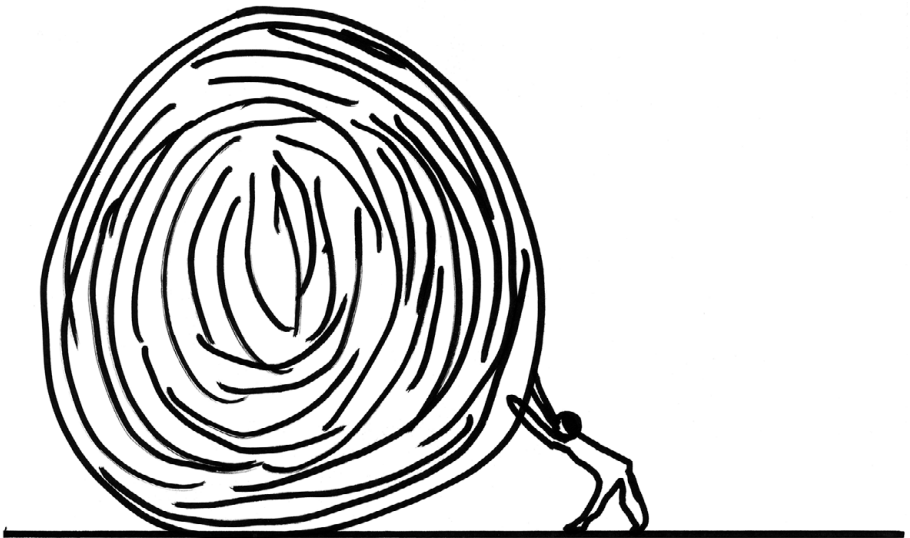
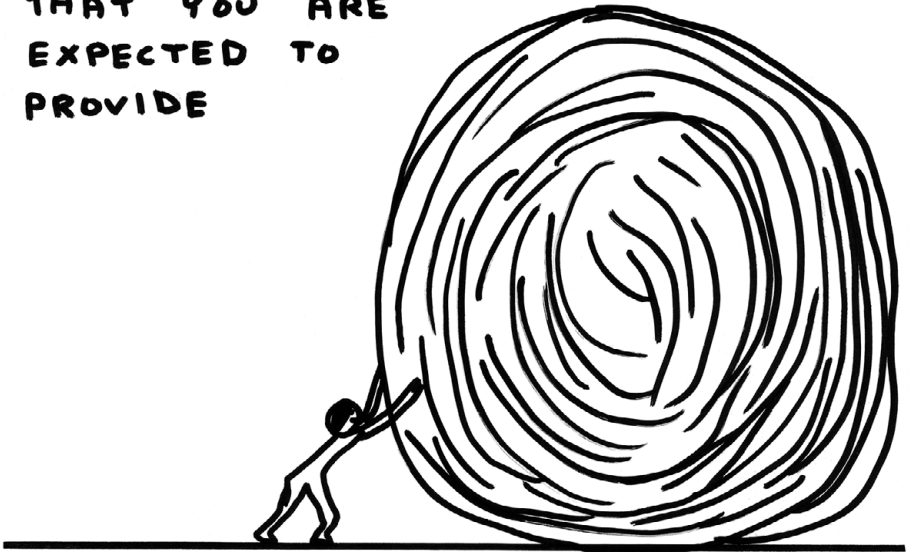


SUMMARY OF THE SERVICES

THAT YOU ARE
EXPECTED TO
PROVIDE



12 The Quality of Work

The best careers advice to give the young is ‘Find what you like doing best and get someone to pay you for doing it’.

Katherine Whitehorn

Introduction

The author Annie Dillard once wrote, ‘How we spend our days is, of course, how we spend our lives’. Well, for many of us, most of our days are spent at work. Today, the average working adult spends roughly 30% of her waking hours at work, in some countries almost 50%.¹ Understanding wellbeing at work is therefore essential to understanding how most people experience their lives.

Despite the overwhelming importance of employment documented in Chapter 11, and the relatively high levels of job satisfaction reported around the world, work turns out to be one of the **least enjoyable** activities we engage in on a day-to-day basis. The extent to which employees enjoy their work also proves to be highly dependent on social and eudaimonic drivers, in some cases even more than income. After discussing each of these issues in detail, we will conclude by looking at the links between wellbeing and productivity/company performance.

Are We Satisfied With Our Jobs?

To better understand the relationship between work and wellbeing, we can begin by surveying **job satisfaction** around the world. Similar to the evaluative dimension of wellbeing, job satisfaction captures an individual’s overall satisfaction with their work. It belongs in the basket of so-called **domain satisfaction indicators** including marital satisfaction, family satisfaction, satisfaction with residential area and others.² While life and domain satisfaction measures are often highly interrelated, the latter can be useful in eliciting more precise estimates of the effects of some aspects of life.

¹ Giattino et al. (2013). ² Delhey (2014).

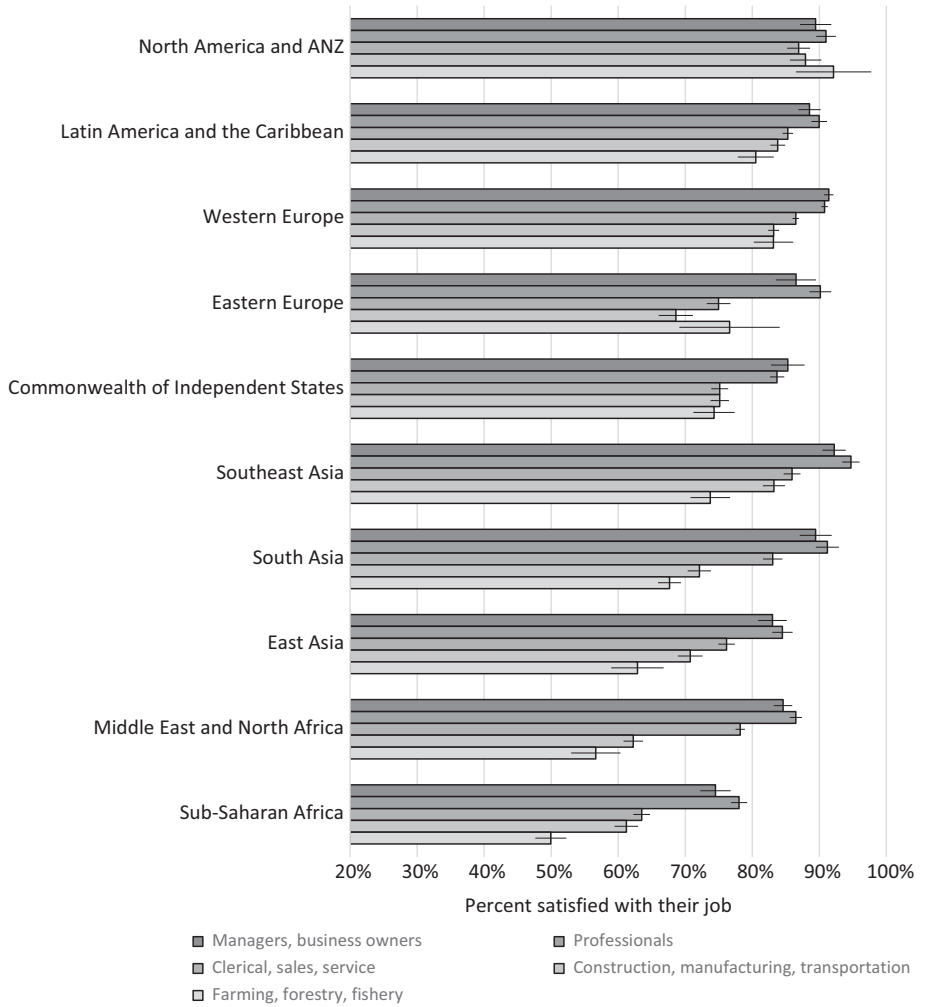


Figure 12.1 Job satisfaction by region and job type

Source: Gallup World Poll

Note: ‘Would you say you are – completely satisfied, somewhat satisfied, somewhat dissatisfied or completely dissatisfied with your job?’ The first two responses are coded as satisfied, while the latter two are coded as dissatisfied. Levels averaged from 2006 to 2013; 95% confidence intervals displayed. See Annex 12.1 for individual country rankings.

