

# 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,



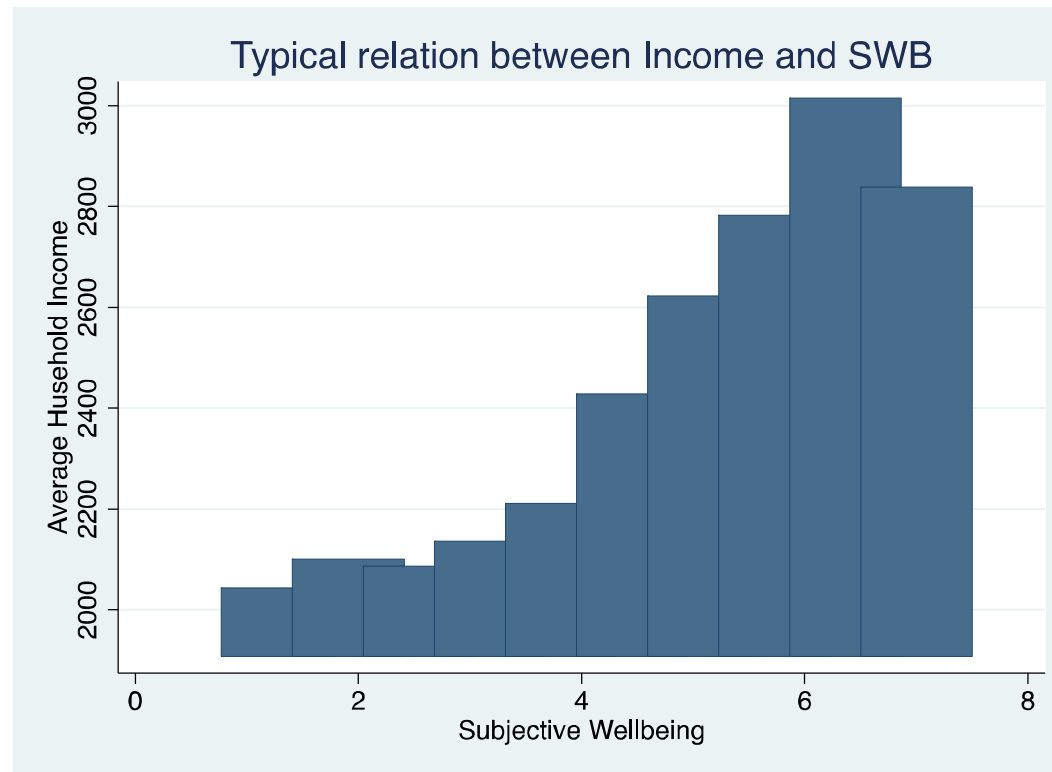
# Stress-relieving perks at Google

- ” 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, 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.



