

Happiness and Productivity

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Main Question

Does 'happiness' induce better intrinsic motivation in employees ?



Or, on the contrary, promote careless and superficial behaviour?

Wellbeing at Work

“At Google, we know that health, family and wellbeing are an important aspect of Googlers’ lives. We have also noticed that employees who are happy ... demonstrate increased motivation ...”

Lara Harding, People Programs Manager,



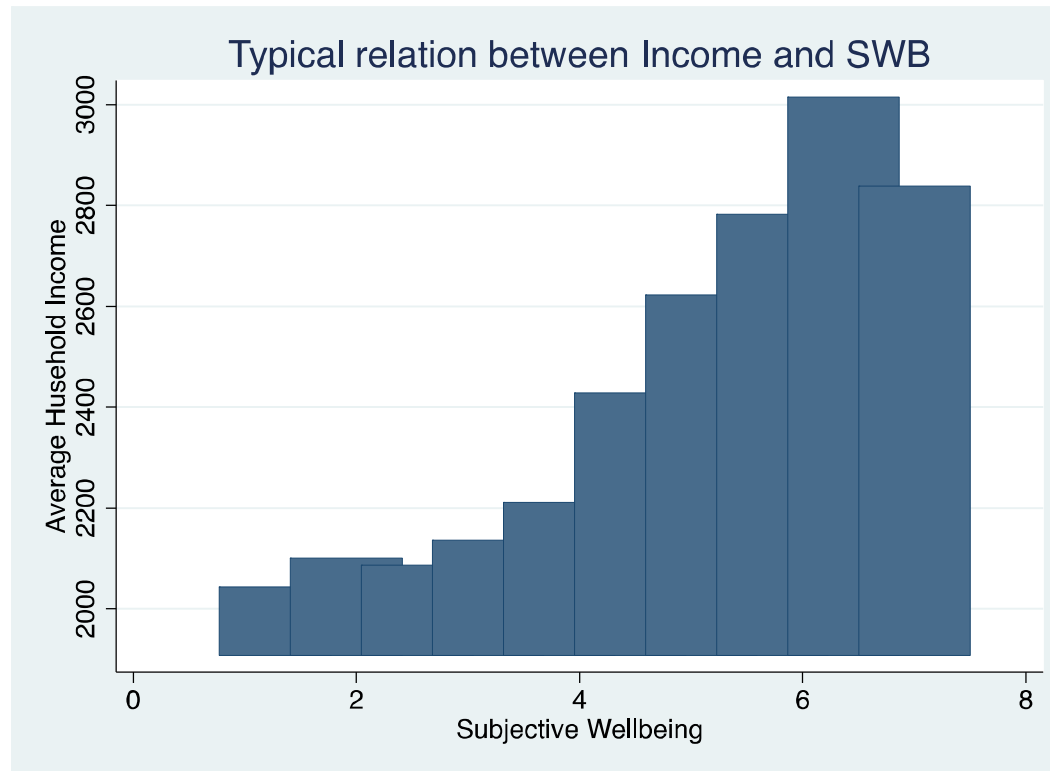
Stress-Relieving Perks at Google

- ” Free breakfast, lunch, and dinner. The organic food is chef-prepared
- ” Free health and dental
- ” Free haircuts
- ” Free dry cleaning
- ” Subsidized massages
- ” Gyms and swimming pools
- ” Hybrid car subsidies
- ” [Nap pods](#)
- ” Video games, foosball, ping pong
- ” On-site physicians
- ” [Death Benefits](#)

“Happy” Environment at Google



Descriptive Empirical Evidence



Happier Individuals are (often) Richer

Descriptive Empirical Evidence

Good Place to Work/Good Place to Invest

Value of \$1,000 invested in the S&P 500 Index and invested in companies that were rated the "Best Places to Work" by Glassdoor.



Source: Glassdoor | WSJ.com

Happier Companies have Higher Returns

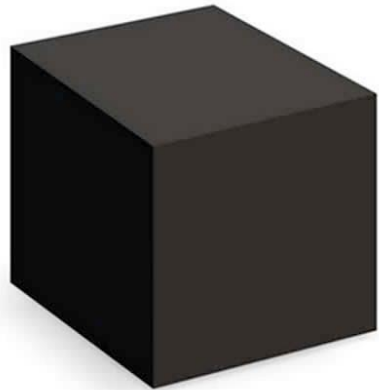
But what is the direction of causality?