For example, even if life satisfaction is itself driven by job satisfaction, task variety at work may be more important to the latter than the former.³ Without considering job satisfaction, we may only therefore arrive at a somewhat vague or incomplete picture of what really drives worker wellbeing.

One of the largest and most representative datasets on job satisfaction to date is provided by the **Gallup World Poll**. In Figure 12.1, we show job satisfaction broken

³ In fact, this does seem to be the case. See Figure A12.1.

down by ten world regions and five different job types. Individual country rankings are also provided in Annex 12.1. There are several key points worth noting. The first is that overall job satisfaction levels differ considerably by region. Regardless of job type, workers in North America, New Zealand, Australia and Western Europe are generally more satisfied with their jobs than those in other regions. Nevertheless, job satisfaction levels do also differ significantly within regions. Managers, business owners and professionals tend to be more satisfied with their jobs than other groups. Forest, fishery and farm workers are among the least satisfied. At the same time, there are also large differences in the range of job satisfaction levels across countries. In richer countries, the gap between the most and least satisfied groups is substantially smaller than the gap in poorer regions. In sub-Saharan Africa, this gap is roughly 28 percentage points, while the analogous divide in North America is only about 4 percentage points.

At this stage, it may be tempting to conclude that the global distribution in job satisfaction can be attributed to differences in income. After all, workers in higher-income countries as well as those in higher-income professions do seem to be more satisfied with their jobs on average. However, while pay is certainly an important driver of wellbeing at work, it is by no means the only one. Upon closer analysis, other job characteristics including social support and job security prove to be just as, if not even more, important than income. We will explore these relationships in much more detail later on in the chapter.

Nevertheless, perhaps the most important takeaway from the analysis thus far is that, regardless of job type, the vast majority of workers around the world report feeling relatively satisfied with their jobs. At first glance, this may seem unsurprising given the close link between wellbeing and employment status documented in Chapter 11. In fact, being satisfied with one's job overall may even be considered somewhat of a low bar to clear, especially if workers compare themselves to those who are unemployed. Simply having a stable job that provides a reliable source of income may for many people provide enough reason to be sufficiently satisfied with it. However, as we will see in the next section, it would be a mistake to conclude that being satisfied with a job implies actually enjoying it. In fact, work turns out to be one of the least enjoyable activities we engage in on a daily basis.

Are We Happy While We Work?

Thus far in this book, we have primarily been concerned with **evaluative** measures of wellbeing. Most researchers generally place life satisfaction and job satisfaction in this category. Evaluative indicators are considered particularly useful for policy-making, as they remain relatively stable over time and tend to reflect objective conditions that can be targeted by policy.⁴ However, in this section, as we turn our focus to happiness at work, we will be paying more attention to **affective** measures of wellbeing.

⁴ Diener et al. (2013).

Indicators of affect – including joy, stress, boredom, interest, etc. – are designed to be more reflective of day-to-day moods and emotions. Unlike life satisfaction, affect varies considerably depending on the day of the week,⁵ time of the day⁶ and the activity we are engaging in.⁷ For this reason, it can provide a useful lens by which to assess real-time effects of work on wellbeing. Here we will largely rely on the results of **experience sampling studies (ESM)**, which allow for reliable and contemporaneous measurements of affect.

In the largest study of its kind, Alex Bryson and George MacKerron employed an ESM design using the Mappiness app, compiling over a million datapoints on the emotional wellbeing of tens of thousands of adults in the United Kingdom from 2010 to 2011.⁸ The main results of this analysis are presented in Figure 12.2. Because the impact of each activity on **momentary happiness** is assessed using fixed-effect regressions, estimated effects are taken to represent causal effects of engaging in each activity on happiness. In other words, because the study surveys the same people over multiple points in time, the researchers were able to isolate the change in happiness from engaging in any one particular activity compared to another. In doing so, individual time-invariant fixed effects are controlled for and the potential for reverse causation is limited.

The most important result for our purposes is the considerable consequence of work for emotional wellbeing. Out of 40 activities, paid work proves to be the worst activity for happiness, with the exception of being sick in bed. This effect held controlling for time of day, day of the week, month, year, number of prior survey responses, simultaneous activities and individual time-invariant fixed effects. This negative impact of work on emotional wellbeing has also been replicated in a series of related studies.⁹ In one analysis conducted during COVID-19, time spent at work was again found to be the second worst activity for positive affect, the worst being reading news about COVID-19.¹⁰

Yet at this point we seem to have something of a paradox on our hands. How can work be so crucially important for how we evaluate our lives as a whole and yet so apparently unenjoyable on a day-to-day basis? It is worth noting that as surprising as this result is, it is not conceptually impossible. Evaluative judgements may be more likely to reflect personal narratives and social comparisons than affective reports.¹¹ When prompted to evaluate how satisfied we are with life, we may compare ourselves to a reference group or perhaps evaluate ourselves against social and cultural expectations. In many societies around the world, and particularly those in Europe and North America, having a job is of paramount financial, social and cultural importance. Viewed from this perspective, it may not be surprising that employed adults would judge their lives more favourably than the unemployed. Day-to-day emotions need not factor strongly in the equation.

⁵ Helliwell and Wang (2014). ⁶ Golder and Macy (2011).

⁷ Kahneman et al. (2004); Bryson and MacKerron (2017). ⁸ Bryson and MacKerron (2017).

⁹ Ayuso-Mateos et al. (2013); Bureau of Labor Statistics (2014); Mellor-Marsá et al. (2016).

¹⁰ Lades et al. (2020). ¹¹ Dolan (2019).