Happier companies have higher returns

# But what is the direction of causality?

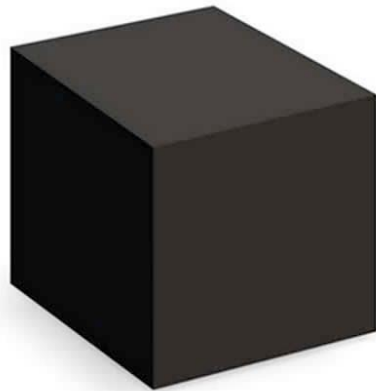


OR





# Or neither?

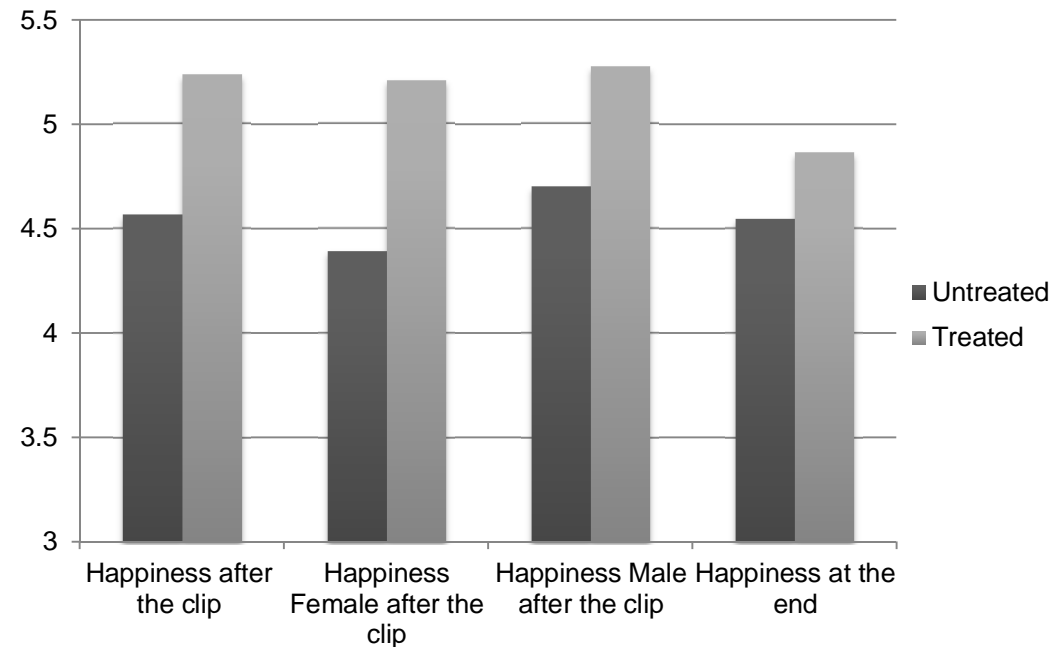


# A Laboratory Experiment on Happiness and Productivity

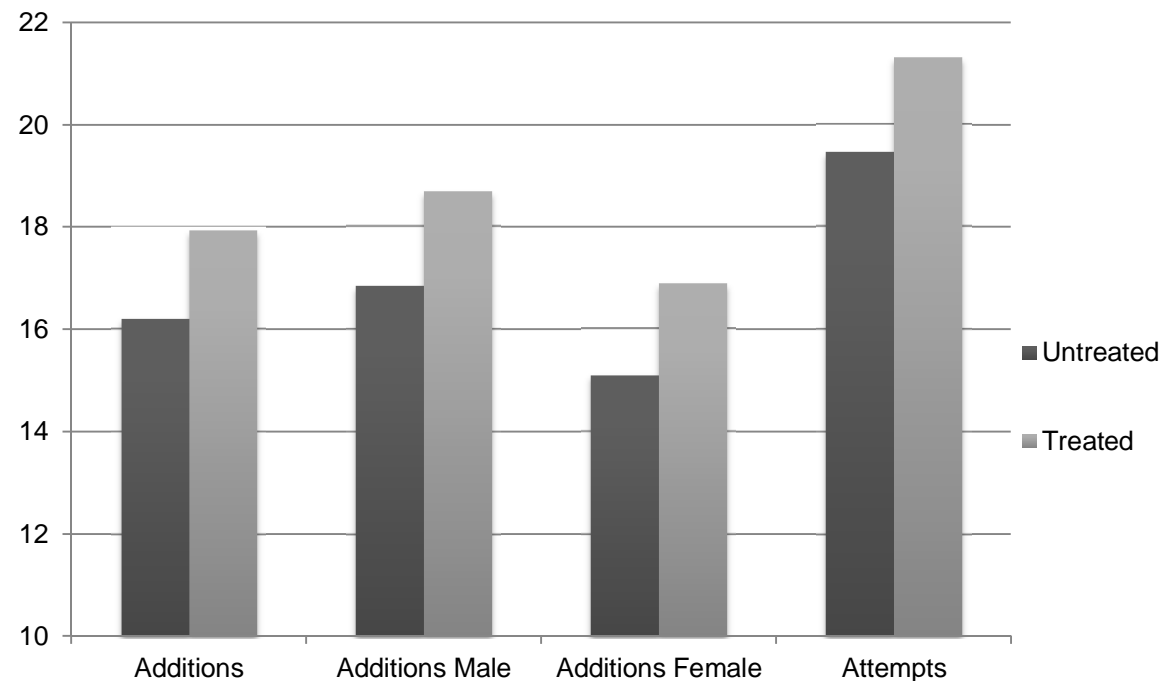
(A. Oswald, E. Proto, D. Sgroi; *Journal of Labor Economics*, 2015)



