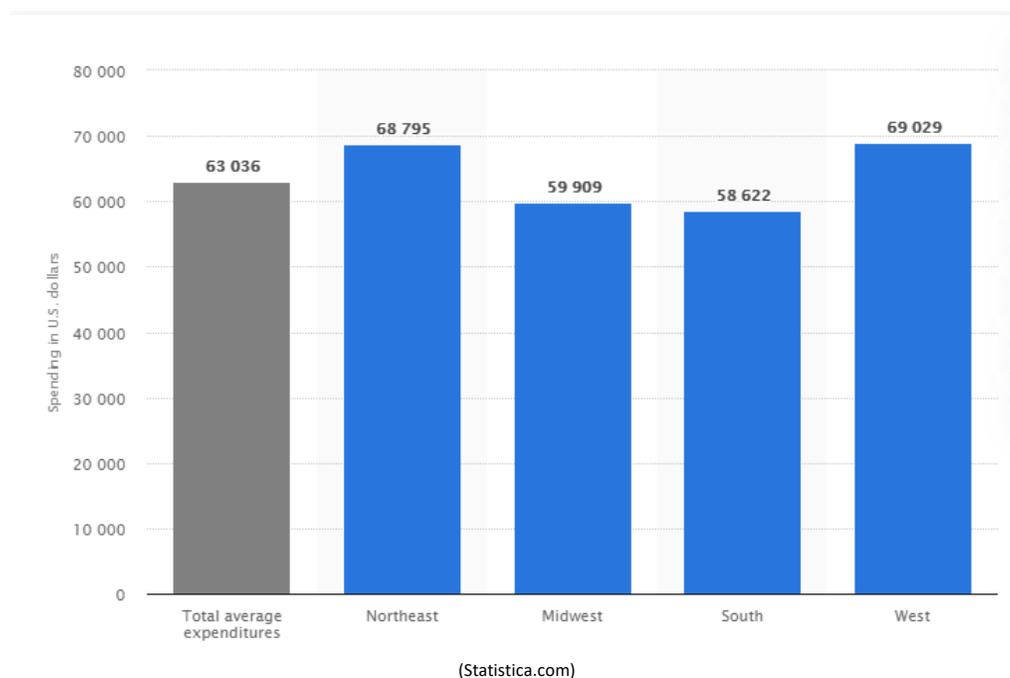


Income and Happiness

Nearly 20 years, economists discovered a phenomenon that was occurring among working adults. What they had found was that income was directly related to happiness, but only to a certain point. Essentially, once a person reached a certain income level, income no longer affected happiness. Which tells us that higher level incomes are not the key to happiness. This phenomenon was called the Easterlin Paradox. The Easterlin Paradox found that, at least across the United States, once people attained an average income of \$70,000 annually, income no longer affected happiness.

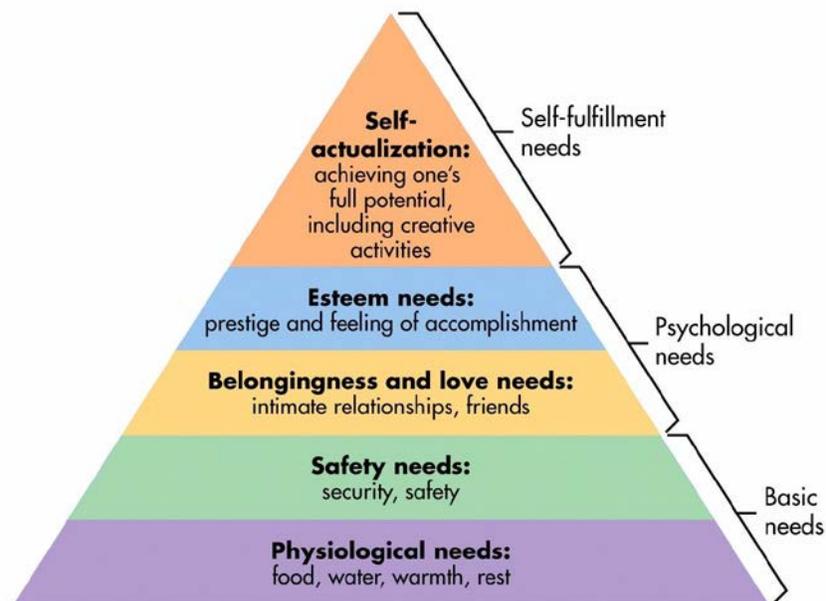
This relationship is quite interesting for many, and many people wonder why this occurs. To many who have studied sociology, it seems fairly logical. As of 2019, the average cost of living across the United States is \$63,036, just looking at household expenses. The Western United States has the highest overall cost of living at \$69,029, followed closely by the Northeast at \$68,795. With the Midwest at \$59,909 and the South at \$58,622 (statistica.com). Therefore, using an average of \$70,000 gross income, would just about cover the basic living expenses for people.