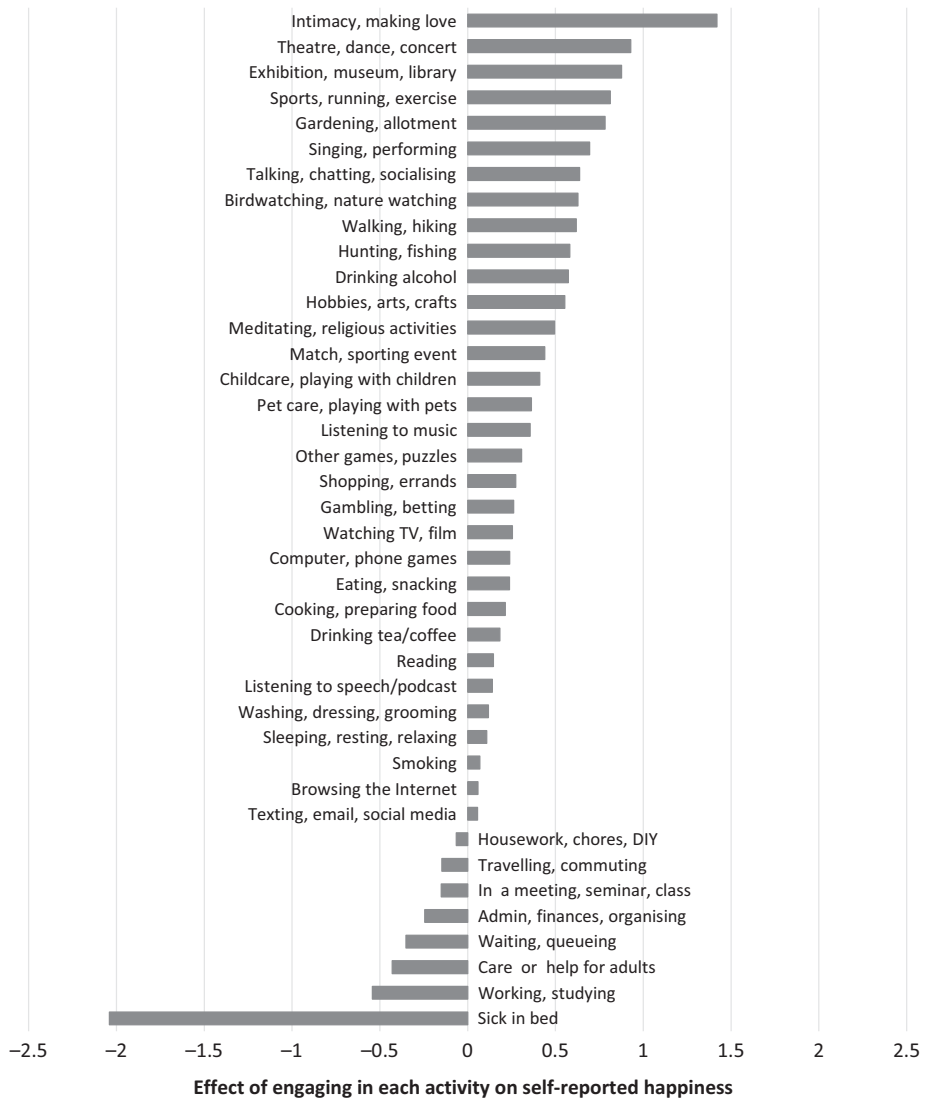


Figure 12.2 Effect of different activities on momentary happiness (0–10)

Source: Bryson and MacKerron (2017)

Note: Coefficient on each activity estimated using fixed-effects regressions. Happiness measured on a scale from 0 to 10 using the experience sampling method (ESM).

Another potential explanation has to do with the context by which we ought to understand our emotional experience at work. Physical exercise may be a useful analogy in this respect. If most runners were stopped and asked how happy they felt in the middle of a marathon, it seems hard to imagine they would report anything other than extreme distress. Yet it would obviously be a mistake to conclude that running is

detrimental for wellbeing. Even if moments of physical exertion are particularly unpleasant, the overall experience of exercise can still be judged to be positive, especially in retrospect.¹² In the same way, even if the actual experience of work is often demanding and stressful, we may still evaluate the overall experience to be positive inasmuch as it contributes to our sense of achievement, purpose or belonging.¹³

Despite the intuitive appeal of both explanations, the existing evidence does not easily lend itself to conclusively accept or reject either one. The reason why employment should be so crucial for evaluative wellbeing and yet so apparently destructive for affective wellbeing is still very much an open question. Whatever the underlying reason, the apparent unpleasantness of work demands attention. As a matter of principle, and (as we shall see in the last section of this chapter) as a matter of good business, private and public institutions alike would be wise to improve the quality of the workday. How should they go about it? To help answer this question, in the next section we will present and evaluate the most important drivers of wellbeing at work.

What Drives Employee Wellbeing?

So far, we have found that the relationship between work and wellbeing is complicated. Having a job is both important for evaluative wellbeing, yet often unenjoyable. Need it be so? Despite the overall average negative relationship between work and emotional wellbeing revealed in the last section, there are of course some workers who do enjoy their work. While this group may be a minority, examining the features of work that are conducive to wellbeing can reveal important insights about how to raise employee happiness and engagement in other workplaces. At the same time, looking at workplace characteristics that are most likely to undermine wellbeing can be instructive for the same reason. In this section, we will consider both perspectives to better understand the most important drivers and threats to employee wellbeing around the world. While we will focus mostly on what may be considered ‘individual’ drivers of workplace wellbeing, including pay and personal relationships, at the end of this section we will also consider the effect of ‘collective’ drivers including union membership and other forms of organised representation.

To help frame our discussion, in Figure 12.3 we present associations between 13 workplace characteristics and job satisfaction using international data from the **International Social Survey Program (ISSP)**.

¹² Careful readers may object to this analogy given the high ranking of sports and physical exercise in Figure 12.2. Nevertheless, it seems reasonable to imagine that respondents would be more likely to respond to pings during rests or after finishing their workout than in the midst of physical exertion. In the study, the researchers incorporate all responses provided within one hour of receiving the notification, although they do not provide average response time data for each individual activity.

¹³ Other research has shown that not all stressors are created equal, and challenge stressors may even be good for productivity and performance (LePine and LePine [2005]).

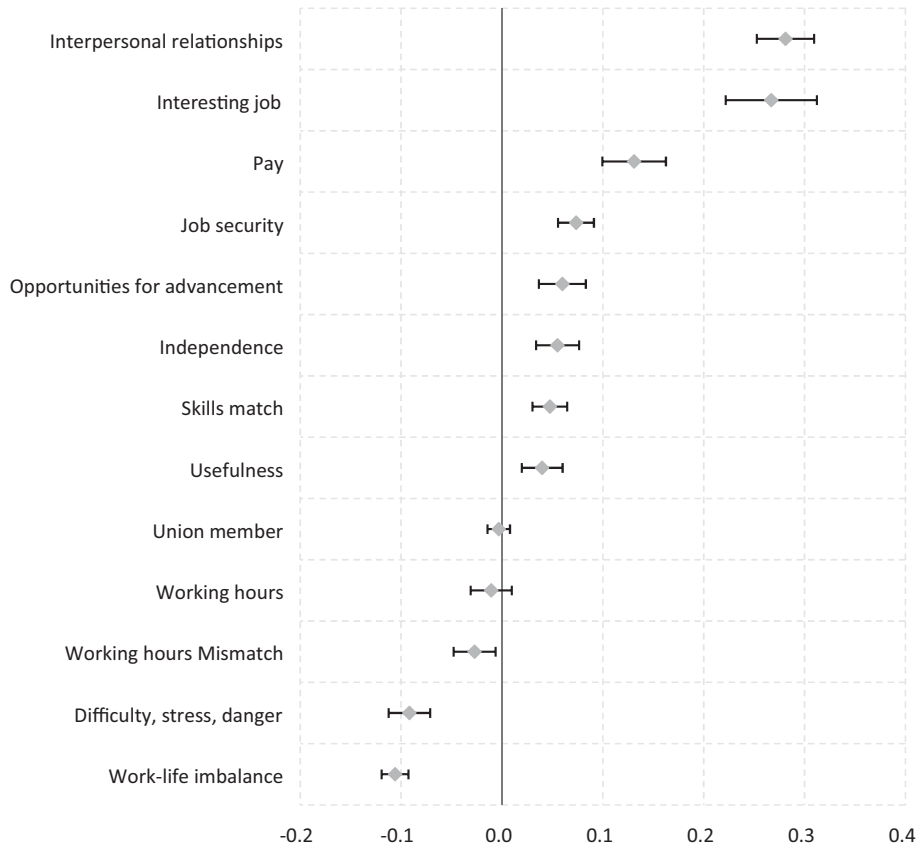


Figure 12.3 Effect of workplace characteristics on job satisfaction – partial correlation coefficients (β)

Source: De Neve (2018) using data from International Social Survey Program (ISSP).

Note: Partial correlation coefficients obtained from regressing job satisfaction on different domains of workplace quality using an OLS linear regression. All variables are standardised with mean zero and standard deviation one. Sample is restricted to all working adults. Control variables included for age, gender, marital status, education, number of children, and household size. Additional controls included for occupation, industry, and country fixed effects. Data from 37 countries across multiple geographic regions;¹⁴ 95% confidence intervals displayed.