OR



Or neither?

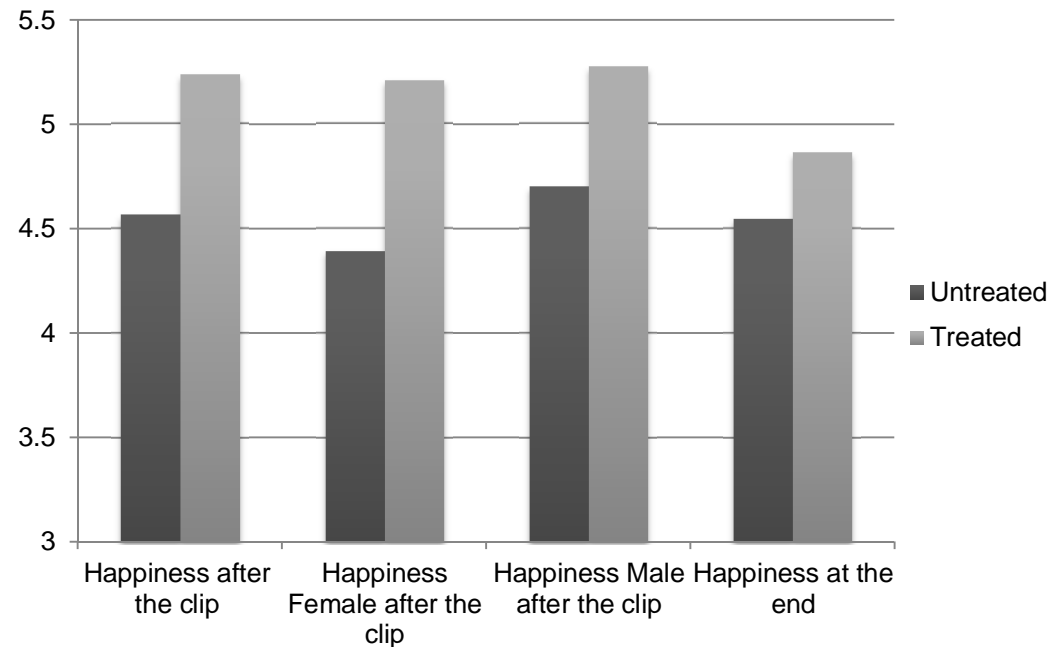


A Laboratory Experiment on Happiness and Productivity

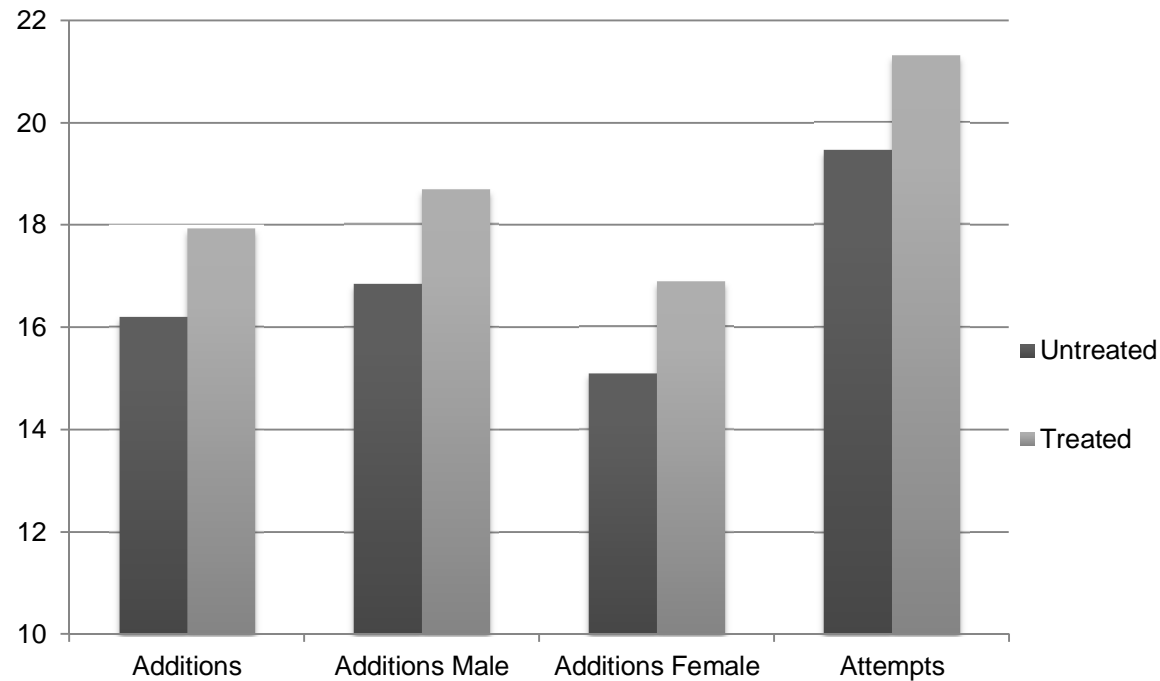
(A. Oswald, E. Proto, D. Sgroi; *Journal of Labor Economics*, 2015)