Why does this matter? People who are living on a wage that is significantly under the average cost of living are experiencing some significant issues. These people are experiencing anxiety related to finances. They are having to make the decision as to which bill to pay this month, which utility is about to be shut off. They are trying to figure out how to buy food. They are trying to figure out how to pay to go to the doctor. The phrase “don’t get hurt, because I can’t afford to go to the ER” is common, and actually a serious statement, not a joke. They cannot afford a blown tire. They cannot afford unexpected expenses. And, what’s worse, is because they are making a wage that is under the cost of living, they are more likely to have late payments on utilities, which then gets reported to the credit bureaus, lowering their credit score. Which then raises their car insurance rate. As if they are being punished for being poor. These people cannot afford to take advantage of lump sum payments for things like car insurance because they just don’t have it. While they could certainly benefit from saving the money by paying for the 6-month premium in one shot, they just don’t have it. Cup of Noodles soup is a “good lunch”, dollar

bread and \$0.50 pasta are eaten often. More often than not, these people work multiple jobs whenever possible.

These people are experiencing stress from financial restraints. One potential theory that has been used to explain this phenomenon is through the use of Maslow's Hierarchy of Needs. Maslow's Hierarchy of Needs is commonly used as a theory of motivation, especially in the workplace. A person's needs are broadly placed into three categories: basic needs, psychological needs, and self-fulfillment needs. Basic needs are placed into two buckets: physiological needs and safety needs. Psychological needs are placed into two buckets: belongingness and love needs, and esteem needs. While self-fulfillment needs are identified commonly as self-actualization.



(SimplyPsychology.org)

It has long been supported that people are not able to be fully functional and focused on work or school-related tasks if their physiological needs are not being met. This includes people with food insecurity or challenges with paying for heating costs, etc. Essentially, people who are cold and hungry are not going to be very effective at their jobs. Further, people who do not have a safe place to go home to, are likely unable to focus on their work-related tasks. These people have many more pressing concerns regarding just staying alive that trump deadlines at work.

Once these people are able to have the basic security that they will have food and a safe place to stay, will they be able to focus on belonging and building effective peer relationships. People are then able to network with others and be able to focus on accomplishing goals. A person's career life typically falls into the psychological needs section, in terms of providing greater psychological fulfillment once the basic needs are met. People who perceive their work to be just a job, are likely there for the paycheck, and are often looking for something better, usually a place with better pay. They will not be dedicated to the organization or the role and will likely adopt a mentality that the organization does not value them. Which leads to counterproductive work behaviors, which costs organizations more than billions of dollars each year, including potential loss of consumers.

In research, there is a greater relationship between the difference of a person's income and their expenses (income – expenses = excess funding) and their life satisfaction, supporting that a person's ability to adequately support themselves financially affects their life satisfaction. Reaching a basic level of financial security allows people to begin to focus on personal growth. They can feel free to focus on improving their lives and the lives of those around them. They can focus on accomplishing challenging tasks and completing intricate projects. When they are able to focus on work, rather than worrying about how their bills are getting paid, people are more dedicated, they are happier, they are able to contribute in significant, tangible ways within their organization and their community.

Essentially, one key to organizational success is providing adequate financial security for all employees. If you pay people well, they will consistently perform to their best ability, because they are going to want to stay where they are appreciated and valued.