Pay

Pay seems like a good place to start. Some have even hastened to suggest that income itself ought to be considered a proxy for wellbeing. Throughout the history of economics, the idea that wellbeing is rooted in the ability of individuals to freely

¹⁴ Australia, New Zealand, Russia, China, Japan, Taiwan, Austria, Belgium, Croatia, Czech, Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Britain, Hungary, Iceland, Latvia, Lithuania, Norway, Poland, Slovakia, Slovenia, Spain, Sweden, Switzerland, Chile, Mexico, Suriname, Venezuela, Israel, United States, India, Philippines and South Africa.

satisfy their desires has been profoundly influential. Because higher levels of income presumably increase one's ability to satisfy desires, it has often been assumed that maximising income is the surest way to maximise wellbeing. If so, this section should be rather short. Want to increase workplace wellbeing? Pay people more. However, on closer inspection, the reality is a bit more complicated.

The relationship between income and happiness is one of the oldest and most well-researched topics in empirical wellbeing research. Chapter 13 will be entirely devoted to it. For the time being, it is worth making a few brief observations. The first is that when compared to other drivers of workplace wellbeing, income usually does score quite highly but rarely tops the list. In Figure 12.3, it ranks third. In online Annex 12.2 we present the results of a similar analysis of job satisfaction and workplace characteristics using data from the **European Social Survey (ESS)**. In this case, wages rank 9th of out 20 drivers of job satisfaction.¹⁵ In yet another analysis of the American labour market using data from the international jobs site called Indeed, fair pay ranked fifth out of eleven drivers of workplace happiness.¹⁶ All in all, while income is certainly important, it does not stand alone as the only or even most important driver of workplace wellbeing.

At the same time, there is evidence to suggest that it is not just what we are paid but also how we are paid that matters. One standard approach is to compensate workers individually according to their personal performance. This so-called **individual performance pay** can be entirely appropriate in jobs with highly individualised work and minimal team collaboration – for example, mechanics, plumbers and drivers. Most studies generally show that tying pay to performance in these contexts has positive effects on productivity¹⁷ and no negative effects on life satisfaction.¹⁸ However, an increasing share of the modern labour force works in jobs that require considerable amounts of teamwork. In this case, attempting to rate employees by their individual contributions to team projects can have deeply concerning implications for wellbeing.¹⁹ In one study, researchers observed significant upticks in anti-depressant use in the months following the introduction of individual performance pay schemes in a Danish study of 300,000 workers.²⁰ In another experiment, researchers randomly assigned workers to receive flat daily wages or unequal wages depending on their individual productivity at an Indian manufacturing plant.²¹ Those in the latter group became less productive and less likely to show up to work. However, these effects were minimised if the workers were more easily able to observe the productivity differences.

Other organisations have begun to experiment with alternative pay schemes in which workers get compensated depending on group or company performance in addition to a fixed wage. This approach – broadly defined as 'share capitalism' or more specifically as '**group-based performance pay**' – has shown promising results for wellbeing. In an analysis using three large datasets in Europe, the United Kingdom and a multinational private company, group-based performance pay was found to

¹⁵ De Neve (2018). See Figure A12.1. ¹⁶ Cotofan et al. (2021b).

¹⁷ Lazear (2000); Bloom and Van Reenen (2010); Bandiera et al. (2017). ¹⁸ Böckerman et al. (2016).

¹⁹ Kruse et al. (2010); Böckerman et al. (2016). ²⁰ Dahl and Pierce (2019). ²¹ Breza et al. (2018).

significantly increase job satisfaction for workers, after controlling for the level of wages.²² In Europe and the United Kingdom, participating in schemes in which company profits are shared with employees predicted increases in job satisfaction of 0.07 points. A related study of the '100 Best Companies to Work For in America' from 2005 to 2007 found that employees in companies offering more extensive group-based incentive compensation schemes report more positive work experiences and higher levels of organizational trust.²³ The authors of both papers suggested that these sorts of pay schemes endow workers with a greater sense of ownership and agency within their companies, with positive downstream effects for motivation and wellbeing.

Working relationships

At this point, readers may not be surprised to learn that the quality of **social relationships** at work is generally the most important single predictor of workplace wellbeing. In Figure 12.3, interpersonal relationships tops the list out of eleven drivers of job satisfaction. In fact, the extent to which employees feel supported by colleagues is the most important driver of both job satisfaction and life satisfaction in Europe out of 20 workplace characteristics considered.²⁴ Even more important than what we do at work is often who we do it with.

In a number of studies, social relationships with colleagues have been found to be predictive of both individual and organisational outcomes. In one widely cited analysis, workers who reported having friends at work were found to be more productive, less likely to leave their jobs, more satisfied with their work and more engaged at work during the day than those without close friends at the office.²⁵ Other research has shown that friendships at work increase employee energy and vigour.²⁶ More recently, one of the largest studies on employee wellbeing during COVID-19 found that feeling a sense of belonging and inclusion at work was the most important driver of workplace happiness in the United States.²⁷ On the other hand, one study found that close relationships at work can also increase the propensity for distractions through the day.²⁸ Nevertheless, the authors still noted that the positive effects of strong working relationships on work outcomes far outweighed the downsides.

Relationships with **managers** are especially consequential. In Figure 12.3, the quality of interpersonal relationships is considered in terms of three dimensions: contact with others, relationships with managers and relationships with other co-workers. When each of these dimensions is considered separately, the effect of relationships with managers proves to be more than twice as important in predicting variation in job satisfaction as relationships with co-workers. These disaggregated effects are presented in Figure 12.4. Here, the quality of relationships with managers proves to be more than twice as important for job satisfaction as relationships with co-workers. Partial correlation coefficients for each domain are 0.22 and 0.09, respectively. Related research from Gallup has found that managers account for 70% of the

²² Bryson et al. (2016). ²³ Blasi et al. (2016). ²⁴ De Neve (2018). ²⁵ Rath (2006).

²⁶ Dutton (2003); Dutton and Ragins (2007). ²⁷ Cotofan et al. (2021b). ²⁸ Method et al. (2016).

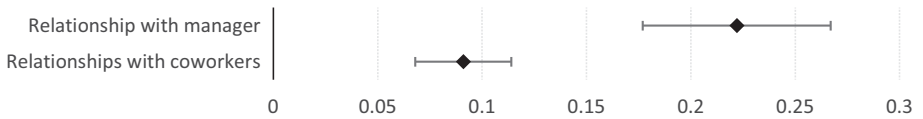


Figure 12.4 Disaggregated effect of relationships with managers and co-workers – partial correlation coefficients (β)

Source: De Neve (2018) using data from International Social Survey Program (ISSP)

Note: Partial correlation coefficients obtained from regressing job satisfaction on different domains of workplace quality using an OLS linear regression. All variables are standardised with mean zero and standard deviation one. Sample is restricted to all working adults. Control variables included for age, gender, marital status, education, number of children, and household size. Additional controls included for occupation, industry, and country fixed effects. Data from 37 countries across multiple geographic regions;²⁹ 95% confidence intervals displayed.

variation in employee engagement.³⁰ In a recent review of their largest study on quality of work to date, researchers from Gallup also reported that managers were the single greatest predictor of long-term organisational success and employee well-being.³¹ These effects can be acutely felt even within the same organisational context. In two studies of healthcare workers in the United Kingdom, having supportive and competent managers significantly increased job satisfaction relative to those with bad managers working in the same hospitals.³²

These types of dynamics can have crucial downstream consequences. Employees working under good managers are found to be both more productive and less likely to leave their jobs. In a five-year study of 23,878 workers and 1,940 bosses in a large service company, the best bosses (as judged by employee ratings) were found to increase team productivity by about 22% per hour.³³ Employees working under highly rated managers were also 12% less likely to leave the company. Another large-scale survey in the United States found that roughly one in two American workers had left a job at some point in their career to escape a bad manager.³⁴ As it turns out, the old adage that ‘workers don’t leave their jobs, they leave their managers’ may not be so far from the truth.

