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Rising Inequality Can Affect Life Satisfaction More Than Rising Unemployment

When the gap between the wealthiest 1% and the remaining 99% of the population in a country grows, the life satisfaction levels of the average person tend to be even more negatively affected than if there had been an even greater increase in the rate of unemployment, the findings of a recently published study suggest.

The working paper, "Top Incomes and Human Well-Being Around the World," by Richard V. Burkhauser of Cornell University, Jan-Emmanuel De Neve of the University of Oxford, and Nattavudh Powdthavee of the London School of Economics, was published in December 2015.

Burkhauser and his colleagues started their research by asking whether income inequality at the very top affects the average person's life evaluation. Using data on 22 countries, including the United States, from the Gallup World Poll and the World Top Incomes Database, the researchers plotted the share of taxable income held by the top 1% in each country over time (between 2006 and 2012) against reported life ratings and positive and negative emotional experiences across populations. The results of the analysis indicated that, holding other things constant, a 1% increase in the share of taxable income held by the top 1% of the population has an equivalent negative impact on life satisfaction as a 1.4% increase in the country-level unemployment rate.

According to the authors, this effect likely occurs because as the very rich get richer, they extend the range of the income distribution, which means that even for members of the relatively affluent middle class, certain items of value, such as private schools and houses in the best neighborhoods, are priced beyond their reach. Moreover, from a psychological perspective an increase in the share of income held by the richest 1% can make middle-class people feel that their chances of moving up the ladder and becoming very rich themselves are diminishing.

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In addition to uncovering a pronounced negative correlation between individuals' life satisfaction and the share of income held by people in the top percentile, the analysis showed a significant positive relationship between top income shares and negative emotional experiences. Thus, in the countries in which the richest 1% hold most of the nation's income, respondents were more likely to report feeling stressed, worried, or angry on the day before the survey than respondents in more equal societies. However, the analysis found no relationship between positive emotional experiences and inequality at the very top of the income distribution.

The authors speculated that these findings could be related to evidence reported by Nobel laureates Daniel Kahneman and Angus Deaton in their 2010 study that measures the components of life satisfaction that are especially sensitive to socioeconomic factors, such as a person's income level and employment status; whereas measures of positive and negative emotional well-being tend to be more sensitive to circumstances that evoke emotional responses, such as time spent socializing, caring for others, and commuting.

The researchers warned that their findings suggest that a large share of workers in these countries are dissatisfied. The authors also called upon corporate leaders to consider the possible implications for pay and compensation policies within their organizations.

Most Millennials Would Rather Find a Job than Start a Business

While the millennial generation are widely seen as entrepreneurial risk takers, a recent survey of young adults conducted by Harvard University's Institute of Politics in association with the Washington Post found that most millennials are more interested in finding a job rather than establishing their own business.

The survey of 2,011 U.S. adults aged 18-29 was conducted Oct. 30-Nov. 9, 2015. The results showed that 53% of millennials polled believe that having a stable job is very important, even if it is less exciting than other jobs. By contrast, just 32% of respondents said they want to start their own business.

The findings also indicated that 60% of respondents believe achieving success in a high-paying career is very important, and that 58% feel it is very important to have a job that benefits society. At the same time, however, the results clearly showed that millennials value their free time, with 85% of respondents saying that they consider having time to spend with family and friends to be very important.

When asked what type of organization they would like to work for, 50% of the millennials said they would prefer to work for a business, while only 22% said would prefer to work for a nonprofit, and just 17% indicated they would like to work for a government agency. Of those respondents who said they would prefer to work for a business, 54% said they would like to be hired by an established business, whereas just 16% said they would like to find a job with a new company.

Researchers speculated that the preference millennials seem to have for stable jobs at established firms can be attributed to the challenges young people face at the beginning of their careers. They observed that the recent high unemployment rates among 18-34-year-olds have resulted in tremendous feelings of insecurity among young adults, leading many to delay living independently or getting married.

However, researchers noted that although entrepreneurship seems to have fallen out of favor with millennials, the survey also found some surprising demographic differences: for example, 50%

of the African-American and 43% of the Hispanic respondents, but only 24% of the white respondents, indicated they prioritize starting their own business.

Raising the Retirement Age for Less-Educated Workers

Although policymakers have been calling for an increase in the statutory retirement age to reflect rising longevity, the recent widening of life expectancy disparities based on socioeconomic status (SES) could mean that raising the age of retirement would be unfair to less-educated workers, according to a study published by the Center for Retirement Research at Boston College.

