual effect is ascribed to an assumed consumption component of education (as a positional good) by Salinas-Jiménez et al. (2011) and to “self-confidence” or “self-estimation” derived from knowledge by Cuñado and Pérez-de-Gracia (2012).

We confirm the importance of health, finances, employment status, social participation and trust as channels through which education is associated to life satisfaction and we bring evidence on the importance of two additional channels: (i) the likelihood of performing leisure activities such as reading and playing games of skill, and (ii) the likelihood that partner and children of the individual are/become more educated themselves. Actually we provide some evidence that points out that these new channels maybe the most important ones. The education of partner and children could work either as wider determinant of socio-economic status of the individual or increasing his restricted social capital. We will study which of the two explanations seems the most likely in our sample.

We study the relationship between education and life satisfaction using micro data from the fourth wave of the Survey on Health, Aging and Retirement in Europe (SHARE). Wave 4 of SHARE collected data of interest for our research project in 2010 of a representative sample of individuals aged 50 or over and their partners from sixteen European countries: Austria, Germany, Sweden, Netherlands, Spain, Italy, France, Denmark, Switzerland, Belgium, Czech Republic, Poland, Hungary, Portugal, Slovenia and Estonia. The dataset contains data on most of the dimensions required by a complete research on happiness for around 58,000 individuals. The data covers socio-demographic characteristics (age, gender, marital status, number of children and grandchildren, country of birth and country of residence), health status (major and minor chronic diseases diagnosed by a doctor), socio-economic status (finances-household income and wealth, employment status and education attainment), social participation (involvement in several social activities including religious ones), social capital (perceived trustworthiness of people), education attainment of family members (partner and children) and individual leisure activities (reading and playing games of skill). We apply a methodology recently used by Cutler and Lleras-Muney (2010) to study channels mediating the relationship between education and health behaviors: observing how does the coefficient associated to education change when we include different mediating factors in the linear regression model.

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