Part of the reason managers are so important is the considerable influence they wield over employees’ schedules, routines and relationships. A bad relationship with a manager can bleed over into almost every aspect of our working lives. The results of this section are particularly striking, given that good managers are also exceedingly hard to come by. Research from Gallup suggests that only one in ten eligible candidates actually possess the skills for successful management, and companies fail

²⁹ Australia, New Zealand, Russia, China, Japan, Taiwan, Austria, Belgium, Croatia, Czech, Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Britain, Hungary, Iceland, Latvia, Lithuania, Norway, Poland, Slovakia, Slovenia, Spain, Sweden, Switzerland, Chile, Mexico, Suriname, Venezuela, Israel, United States, India, Philippines and South Africa.

³⁰ Harter and Adkins (2015). ³¹ Clifton and Harter (2019).

³² Artz et al. (2017); Ogbonnaya and Daniels (2017). ³³ Lazear et al. (2015) p. 841.

³⁴ Harter and Adkins (2015).

to pick the best possible candidate for managerial positions 82% of the time.³⁵ This can have worrying implications for employee wellbeing and company performance.

Hours and flexible working

Let's move on to **working hours**. Given the results of the first two sections, it would be logical to imagine that one way to raise wellbeing would be to minimise time spent working while still remaining employed. By this account, part-time workers should be the happiest of all. Some evidence does support this hypothesis. In Figure 12.1, we saw that part-time workers in the United States and United Kingdom were in fact slightly more satisfied with their lives than full-time workers. In another more detailed analysis using British panel data, the positive effects of work on wellbeing became significant after only 8 hours worked per week, after which point additional gains in wellbeing delivered by working more hours become insignificant.³⁶

Several studies have also considered the relationship of wellbeing and working hours by exploiting the impact of **natural experiments** following changes in national labour market policy. After reforms were introduced in Japan and Korea reducing the workweek from 48 to 40 and 44 to 40 hours, respectively, the life satisfaction of affected workers and their spouses appeared to improve.³⁷ Other studies looking at similar policy changes in France and Portugal found positive effects of shorter workweeks on both job satisfaction and leisure satisfaction,³⁸ as well as subjective health.³⁹ Several experiments conducted within organisations have also revealed positive wellbeing effects of shortening the workweek, with mostly negligible or even positive effects on aggregate productivity.⁴⁰

So perhaps less work means more happiness after all. Unfortunately, other evidence complicates the story. In China and India, part-time workers actually have lower life satisfaction than full-time workers, while no significant differences are observable in Brazil and Nigeria (Figure 12.1). The effect of raw working hours on job satisfaction is also found to be insignificant in both global (Figure 12.3) and European data (online Figure A12.1). In other studies of Germany and the United Kingdom, longer working hours have even been associated with improvements in wellbeing.⁴¹

In fact, the relationship between working hours and wellbeing seems to be much more dependent on the extent to which employees are able to work the hours they want to be working. Both underemployment and overemployment can damage wellbeing.⁴² In Figure 12.1, we saw that 'underemployed' workers who work part-time but want to work full-time are significantly less satisfied with their lives than voluntary part-time workers. In Figure 12.3, it is in fact working hours mismatch and work-life imbalance in particular that represent the biggest threats to job satisfaction. In online Figure A12.1, being too tired to enjoy activities outside of work damages both life

³⁵ Beck and Harter (2014). ³⁶ Kameråde et al. (2019). ³⁷ Hamermesh et al. (2017).

³⁸ Lepinteur (2016); France and Portugal. ³⁹ Berniell and Bietenbeck (2017); France.

⁴⁰ Brough and O'Driscoll (2010). ⁴¹ Schoon et al. (2005); Meier and Stutzer (2008).

⁴² Angrave and Charlwood (2015).

satisfaction and job satisfaction in Europe more than any other workplace characteristic. And inability to dedicate enough time to family is found to be the second biggest threat to job satisfaction and third biggest threat to life satisfaction.

Giving workers more control over their schedules can therefore have substantial positive effects. In three related studies, introducing collaborative scheduling procedures – allowing employees to decide in coordination with each other when they work and for how long – significantly improved job satisfaction,⁴³ perceived work-life balance⁴⁴ and even sleep.⁴⁵ In another study, a large-scale randomised trial of 867 information technology (IT) workers in a Fortune 500 company was conducted to evaluate the effects of STAR – an 8-hour program designed to promote greater employee control over scheduling and support from managers for workers' personal lives. The program included supervisory training sessions for managers to better recognise and support employees' personal lives and job performance, and interactive sessions to identify and implement new practices for employees to exert greater control over their work-life balance. A careful analysis of its effects found significant reductions in stress and burnout and increases in job satisfaction and work-life balance.⁴⁶ Follow-up analyses revealed that treated workers were significantly less likely to leave their jobs. Affording workers opportunities to work from home has also shown promising results. In a large Chinese travel agency, one study documented the effects of randomising workers to work from home.⁴⁷ Those selected to work from home reported higher job satisfaction and were more productive than controls who stayed at the office. They were also less likely to leave the firm later on.

These results are reflected in a related literature suggesting that workers are willing to sacrifice portions of their salary for alternative working arrangements. In a large online field experiment, one study found that while most job seekers preferred an 8-hour standard workday, the average worker was willing to give up 20% of their income to avoid a schedule set by an employer on a week's notice.⁴⁸ Women, in particular, and especially those with young children, were also willing to give up 8% of their salaries to have the option of working from home. Along similar lines, another study using data for hourly service sector workers in the United States found that exposure to employer-driven schedule instability predicted higher levels of psychological distress, poor sleep and unhappiness.⁴⁹ These effects were largely explained by work-life conflicts.

Both of these studies were conducted before the COVID-19 pandemic began in 2020. At the time of writing in 2022, the most recent data suggests that more than 557 million adults worked from home during the second quarter of 2020, amounting to almost one-fifth the global workforce.⁵⁰ While the trendlines regarding alternative working arrangements were already increasing in the years leading up to the pandemic,⁵¹ the crisis itself served as a catalyst for even faster change. The recent proliferation of video-conferencing software and communication platforms including

⁴³ Pryce and Nielsen (2006). ⁴⁴ Pryce and Nielsen (2006); Albertsen et al. (2014).

⁴⁵ Garde et al. (2012). ⁴⁶ Kelly et al. (2014); Moen et al. (2016, 2017). ⁴⁷ Bloom et al. (2015).

⁴⁸ Mas and Pallais (2017). ⁴⁹ Schneider and Harknett (2019). ⁵⁰ Soares et al. (2021).

⁵¹ Katz and Krueger (2019).

Zoom and Teams have contributed significantly to the feasibility of working from home arrangements.

The wellbeing implications of these developments are not immediately obvious. The results of this section suggest that certain groups of workers may value and benefit from flexible working arrangements, notably women and parents of young children. A wide body of evidence has also suggested that spending time commuting to work dramatically lowers wellbeing.⁵² This would seem to imply that working arrangements limiting time spent working in a central office would improve wellbeing. However, other evidence points in a different direction. In the Chinese travel agency experiment, while employees who worked from home were more satisfied with their jobs, they were also less likely to be promoted than their peers as time went on. Social relationships with colleagues and managers are also crucially important for employee wellbeing. Inasmuch as these relationships become weaker or more difficult to manage from home settings, the transition to more flexible working arrangements could serve to decrease wellbeing. Examining and untangling these effects will be a central challenge for happiness researchers in the years to come.