The research brief, "Does a Uniform Retirement Age Make Sense?" by Geoffrey T. Sanzenbacher, Anthony Webb, Natalia S. Orlova, and Candace M. Cosgrove, was published in January 2016. The authors observed that, in the face of rising life expectancies, many policy experts argue that today's workers can retire later and still spend the same fraction of their lives in retirement as past generations. The researchers pointed out, however, that while such an argument assumes that workers across the socioeconomic spectrum have experienced similar increases in life expectancy, the evidence suggests that life expectancies for low-SES individuals have been improving more slowly than for high-SES individuals in recent decades.

The analysis used data from the National Longitudinal Mortality Study (NLMS) to estimate trends in mortality from 1979-2011 by education among individuals aged 25 or older. Education, which is a common measure of SES, was defined by quartiles of educational attainment. The authors then used these estimates to determine how much longer each educational group could work today if the goal is to maintain the same ratio of retirement years to working years as the ratio that existed in 1979.

The results showed that the period life expectancies for each gender and educational quartile reflected recent mortality improvements: conditional on surviving until age 65.8, life expectancy increased from 1979 to 2011 by 4.0 years for the least educated men and 6.1 years for the most educated men, and by 1.4 years for the least educated women and 3.2 years for the most educated women.

Based on these life expectancy figures, the analysis then looked at the ratio of the years spent in retirement to the years spent working, calculating the age to which individuals in each cohort could work in 2011 to achieve the same ratio as in 1979. The results showed that while all of the SES groups could work longer while maintaining their 1979 ratio of retirement to work years, because mortality inequality had increased considerably, those in the lowest quartiles could not work as long. The men in the lowest quartile could work until age 68.1 while the men in the highest quartile could work until age 69.6, a gap of 1.5 years. Similarly, the women in the lowest quartile could work until age 66.0 while the women in the highest quartile could work until age 67.2, a gap of 1.2 years.

While acknowledging that today's workers can, regardless of their SES, work longer while still spending similar proportions of time working and in retirement as their counterparts who retired 30 years earlier, the authors emphasized that policies that seek to extend work life while treating all workers the same will tend to cut into the retirement of low-SES workers more than that of high-SES workers. They therefore recommended that policymakers seeking to encourage working longer should be cautious about the potential effects that such policies could have on inequality.

The evidence suggests that life expectancies for low-SES individuals have been improving more slowly than for high-SES individuals in recent decades.

Workers with Health Insurance Report Having Trouble Paying Medical Bills

Large shares of working-age Americans, including many with insurance, report having recently faced difficulties paying medical bills that forced them to make changes in their employment and their lifestyle, according to the results of a survey conducted by the Kaiser Family Foundation and the New York Times.

The survey was conducted Aug. 28-Sept. 28, 2015 among a national sample of 2,575 adults ages 18-64, including 1,204 who reported problems paying medical bills and 1,371 who did not. The findings indicated that 26% of all of the respondents reported having problems paying medical bills in the past year, including 53% of those who are uninsured and 20% of those who have health insurance.

According to researchers, the survey findings suggest that while insurance can protect people from problem medical bills, individuals with employer coverage or other insurance suffer similar consequences as the uninsured once such problems occur: among the respondents who reported facing problems with medical bills, almost identical shares of the insured (44%) and uninsured (45%) said the bills had a major impact on their family.

Overall, 62% of the respondents who had problem medical bills said the bills were incurred by themselves or a family member who had health coverage at the time, most often through an employer. Of the respondents who were insured when the bills were incurred, 75% said that the amount they owed for their insurance copays, deductibles, or coinsurance was more than they could afford.

The survey also found that the insured respondents with problem medical bills also reported experiencing a wide range of negative consequences as a result of the pressure to pay these bills, including delaying vacations or major household purchases (77%); spending less on food, clothing, and basic household items (75%); using up most or all their savings (63%); taking an extra job or working more hours (42%); increasing their credit card debt (38%); borrowing money from family or friends (37%); changing their living situation (14%); and seeking the aid of a charity (11%). Researchers noted that these shares generally are as large as or larger than the shares found among uninsured people with problem medical bills.

The results of the survey seemed to indicate that many of the insured respondents with problem medical bills encountered holes in their health care coverage: 26% said they received unexpected claim denials, and 32% said they received care from an out-of-network provider that their insurance would not cover. Of the respondents who were charged for out-of-network services, 69% said they were unaware that the provider was not in their plan's network when they received the care. The results further showed that among the respondents with private insurance, those in higher deductible plans (26%) were more likely to report medical bill problems than those in plans with lower deductibles (15%).

Moreover, the respondents with problem medical bills were more likely than their peers to report having taken a number of extra steps to negotiate prices or shop around for health care. But 69% of the respondents who shopped around for a lower price said it was difficult to find out how much they would have to pay, and 67% of those who attempted to negotiate prices with a provider reported that their efforts were unsuccessful.

Among the respondents with private insurance, those in higher deductible plans (26%) were more likely to report medical bill problems than those in plans with lower deductibles (15%).