HILDA key finding fact sheet.

MELBOURNE INSTITUTE®
of Applied Economic and Social Research

THE UNIVERSITY OF MELBOURNE

Big life events only affect your life satisfaction for a couple of years

Strictly embargoed until Wednesday June 12th.

The 'happiness levels' of Australians who suffer a serious trauma (like getting sacked) or an extremely positive experience (such as having a baby) generally stabilize within two years, according to the HILDA report.

The research analyzed the declared life satisfaction levels of thousands of Australians at several intervals within three years of a significant life event.

The study reveals **a person's happiness level most commonly returned to normal within two years.**

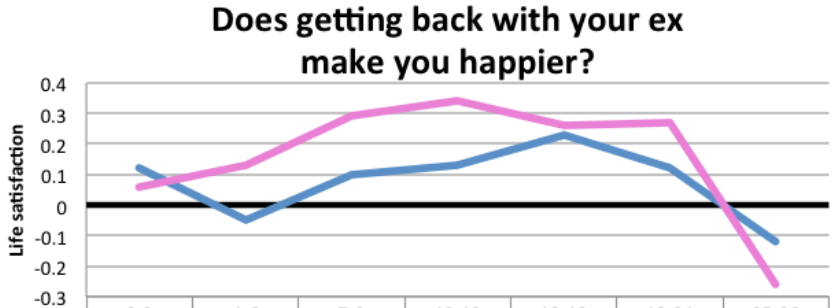
But the data did throw up some interesting contrasts, exposing the different ways men and women react to changes in their lives:

- The birth of a child makes women significantly happier for about 12 months, but only six months for men

- Being a victim of a violent crime affects men's life satisfaction for up to two years. Women are affected more deeply, but only for about three months.

Interestingly, **getting married increases life satisfaction for no more than one year**, while separation decreases life satisfaction for up to 2 years.

Reconciling with your partner produces no significant increase in life satisfaction, and in fact **leads to a reduction in life satisfaction** 2-3 years later! (Perhaps because the same problems that caused the split in the first place re-emerge.)



	0-3 months	4-6 months	7-9 months	10-12 months	13-18 months	19-24 months	25-36 months
women	-0.06	0.18	0.19	0.21	0.03	0.15	-0.14
men	0.12	-0.05	0.1	0.13	0.23	0.12	-0.12

(Some figures deemed statistically insignificant.)

(P.T.O)

'Effects of major life events on life satisfaction?' is contained within *Families, Incomes and Jobs, Volume 8 of the Household, Income and Labour Dynamics in Australia Survey (HILDA)* produced by the University of Melbourne and funded by the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA):

Effects of major life events on life satisfaction

In Volume 4 of the Statistical Report, which examined Waves 1 to 6, it was shown that a number of life events have a significant impact on life satisfaction, including marriage, separation, birth of a child, serious injury or illness, being a victim of violent crime or property crime, changing jobs, job loss and major changes in finances. That analysis looked only at the impact on current life satisfaction of events that had happened at any time in the preceding 12 months, and therefore did not consider how impacts depend on the time that has elapsed since the event occurred. But clearly it is important to understand the degree of persistence of effects on life satisfaction. For example, do people adapt to adverse shocks and, if so, how long does adaptation take?

The HILDA Survey data allow us to investigate how impacts depend on the time that has elapsed since the event occurred, both because of the information on timing of events that is collected, and because of the longitudinal nature of the survey. Respondents are asked to indicate how long ago each event happened, with response options: *0 to 3 months ago; 4 to 6 months ago*; *7 to 9 months ago*; and *10 to 12 months ago*. This means we know the quarter of the last 12 months in which the event occurred. Moreover, we can use the longitudinal structure of the HILDA Survey data to examine the impact of life events that occurred more than 12 months ago. For example, in Wave 10, data from Wave 9 can be used to identify events occurring 12 to 15 months ago, 16 to 18 months ago, 19 to 21 months ago and 22 to 24 months ago.

Frijters et al. (2011) examine this issue for ten life events using HILDA Survey data collected up to Wave 7, although they also consider 'anticipation' effects by examining the impact on life satisfaction of events that occurred *after* life satisfaction was measured. They restrict analysis of effects to events occurring in the two years before and after the time of interview (when life satisfaction is collected). Among their findings are that individuals anticipate many life events to a significant extent, and that effects of most life events do not last more than 12 months—that is, individuals adapt to most life events within 12 months.

The analysis presented here does not consider anticipation effects, but draws on a longer data window (Waves 1 to 10), considers additional life events (20 in all), and considers impacts beyond two years (up to three years ago). Similar to Frijters et al. (2011), to identify effects of life events, linear 'fixed-effects' models are estimated of the determinants of life satisfaction. The 'fixed-effects' specification means that the effects of all stable characteristics of individuals are controlled for, or 'netted out', so that the effects of life events are identified from *changes* in individuals' life satisfaction in response to life events. The explanatory variables comprise dummy indicators for the occurrence of each of the 20 life events in

each of seven time-periods: 0 to 3 months ago; 4 to 6 months ago; 7 to 9 months ago; 10 to 12 months ago; 13 to 18 months ago; 19 to 24 months ago; and 25 to 36 months ago. Thus, for example, if an individual was married 14 months ago, the dummy indicator for 'married 13 to 18 months ago' would be equal to one.