Interesting work

So far we have considered the relevance of income, social relationships and working hours in explaining variation in workplace wellbeing around the world. Before moving on, it is worth mentioning two more, important channels. The first is how **interesting** we find our work. In Figure 12.3, the extent to which workers find their job interesting is the second most important predictor of job satisfaction. In online Figure A12.1, task variety at work ranks second. Perhaps as a result, so-called job crafting interventions allowing employees to have more autonomy and control over (a) the tasks they work on, (b) their daily interactions and relationships with others in the organisation and (c) their goals and mission as an employee, have been found to positively impact employee engagement and job satisfaction.⁵³

Purpose

Along similar lines, feeling a sense of **purpose** or meaningfulness at work can be hugely beneficial for wellbeing. While the primary analyses discussed in this section do not capture meaning directly, an array of related studies have shown that meaningfulness at work can promote higher levels of job satisfaction, employee engagement and even productivity.⁵⁴ Job crafting interventions have also shown promise at increasing perceived meaningfulness at work, with positive knock-on effects for wellbeing.⁵⁵ All in all, believing that what we do matters not only for ourselves, but even more importantly for others, can help to ensure that work is not just something we tolerate but something we enjoy.

⁵² See Chatterjee et al. (2020) for a review of relevant literature.

⁵³ Tims et al. (2016); Van Wingerden et al. (2017). ⁵⁴ For example, see Grant (2008).

⁵⁵ Berg et al. (2013).

Unions

Thus far we have largely focused on what can be understood as ‘individual’ drivers of employee wellbeing: job characteristics and circumstances experienced by individual workers that support or undermine workplace wellbeing. Yet it is also worth considering another class of ‘collective’ drivers of workplace wellbeing, of which **unions** are the most notable example.

The relationship between union membership and wellbeing has been widely studied, though not always with consistent results. Early influential analyses found negative relationships between union membership and job satisfaction.⁵⁶ These results, supported by a raft of smaller studies around the same time, contributed to the widely shared belief towards the end of the twentieth century that unions did not actually increase workers’ wellbeing.⁵⁷ Relative to other drivers, union membership was also found to be an insignificant predictor of job satisfaction in Figure 12.3. While some of these effects have been attributed to differences in working conditions between union members and non-members,⁵⁸ a handful of studies have continued to find negligible or even negative effects of unions on wellbeing even after these influences are controlled for.⁵⁹

However, an emerging body of research has begun to suggest that union membership may have begun to confer positive benefits on members in certain contexts in recent years. Using data from the first decade of the twenty-first century for the United States and for Europe, two related studies found *positive* correlations between union membership and wellbeing.⁶⁰ In Figure A12.1, trade union membership also appears to have positive effects on job satisfaction and life satisfaction. In one of the largest studies to date, David Blanchflower and Alex Bryson considered the effect of unions by looking at large-scale longitudinal data in the United States and Europe.⁶¹ The authors again found negative relationships between union membership and job satisfaction in data from 1960 to 1990. However, after this point, the relationship turned positive. Controlling for other factors, between 2010 to 2018 in the United States, and 2006 to 2012 in Europe, unionised workers were significantly more satisfied with their jobs than non-unionised workers. The magnitude of these respective differences were roughly 0.2 points and 0.15 points. Union members were also less likely to experience stress, worry, sadness, depression and loneliness.

These results are also reflected in studies of worker **representation on company boards**. In an analysis of Finnish companies, researchers looked at the wellbeing effects of a policy reform that was introduced in 1991 requiring firms of more than 150 workers to include elected worker representatives on company boards.⁶² By considering differences in wellbeing between the employees of firms just below and above this threshold of 150 workers, and controlling for a wide variety of individual,

⁵⁶ Freeman (1978); Borjas (1979). ⁵⁷ Freeman and Medoff (1984).

⁵⁸ See, for example, Pfeffer and Davis-Blake (1990); Bessa et al. (2020). ⁵⁹ Bryson and Davies (2019).

⁶⁰ Davis (2012); Donegani and McKay (2012). ⁶¹ Blanchflower and Bryson (2020).

⁶² Harju et al. (2021).

organisational and societal variables, the authors found that the policy reform led to slight improvements in workers' feelings of job security, health, subjective job quality and even their actual wages.

To briefly recap, throughout this section we have highlighted some of the important drivers of workplace wellbeing. While the effects of collective drivers including unions and other forms of worker representation have historically been rather mixed, recent results have seemed to suggest that they may be starting to have positive implications for wellbeing in certain contexts. Individual drivers including social relationships, work-life balance, interestingness, purpose and income also proved to be key determinants of employee wellbeing. While the first four of these are best understood as intrinsic drivers of wellbeing (benefits that arise directly from the work) income is an extrinsic driver (something provided from outside in return for the work). A large, related literature in psychology has demonstrated the crucial importance of intrinsic sources of motivation over extrinsic sources in explaining human behaviour. One of the most influential theories in this regard is Self-Determination Theory (SDT), which understands the most important intrinsic human drives to be autonomy, competence and relatedness.⁶³ In the context of work, more recent approaches have added a fourth driver, beneficence, to the pantheon.⁶⁴ All of these map closely onto the drivers of workplace wellbeing described in this section. As we have already begun to see, creating workplaces that are conducive to wellbeing can not only improve wellbeing but also have positive implications for productivity and performance. In the next section, we will turn our full attention to this latter issue.

Does Wellbeing Matter for Performance?

Sceptical readers may wonder whether worker wellbeing should really matter to management. After all, shouldn't businesses be concerned with making money first and foremost? Hardline neo-classical thinkers would argue that if businesses focus on profit, that will produce the highest level of social wellbeing. We have already questioned that. Moreover, business leaders and investors themselves are increasingly incorporating non-financial measures of company performance into decision-making procedures, especially those that gauge how a company rates on its Environmental, Social and Governance (ESG) dimensions. This movement is perhaps best captured by a 2019 statement released by the US Business Roundtable – a non-profit organisation whose members include executives of many of the most powerful companies in the United States, including Amazon, Apple, Microsoft and General Motors. In a statement signed by 181 CEOs, the group committed to redefine and redirect the purpose of their organisations from generating profit to 'creating value for all stakeholders, including customers, employees, suppliers, communities and shareholders'.⁶⁵ This represented a radical shift from corporate thinking that dominated the second half

⁶³ Deci and Ryan (1985); Ryan and Deci (2000).

⁶⁴ Martela and Riekkii (2018).

⁶⁵ Business Roundtable (2019).

of the twentieth century and reflects a growing demand for companies to create and demonstrate social impact. In the coming years, the ability of firms to demonstrate social value is set to become an even more important driver of investment decisions. A fundamental part of this project will be to ensure that employee wellbeing is prioritised and supported. Companies that fail to support the wellbeing of their workers will face increased scrutiny from investors.

Even so, it is important to ask whether improving workers' wellbeing is good for profits. So, in the rest of this section, we will present the most important evidence and methods on the impact of wellbeing on performance.

The study of employee wellbeing and company performance dates back more than a century. Around the turn of the twentieth century, many business owners were beginning to take note of a new approach to scientific management. This approach, pioneered by the factory worker turned manager Frederick Winslow Taylor, sought to apply scientific and engineering methods to management practices in an effort to improve labour productivity. Then in the 1930s, the human relations movement was born out of a marriage between Taylor's ideas and the emerging field of social and organisational psychology. George Elton Mayo, the sociologist largely credited with founding the movement, argued for a reconceptualisation of workers as human beings with psychological wants and needs, rather than as interchangeable economic inputs. This gave psychological theories of motivation and attitudes a central role to play in our understanding of labour productivity. This led to the first experiments on the relationship between worker wellbeing and company performance at the Hawthorne plant of the Western Electric Company in the 1930s.⁶⁶ The apparent success and early notoriety of these experiments – spurred on by the endorsements and related initiatives of powerful business magnates including Henry Ford, George F. Johnson and Henry Bradford Endicott – led many to believe that they ought to provide for employee wellbeing not only as a matter of principle but also as a matter of good business.