Watching Comedy Increases Happiness



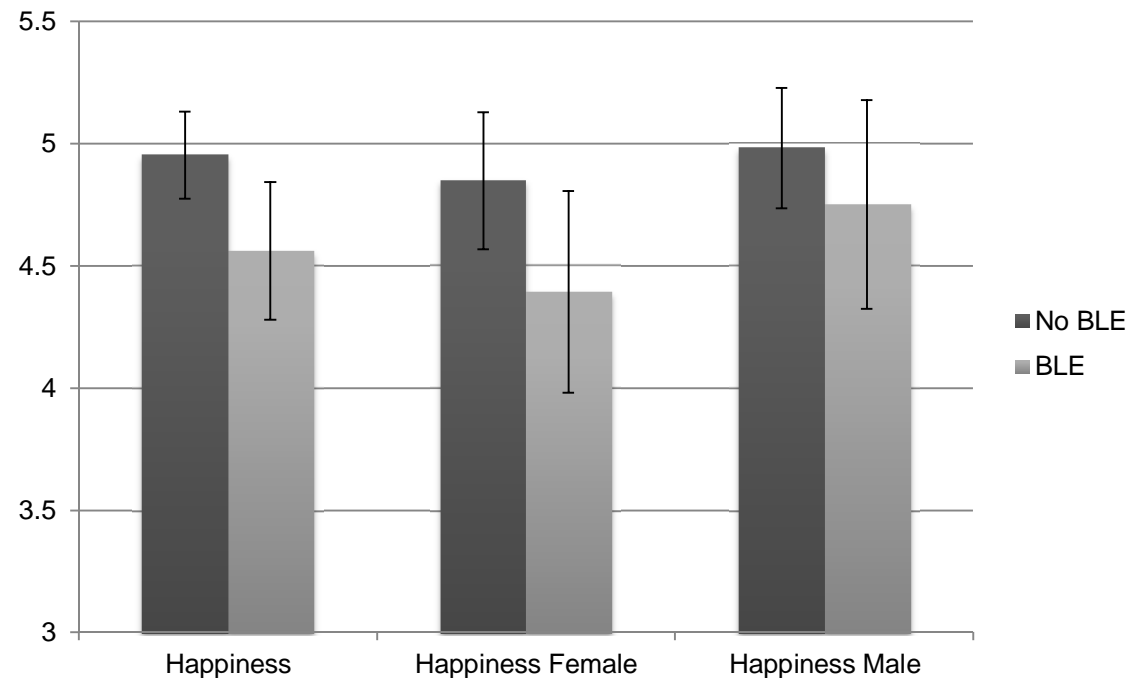
Watching Bill Bailey Increases Productivity



This increase is only due to more effort and not to more precision!

