

Executive summary

It is generally accepted that education enriches people's lives. It is well established that higher educational attainment puts people on better career paths and is also believed to enhance outcomes in other life domains, such as health and relationships. One would therefore expect people who achieve higher levels of education to be happier, on average, than those with lower levels of education. However, a number of studies in the rapidly growing literature on subjective wellbeing have observed precisely the opposite empirical relationship in developed countries—that higher levels of educational attainment are associated with lower self-rated happiness or life satisfaction. These include studies based on data recently collected in Australia.

If this empirical finding indeed holds, it poses a challenge to conventional thinking and policy on the value of further education and/or the validity of commonly used measures of subjective wellbeing. Surprisingly, however, it has received very little attention from researchers. The principal objective of this research is to investigate the nature of the relationship between the highest level of education attained by individuals and their self-rated happiness. A review of the literature offers little guidance on how education might be expected to impact upon subjective wellbeing from a theoretical perspective, although several contributions suggest that overall happiness or life satisfaction may be shaped by a different set of factors for the more highly educated. Happiness research suggests that attaining higher levels of education may reduce happiness if it heightens individuals' expectations or aspirations; that is, the yardsticks against which people assess their current circumstances.

The analysis is based on data from the 1995 Year 9 cohort of the Longitudinal Surveys of Australian Youth (LSAY), one of a number of cohorts tracked as part of a wider series of surveys on the school-to-work transition. The students in this cohort were first surveyed as Year 9 students in 1995, with 11 annual follow-up surveys or interviews through to 2006, the year the bulk of the cohort turned 25. From 1997 onwards individuals were asked to indicate whether they were 'very happy', 'fairly happy', 'fairly unhappy' or 'very unhappy' with their life as a whole. The measurement of individuals' happiness is based on the responses to this question. The question is also asked with respect to 13 other aspects of individuals' lives, such as career prospects, social life and their life at home.

In addition to the usual benefits of longitudinal versus cross-sectional data in allowing controls for unobservable fixed effects, the LSAY data for this particular research question offer the advantage of a relatively large sample for which respondents' subjective happiness can be observed prior to, during and after completion of their highest educational qualification. Distinguishing between individuals' current level of educational attainment in each wave of the survey and the highest level of education they ultimately attain by the end of the survey is a key tool used. This allows us to determine whether differences in happiness by level of educational attainment are simply due to pre-existing individual attributes or to happiness levels changing as people gain higher levels of education. Both simple descriptive statistics and more sophisticated random-effects panel models are used to analyse the relationships between happiness and education and the role of other factors in shaping happiness in the school-to-work transition.

In the initial waves of the survey, there is a clear positive relationship between happiness and the level of education individuals would eventually attain. However, happiness levels converge, such that by age 25 years there is almost no difference in the mean reported levels of happiness by

educational attainment. Multivariate models that control for a range of initial effects of the individuals, including personality traits and family background, show that for the period overall there is no simple monotonic relationship between happiness and educational attainment: early school leavers and those who complete a university degree are found to have lower levels of happiness than those with intermediate vocational qualifications. Hence, any negative association between higher education and happiness is essentially limited to lower levels of wellbeing reported by university graduates relative to those with intermediate-level qualifications.

A further key finding is the rejection of the explanation that people who gain university degrees were always less happy. In fact, they are relatively happy while they are at school and while studying at university. It is upon completion of their degree that the happiness of university graduates declines. This is despite the fact that they do generally achieve better labour market outcomes upon entering the labour force. The inclusion of controls for labour market outcomes in the panel models only accentuates the lower level of happiness reported by university graduates, relative to those with intermediate vocational qualifications. By comparison, apprenticeships stand out as a pathway associated with a pronounced positive impact upon happiness during the training indenture.

Some other important determinants of happiness in the school-to-work transition include ‘fixed’ factors associated with family circumstances while at school and the personality traits of being an extrovert and of being calm or easygoing. Living in a sole-parent family at age 16 years, for example, has a lasting negative effect on wellbeing. In terms of developments during the transition, getting married or entering into a de facto relationship is associated with a pronounced increase in reported happiness, as is securing, upon entering the workforce, the job desired as a career.

It has not been possible using the LSAY data to adequately model changes in expectations or aspirations that are conditional upon educational attainment and these may well play an important role in the apparent decline in relative happiness for university graduates from around the age of 23 years. Analyses of changes in happiness in individual life domains failed to provide any clear explanation. Generally, completion of a university degree is associated with positive levels of happiness in individual life domains, and this would not lead to expectations of graduates having a relatively low level of happiness with their life overall. University graduates do appear to place greater weight on career issues, but completing a degree seems to increase happiness with both their career prospects and their future.

One explanation for the decline in happiness associated with gaining a university degree is proposed which is consistent with the empirical results: that the time in school and while studying at university are particularly happy times for those who go on to gain a university degree, with their subsequent work and life experiences seeming to be not quite as good in relative terms. Those who gain university qualifications come, on average, from more privileged backgrounds; they are the happiest while at school and are relatively happy while studying at university (though not as happy as apprentices). In short, these are good times. Post-university, they may be likely to indicate that they are somewhat less than ‘very happy’, because these good times set the benchmark for their evaluation. In contrast, their peers who left school early or gained intermediate-level qualifications were not so happy at school and may find the years following their transition from school to work to be relatively good times, and hence are more likely to report high levels of happiness.