All of this led to a flurry of experimentation throughout the mid-twentieth century. Organisational scholars and psychologists began putting these theories to the test. Was worker wellbeing really related to company performance? Or was the relationship contingent on other factors? Early studies produced mixed results. Two of the most influential reviews of the literature found that the relationship between job satisfaction and job performance was minor and negligible for practical purposes.⁶⁷ Yet both reviews were rather limited by the small number of reliable studies that had been published at the time they were written. As more evidence began to emerge in the 1980s and 1990s, the story began to change. In an influential meta-analysis, Timothy Judge and colleagues improved and expanded on the methodology of previous reviews by looking at 254 studies, comprising 312 unique samples with more than 54,000 unique observations.⁶⁸ The authors estimated the overall correlation between job satisfaction and job performance to be 0.3 and statistically significant.

⁶⁶ Muldoon (2012). ⁶⁷ Brayfield and Crockett (1955); Iaffaldano and Muchinsky (1985).

⁶⁸ Judge et al. (2001).

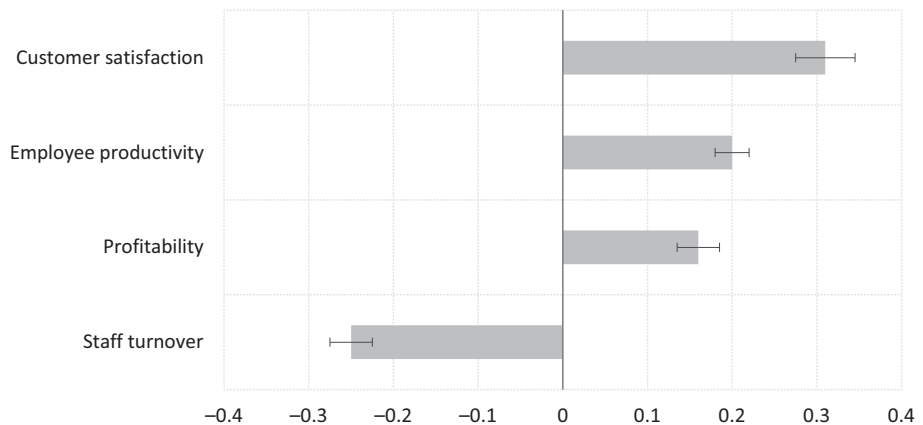


Figure 12.5 Job satisfaction and firm performance – correlation coefficients

Source: Krekel et al. (2019) using Gallup data

Note: The figure plots adjusted average correlation coefficients between job satisfaction and different performance outcomes from a meta-analysis of 339 independent research studies including observations on the wellbeing of 1,882,131 employees and the performance of 82,248 business units; 95% confidence intervals displayed.

More recent reviews have produced largely similar findings. One of the largest single studies to date analysed Gallup data collected from 339 independent research studies on 82,000 business units across 49 industries in 73 countries.⁶⁹ The results of this analysis are presented in Figure 12.5. Job satisfaction was found to be positively and significantly associated with customer satisfaction, employee productivity and profitability and negatively associated with staff turnover. In later specifications, these results proved to be consistent across four separate industries – finance, manufacturing, services and retail – and for both US and non-US companies. This type of evidence is now widely considered to be indicative of a significant relationship between employee wellbeing and firm performance.⁷⁰

Yet we must remember not to confuse correlation for causation. The fact that job satisfaction and company performance are highly related does not necessarily mean the former causes the latter. The reverse could very well be true. It seems entirely plausible that employees would be happier in more successful companies, especially if the best companies are more likely to offer higher wages and better benefits. Or perhaps the relationship is more dynamic. Maybe job satisfaction and job performance interact and influence each other in a positive feedback loop. Parsing out these causal relationships can be complicated. Looking at correlations alone won't do the trick.

⁶⁹ Krekel et al. (2019). ⁷⁰ For other studies, see Tenney et al. (2016).

The question of causation in the literature on wellbeing and performance is not a new concern. Many researchers have adopted creative analytical techniques to shed light on it. Some of these will be familiar. The first strategy is to analyse longitudinal panel data (preferably using fixed-effect regressions) to determine whether or not increases in happiness precede increases in firm performance. In an early review of 16 studies adopting this approach, job attitudes did in fact significantly predict subsequent performance, although the effect was relatively small.⁷¹ At the same time, job performance did not significantly predict later job satisfaction. A follow-up study replicated these results, using longitudinal data on 2,178 business units in 10 large organisations and found that employee engagement significantly predicted later retention, financial performance and customer loyalty, while the reverse relationships were insignificant.⁷² Other studies using panel data in the United Kingdom⁷³ and Finland⁷⁴ also found that employee wellbeing predicted later workplace performance. In Finland, the gain in productivity associated with a one standard deviation increase in job satisfaction was estimated to be 6.6%. Yet another analysis using panel data on US companies found that firms considered to be most supportive of wellbeing generated 2.3% to 3.8% per annum higher stock returns than counterparts over a 27-year period.⁷⁵

These results are encouraging but can still be hard to interpret. There is an issue of timing. High frequency panel data is quite rare. Given how expensive it can be, few large-scale surveys make an attempt to collect wellbeing data from the same respondents every month or every week, let alone every day. In the context of major life events like becoming unemployed or getting married, this may not be a problem. Events like these are expected to have impacts on wellbeing that remain observable many months later. In the context of work, predicting the effect of employee satisfaction in one year on individual productivity or company performance the next year can be much more difficult. The fact that longitudinal panel studies continue to find any effect at all may in fact be a testament to the strength of this relationship. Nevertheless, the largest effects of wellbeing on productivity are much more likely to be observable in the short term. These are not easily captured by yearly or even monthly response data.

To address this concern, many researchers have turned instead to **experience sampling methods (ESM)**. One influential study assessed the relationship between positive affect and creativity by collecting daily and monthly wellbeing data from 222 employees in seven companies over the course of several months.⁷⁶ Using a total of 11,471 employee reports, the authors found that positive affect predicted increases in the production of creative ideas, as evaluated by peers. Importantly, increases in positive affect also preceded increases in creativity by up to two full days, providing evidence of a causal effect. Another analysis adopted a similar methodology to evaluate the impact of morning moods on the productivity and performance of call centre workers.⁷⁷ Employees who were in better moods handled incoming calls more

⁷¹ Riketta (2008). ⁷² Harter et al. (2010). ⁷³ Bryson et al. (2017).

⁷⁴ Bäckerman and Ilmakunnas (2012). ⁷⁵ Edmans (2012). ⁷⁶ Amabile et al. (2005).

⁷⁷ Rothbard and Wilk (2011).

efficiently throughout the day – measured in terms of independently resolving issues without a supervisor and having more time available to customers. Though at the same time, workers who reported higher levels of negative affect made more calls overall.

A separate stream of research has looked at the effect of happiness on productivity in **laboratory experiments**. These studies generally try to induce positive affect in randomly selected groups of participants – often with funny or uplifting videos, music, expressions of praise or gratitude or gifts – and then compare their performance on particular tasks to a control group. The results of these endeavours constitute a sizeable literature, though most tend to point in the same direction.⁷⁸ Overall, inducing positive affect is generally found to improve productivity. One of the most widely cited studies in this regard comes from Andrew Oswald, Eugenio Proto and Daniel Sgroi.⁷⁹ In a series of three experiments, study participants were exposed to happiness-inducing treatments including watching ten-minute comedy videos or receiving free food. Control groups were shown placebo clips of neutral footage or nothing at all. Both groups then were asked to perform moderately complex tasks like adding up five two-digit numbers under time pressure. Increases in happiness were associated with a sizeable and significant 12% increase in productivity, demonstrating a causal effect of positive mood on performance. In a natural experiment, participants who had recently experienced family tragedies, (events that can presumably be attributed to random natural variation), were also both less happy and less productive than those who did not.