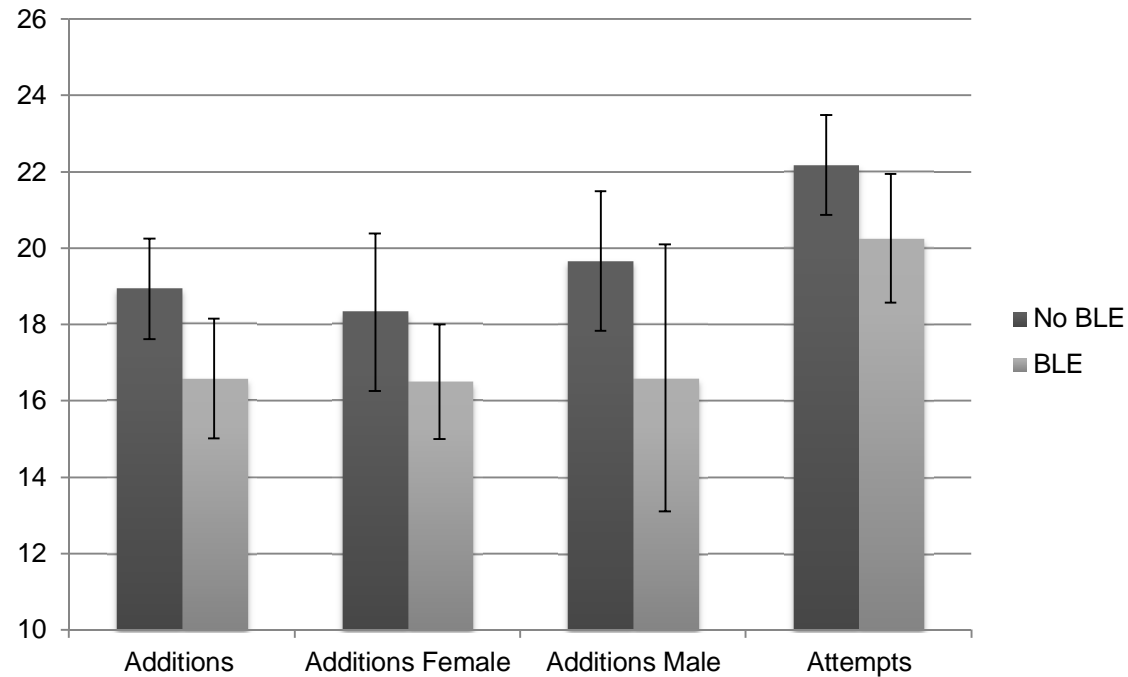
**What about outside the
laboratory?**

Effect of Happiness in the Long run



Individuals with a recent Bad Life Event (BLE) report lower happiness
[Here a bad life event is bereavement or family illness.]

Effect of a BLE on Productivity



Individuals with a recent Bad Life Event (BLE) have lower productivity

Summary so far...

- “ Google’s Culture of Wellbeing
- “ Happier Individuals Have Higher wages (more productive?)
- “ Happier Organizations Have Higher Returns on Investments
- “ Laboratory Experiment to test the relation of Causality From Happiness to Productivity

POLICY RAMIFICATIONS

**For firms, for industry, for
government...**

Firm Policy

- “ Workers happiness should matter not just for moral reasons . if it boosts productivity, it boosts profit!
- “ Anything free (nudge) should be done
- “ Costly policies might be worth it too



Industry

- “ Boosting productivity is effectively cutting costs (efficiency)
- “ Since this generates competitive advantage once one firm starts boosting happiness in this way, others should follow
- “ Potentially working through the entire industry.



Government

- “ Supply-side, industrial policy . educate firms & industries on the benefits, fund research (!) and provide leadership through (well-advertised) public sector schemes.
- “ Productivity-boosting policies in government departments can help compensate for the current environment of spending cuts
- “ It is not happiness vs profit (life satisfaction vs economic growth) . both can and should move together.

In Practice...

- “ Find tasks for which **effort** is key.
- “ Workers across the distribution benefit, so **no need to focus** any happiness policies on certain employees.
- “ Useful to be able to **measure** both happiness and productivity. Both can be serious issues, but can be overcome in novel ways (time vs quality).

In Practice...

- “ Experiment with **different policies** in real-workplaces.
- “ Short-run (one-off shocks) vs long-run (environment, relationships)
- “ Cheap (budget, feedback) vs expensive (environment).

Thank You!

Have a happy-productive day!