The life events examined are: marriage; separation from partner; getting back together with partner; birth or adoption of a new child; serious personal injury or illness to self; serious personal injury or illness to a close relative or family member; death of spouse or child; death of other close relative or family member (e.g. parent or sibling); death of a close friend; victim of physical violence (e.g. assault); victim of a property crime (e.g. theft, housebreaking); detention in a jail or correctional facility; detention of a close family member in a jail or correctional facility; retirement from the workforce; fired or made redundant by an employer; changing jobs (i.e. employers); promotion at work; major improvement in financial situation (e.g. lottery win, inheritance); major worsening in financial situation (e.g. bankruptcy); and change of residence. In addition, the dummy indicators for the life event 'separation from partner' are interacted with an indicator variable equal to one if the individual has one or more children under 15 years of age, on the basis that the implications of separation from one's partner may differ for individuals with young children.

The estimation results from the fixed-effects model are presented in Table 10.3. Interpretation of the table is relatively straightforward. Each row of the table corresponds to a particular life event, and each column corresponds to the length of time between the occurrence of the event and the measurement of life satisfaction. For example, in the first row of the table, the left-most estimate indicates that, holding other factors constant, the mean effect of marriage up to three months ago is to increase male life satisfaction by 0.28 (on the 0 to 10 scale). The second estimate in the first row indicates that the estimated mean effect of marriage four to six months ago is to increase male life satisfaction by 0.21, while the third estimate indicates there is no statistically significant impact on male life satisfaction of marriage seven to nine months ago.

Overall, the key message from the estimation results is that, for most major life events, effects on life satisfaction are no longer present one year after they occur. The only clear exceptions, for both men and women, are separation from partner, serious injury or illness to oneself and a major worsening of finances, all of which have negative effects on life satisfaction. However, even for these events, effects are generally not present after two years. Nonetheless, significant effects on life satisfaction of a number of life events are evident in the short-run, and there is also considerable variability in the extent and nature of the impact of specific events.

Considering first family-related events, marriage on average increases life satisfaction of both men and women, but effects do not persist beyond one year for men and beyond nine months for women. As noted, the effects of separation from one's partner are relatively persistent, with adverse effects evident up to two years after separation for men and up to one year after separation for women. The magnitude of the effect is also relatively large. For example, within three months of separation, life satisfaction is predicted to be 0.42 lower for men and 0.36 lower for women. Adverse effects of separation are, for the first nine months after separation, especially severe for men and women with children under 15 years of age. Aggregating the estimates for 'separated from partner' and 'separated from partner, have young children', we see that life satisfaction of men is lowered by approximately 0.7 in the first nine months after separation, and life satisfaction of women is lowered by 1.06 in the first three months after separation, and is still 0.75 lower up to nine months after separation. Reconciliation with one's partner does not appear to impact on life satisfaction in the short-run for men or women, and two to three years later actually *decreases* life satisfaction of both men and women, possibly suggesting the problems that led to separation in the first place are re-emerging.

The birth of a child has significant positive effects on life satisfaction, which last for 12 months for women, but for only six months for men. Death of a spouse or child has strong negative effects for women for 18 months. For men, significant negative effects are evident only four to six months and 19 to 24 months after death. Note, however, death of a spouse or child is a relatively rare event, so the absence of statistical significance may reflect the small number of observations rather than true absence of persistent negative effects.

Being a victim of a violent crime such as assault has reasonably persistent effects on men, with significant negative effects still evident 12 to 18 months later. For women, significant negative effects are only evident in the first three months after the crime occurs, although the 0.43 decrease in life satisfaction that occurs in those first three months is substantial. There are slight negative effects of property crime, which are for the most part not very long-lasting—certainly not beyond one year. Going to jail has a negative effect for men if it was in the last three months. For women, going to jail actually increases life satisfaction if it occurred four to six months ago, or 12 to 18 months ago, while it decreases life satisfaction if it occurred 10 to 12 months ago. However, it is difficult to interpret the effects for going to jail, since it is not clear how respondents date the event, given that jail terms can be lengthy. If some respondents are dating it from the time of release, this could explain the positive effect for women, since the increase in life satisfaction could be attributed to regaining liberty.