# Watching comedy increases happiness



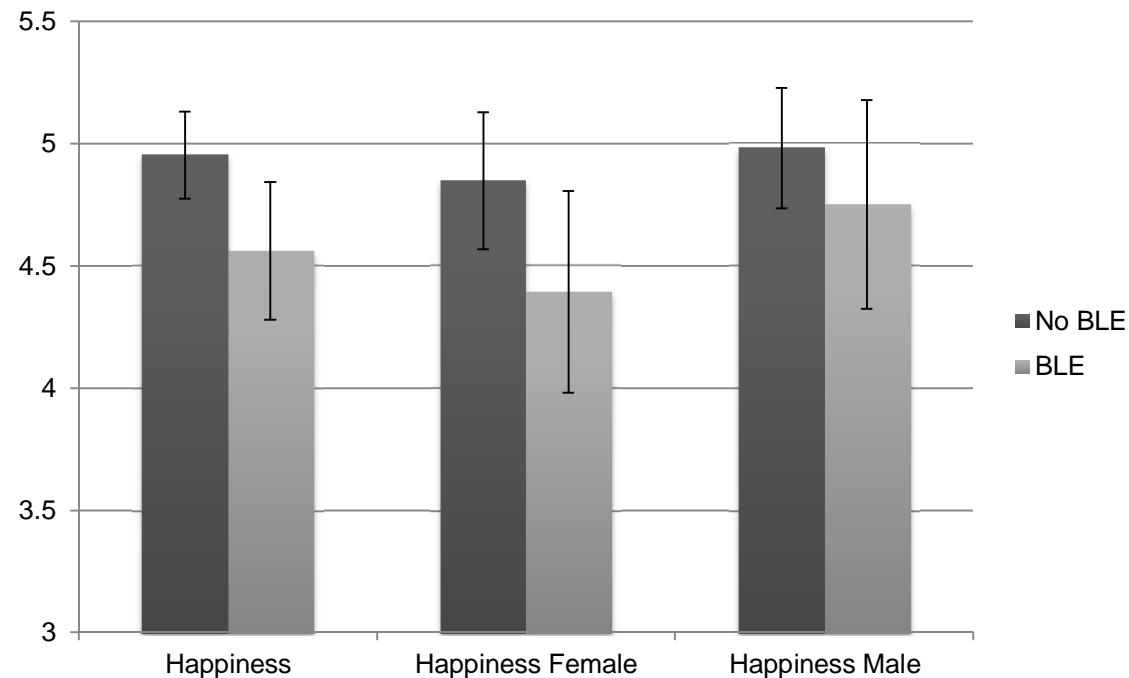
# Watching comedy increases productivity



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

**What about outside the  
laboratory?**

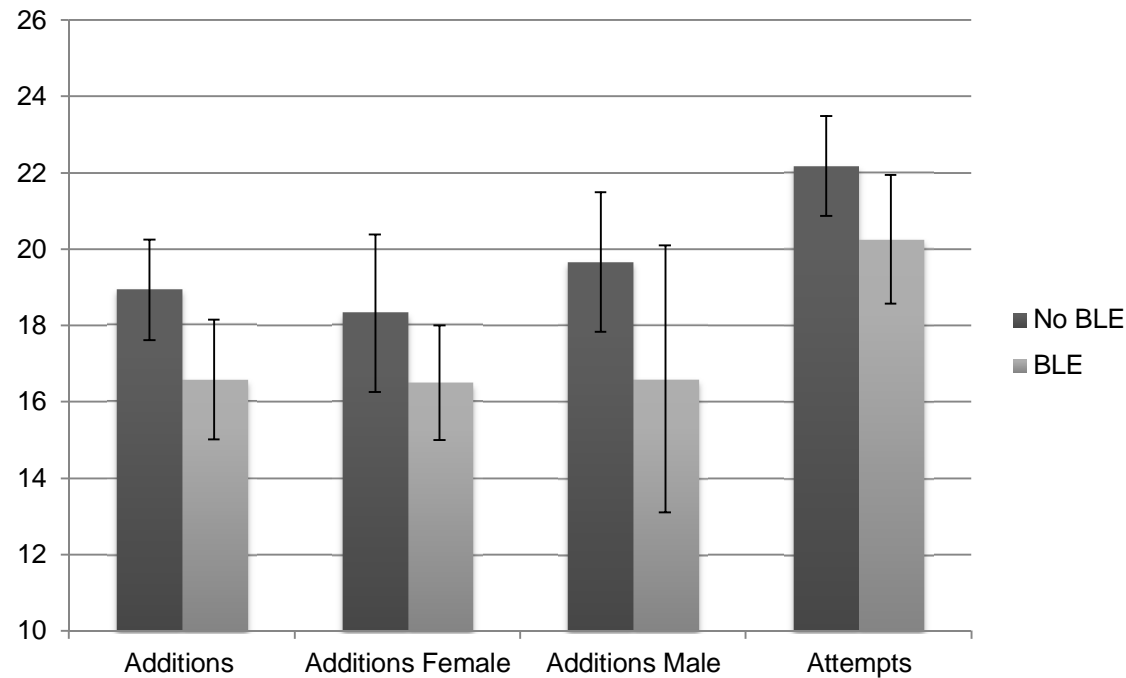
# Effect of happiness in the long run



**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 by example 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 . these will work best.
- “ Workers across the distribution benefit, so **no need to focus** any happiness policies on certain employees.
- “ Useful to be able to **measure** happiness and productivity (not trivial!). Can be overcome in novel ways (time vs quality).

# In Practice...

- “ The next step is to experiment with **different policies** in ~~real~~ workplaces to see what works best.
- “ Short-run (one-off ~~shocks~~) vs long-run (environment, relationships)
- “ Cheap (~~budget~~, feedback) vs expensive (environment).

# Thank You!

Have a happy-productive day!