This type of experimental research is widely considered to be the gold standard for establishing causation. Yet reliability can often come at the cost of generalisability. There are two related concerns here. First, even if inducing happiness can increase performance in laboratory settings, to what extent can we be sure this result would hold in the real world? The controlled environment of a laboratory study is quite different from a typical workplace. Would happiness still increase productivity and performance in a company setting? A second related issue concerns the practical usefulness of these results. Showing employees comedy videos every hour of the day may not be a practically useful tool for organisations seeking to boost productivity.

One way to address these issues is to run **field experiments**. These are similar to laboratory experiments, although generally conducted at larger scales and implemented in real world settings. The results of some of these endeavours were already introduced in the last section. In the Chinese travel agency experiment, working from home led to a 13% increase in productivity, higher work satisfaction and lower attrition, but workers who worked from home were also less likely to be promoted later on.⁸⁰ The STAR program to promote family supportive behaviours in a Fortune 500 company also identified significantly subsequent reductions in employee turnover.⁸¹

These sorts of studies are invaluable tools to advance and qualify our understand of wellbeing and performance. However, they can be enormously complicated and expensive to carry out, requiring significant buy-in from companies. At the same time, if one group of workers is allowed to benefit from an intervention to improve

⁷⁸ For reviews, see Lyubomirsky et al. (2005); Tenney et al. (2016). ⁷⁹ Oswald et al. (2015).

⁸⁰ Bloom et al. (2015). ⁸¹ Kelly et al. (2014). Also summarised in Moen et al. (2016, 2017).

their working lives, but another group within the same company is not, this can also raise ethical and practical concerns. Spill-over effects, where the treatment of one group influences the experience of another, can be very difficult to control for.

With these considerations in mind, some researchers have instead employed **quasi-experimental designs**. These are very much like field experiments in that they seek to analyse causal relationships in real world settings, although in this case treatment and control groups are not randomly assigned. Instead, researchers look for sources of **exogenous natural variation** by which to divide and compare group behaviour or performance. For example, if students in a particular school are divided into classes based on the first letter of their last name, we may be able to use this variation to estimate the causal impact of different teachers on students' test scores. The key assumptions here would be that both groups are similar enough that any observed differences in test scores could be causally attributed to differences in teacher performance. The role of this type of natural variation is to act as a substitute for random assignment.

In one of the largest studies of its kind, a team of researchers applied this technique to study the relationship between happiness and productivity among call centre workers at British Telecom, the largest internet and broadband provider in the United Kingdom.⁸² The researchers collected weekly happiness reports from employees in eleven call centres over six months and matched these reports with productivity data – measured in terms of calls converted to sales, adherence to daily schedules and number of calls made per hour. Yet just comparing happiness and productivity data would not be sufficient to establish causation. In addition, the authors collected daily weather data surrounding each call centre and data regarding the window coverage of each call centre itself. The fundamental assumption here is that visual exposure to bad weather – presumed to be a natural and randomly occurring source of variation – is likely to influence workers' moods throughout the day, which in turn influences their productivity. Overall, the study found not only that gloomy weather predicted lower sales performance but that this relationship was also strongly dependent on visual exposure. In call centres with few windows, bad weather had no influence on performance. In call centres with more windows, visual exposure to bad weather predicted declines in happiness and subsequent declines in productivity and performance. The effect of a one unit increase in happiness (on a 0–10 scale) was found to increase sales per worker by 13.4%.

Taken together, the results discussed in this section – from fixed-effects analysis, experience sampling methods, laboratory experiments, field experiments and quasi-experiments – strongly suggest a causal effect of happiness on individual productivity and firm performance. Before bringing this chapter to a close, it is perhaps worth asking just one more question – why? Why should happier workers be better at their jobs and happier companies more successful? We have already hinted at a variety of potential mechanisms by which these relationships can operate throughout this chapter. In Table 12.1, we summarise the most important channels.

⁸² Bellet et al. (2020).

Table 12.1 Pathways from wellbeing to performance

<p>Subjective wellbeing</p> <ul style="list-style-type: none"> • Job satisfaction • Engagement • High positive affect • Low negative affect 	<p>→</p>	<p>Better health</p> <ul style="list-style-type: none"> • Wellbeing predicts better mental and physical health.^a This can lead to more energy on the job and fewer days out of work. <p>Greater self-regulation</p> <ul style="list-style-type: none"> • Happiness allows for greater control and regulation over mental and physical resources, while depression and stress can make it more difficult to focus on tasks and goals.^b <p>Motivation</p> <ul style="list-style-type: none"> • Inducing positive affect in particular has been shown to increase intrinsic motivation to solve complex tasks.^c <p>Creativity</p> <ul style="list-style-type: none"> • In line with Barbara Frederickson’s (2001, 2004) broaden and build theory of positive emotions, happier people often have more mental resources to come up with creative ideas and solutions to problems.^d <p>Positive relationships</p> <ul style="list-style-type: none"> • Better working relationships can foster more positive experiences at work, collaboration, and fewer voluntary exits.^e <p>Lower absenteeism</p> <ul style="list-style-type: none"> • Job satisfaction predicts fewer absences from work.^f Happier workers may be both more excited to come to work, and less likely to be unhealthy. <p>Lower turnover</p> <ul style="list-style-type: none"> • Workers who are less satisfied with their jobs are more likely to leave them.^g This can cause slowdowns as well as additional hiring and training costs for firms. <p>Attract talent</p> <ul style="list-style-type: none"> • Organisations that are more supportive of wellbeing are more likely to attract the most talented workers.^h 	<p>→</p>	<p>Individual and organisational performance</p> <ul style="list-style-type: none"> • Productivity • Profitability
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Note: Adapted from Tenney et al. (2016). Category added for attracting talent. See Ward (2022).

^a See Chapter 10.

^b Heatherton and Wagner (2011).

^c Oswald et al. (2015).

^d Amabile et al. (2005).

^e See, for example, the third section of this chapter on what drives employee wellbeing.

^f Cooper and Dewe (2008).

^g Tett (1993); Bouckennooghe (2013); Azeez et al. (2016).

^h Ward (forthcoming).

Conclusions

Despite the importance of work for wellbeing, working turns out to be one of the least enjoyable activities we engage in on an hour-by-hour basis. To evaluate the effects of work on wellbeing, researchers often rely on experience sampling methods (ESM).

Social aspects of work often prove to be more important determinants of wellbeing than income. These include positive working relationships (particularly with managers), work/life balance, interesting work and purpose. The relationship between working hours and wellbeing also tends to be mediated by the extent that workers are able to choose the hours they work.

Workplace wellbeing affects individual productivity and company performance. To evaluate these dynamics and make causal inferences, researchers employ a variety of analytical strategies. These include fixed-effects regressions, laboratory experiments, natural experiments, field experiments and quasi-experiments. Each approach has its own unique advantages and disadvantages. Nevertheless, taken together, the findings of these endeavours generally suggest that happiness improves performance.

There are a number of possible pathways through which wellbeing can impact productivity. These include better health, greater self-regulation and more motivation at the individual level, as well as positive relationships, lower absenteeism, lower turnover and greater ability to attract talent at the firm level.

Questions for discussion

- (1) Is work really a disutility after all?
- (2) Keeping the discussion of workplace wellbeing drivers in mind, can you think of any interventions that companies could use to boost employee happiness? What is the effect of different criteria for paying workers?
- (3) If you wanted to measure the impact of job satisfaction on, for example, the number of sick days taken, which methodology would you prefer to use: fixed-effects analysis, experience sampling methods or field experimentation? What could each approach tell you about the relationship?

Further Reading

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