Retirement from the workforce appears to have no effects on life satisfaction in the first nine months after retirement for men and in the first six months after retirement for women. The only significant effects for men are negative, arising 10 to 12 months after retirement and two to three years after retirement. For women, positive effects are evident seven to nine months and 12 to 18 months after retirement. Somewhat surprisingly, job dismissal has no significant effects on men; for women, it on average decreases life satisfaction by 0.16 in the first three months and by 0.18 in the 10 to 12 months after dismissal, but not in the intervening (four to nine month) period. Changing jobs has no significant effect on men's life satisfaction in the immediate three-month period after the change, but significant, albeit small, positive effects are evident four to 12 months and 19 to 24 months after the job change. For women, changing jobs has a small positive effect for three months only. Job promotion has a

Table 10.3: Effects of life events on overall life satisfaction, by length of time since the event occurred

	0–3 months ago	*4–6 months ago*	*7–9 months ago*	*10–12 months ago*	*13–18 months ago*	*19–24 months ago*	*25–36 months ago*
Males							
Married	0.28	0.21	0.02+	0.11	0.11+	0.03+	–0.06
Separated from partner	–0.42	–0.31	–0.33	–0.21	–0.16	–0.27	0.00+
Separated from partner, have young children	–0.30	–0.35	–0.45	–0.08+	0.02+	–0.18	–0.02+
Reconciled with partner	0.12+	–0.05+	0.10+	0.13+	0.23	0.12+	–0.12
Birth of child	0.17	0.16	0.06+	0.02+	0.02+	0.02+	0.06+
Seriously injured	–0.11	–0.14	–0.19	–0.10	0.00+	–0.08	0.03+
Family member seriously injured	0.03+	–0.03	0.00+	–0.03+	0.01+	–0.02+	–0.02+
Death of spouse or child	–0.16+	–0.73	–0.20+	0.03+	–0.15+	–0.33	0.04+
Death of other family member	–0.05	–0.01+	–0.08	0.06	–0.02+	0.04+	0.01+
Death of friend	–0.06	–0.05+	–0.03+	–0.02+	–0.05	–0.03+	0.02+
Victim of a violent crime	–0.19	–0.18	–0.42	0.16+	–0.18	0.08+	0.06+
Victim of a property crime	–0.04+	–0.10	–0.15	–0.07+	0.04+	0.05+	–0.01+
Jailed	–0.42	0.36+	0.16+	–0.19+	0.19+	0.13+	–0.07+
Family member jailed	0.08+	–0.01+	–0.04+	–0.19+	0.21	–0.06+	0.02+
Retired	–0.03+	0.10+	–0.03+	–0.12	0.06+	0.00+	–0.11
Dismissed from job	–0.01+	–0.07+	–0.03+	0.05+	–0.05+	–0.05+	0.03+
Changed jobs	0.05+	0.11	0.07	0.09	0.02+	0.06	–0.03+
Promoted	0.02+	0.02+	0.01+	0.10+	–0.05+	0.03+	0.03+
Major improvement in finances	0.17	0.07+	0.10+	0.02+	0.06+	0.16	–0.07
Major worsening of finances	–0.43	–0.54	–0.32	–0.49	–0.15	–0.17	0.08
Moved house	0.12	–0.01+	–0.02+	0.06+	0.04	0.01+	0.02+
Females							
Married	0.32	0.08+	0.23	0.02+	0.10+	0.02+	–0.06+
Separated from partner	–0.36	–0.20	–0.26	–0.17	–0.10+	–0.08+	0.07
Separated from partner, have young children	–0.70	–0.22+	–0.49	–0.02+	–0.10+	0.08+	–0.04
Reconciled with partner	–0.06+	0.18+	0.19+	0.21+	0.03+	0.15+	–0.14
Birth of child	0.26	0.07+	0.21	0.14	0.03+	0.00+	0.07
Seriously injured	–0.23	–0.12	–0.25	–0.28	–0.06	–0.06	0.13
Family member seriously injured	–0.02+	0.00+	–0.01+	–0.03+	0.02+	–0.01+	–0.01+
Death of spouse or child	–0.30	–0.48	–0.66	–0.09+	–0.20	–0.07+	0.05+
Death of other family member	–0.04+	–0.04+	0.03+	0.03+	0.01+	0.05	–0.04
Death of friend	0.00+	–0.09	–0.03+	0.02+	–0.02+	0.04+	0.01+
Victim of a violent crime	–0.43	0.01+	0.08+	–0.03+	–0.11+	0.03+	0.00+
Victim of a property crime	–0.09	0.01+	–0.09+	–0.13	0.08	–0.07+	0.02+
Jailed	0.14+	1.38	1.10+	–0.71+	0.78	–1.28	–0.01+
Family member jailed	0.00+	0.08+	–0.16+	–0.04+	0.06+	–0.16	–0.10
Retired	0.02+	0.08+	0.18	–0.03+	0.16	0.00+	–0.06+
Dismissed from job	–0.16	0.04+	0.10+	–0.18	0.03+	0.09+	0.01+
Changed jobs	0.08	0.01+	0.00+	–0.02+	0.02+	–0.02+	–0.01+
Promoted	0.09	–0.04+	–0.03+	0.06+	0.03+	0.05+	0.01+
Major improvement in finances	0.09+	0.17	0.17	0.05+	0.08	0.05+	0.02+
Major worsening of finances	–0.31	–0.27	–0.50	–0.47	0.03+	–0.15	0.05+
Moved house	0.11	0.10	0.12	0.17	0.01+	0.03+	–0.07

Notes: Estimates are from linear 'fixed-effects' models. The dependent variable is overall life satisfaction measured on a 0 to 10 scale. + indicates the estimate is not significantly different from zero at the 10 per cent level.