

# Happiness and Productivity

Eugenio Proto & Daniel Sgroi

University of Warwick

Department of Economics and CAGE



# 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,



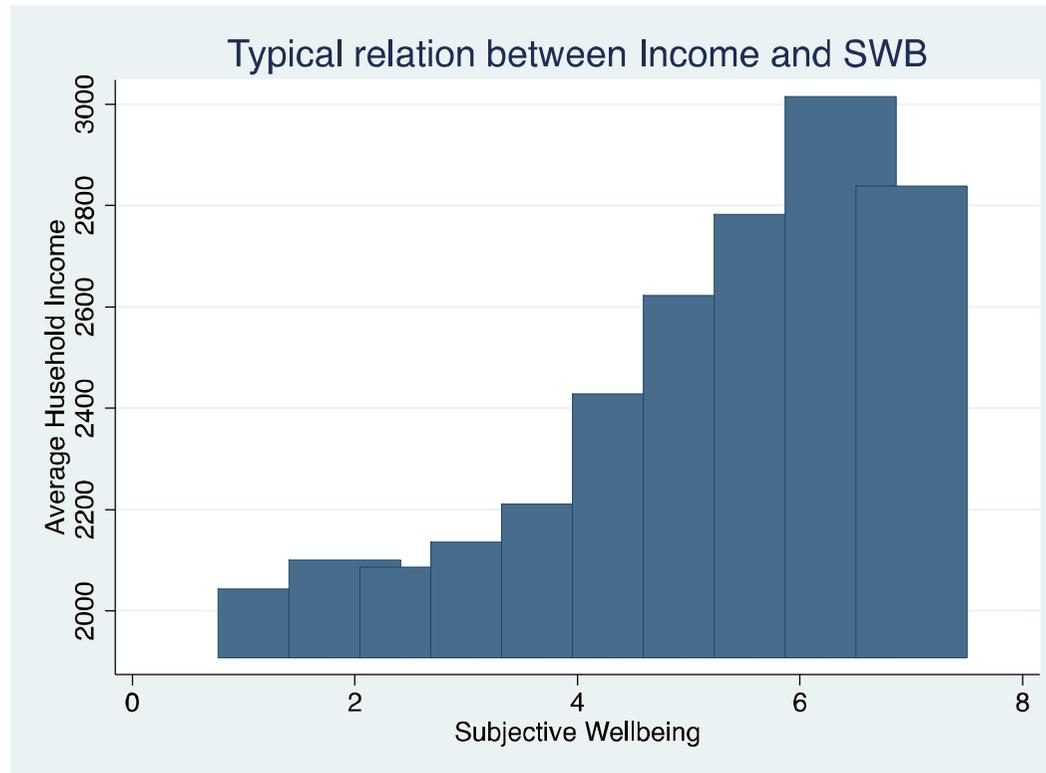
# Stress-Relieving Perks at Google

- ” 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

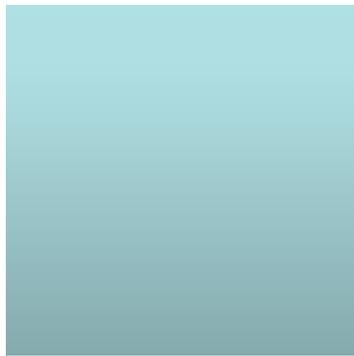
## Good Place to Work/Good Place to Invest

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.

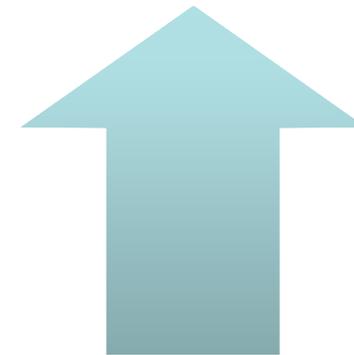


Happier Companies have Higher Returns

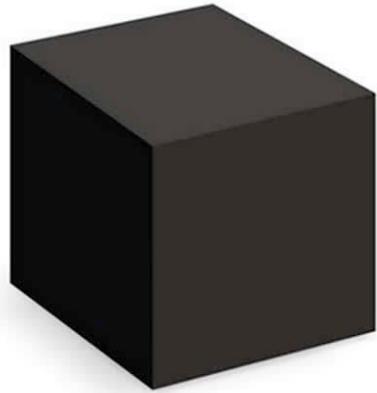
# But what is the direction of causality?



OR



# Or neither?

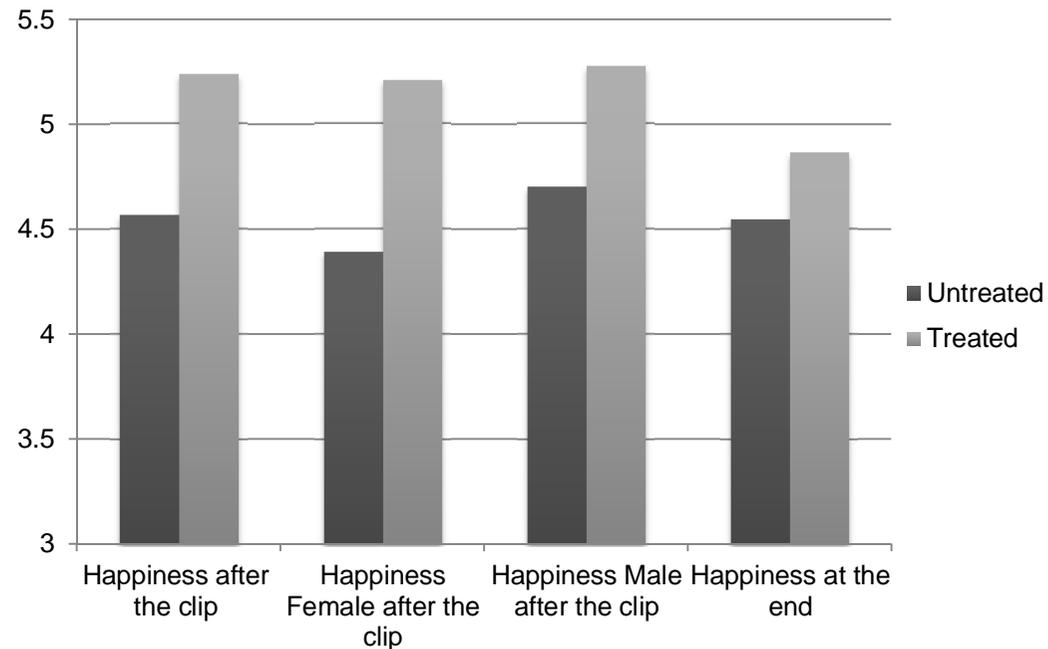


# A Laboratory Experiment on Happiness and Productivity

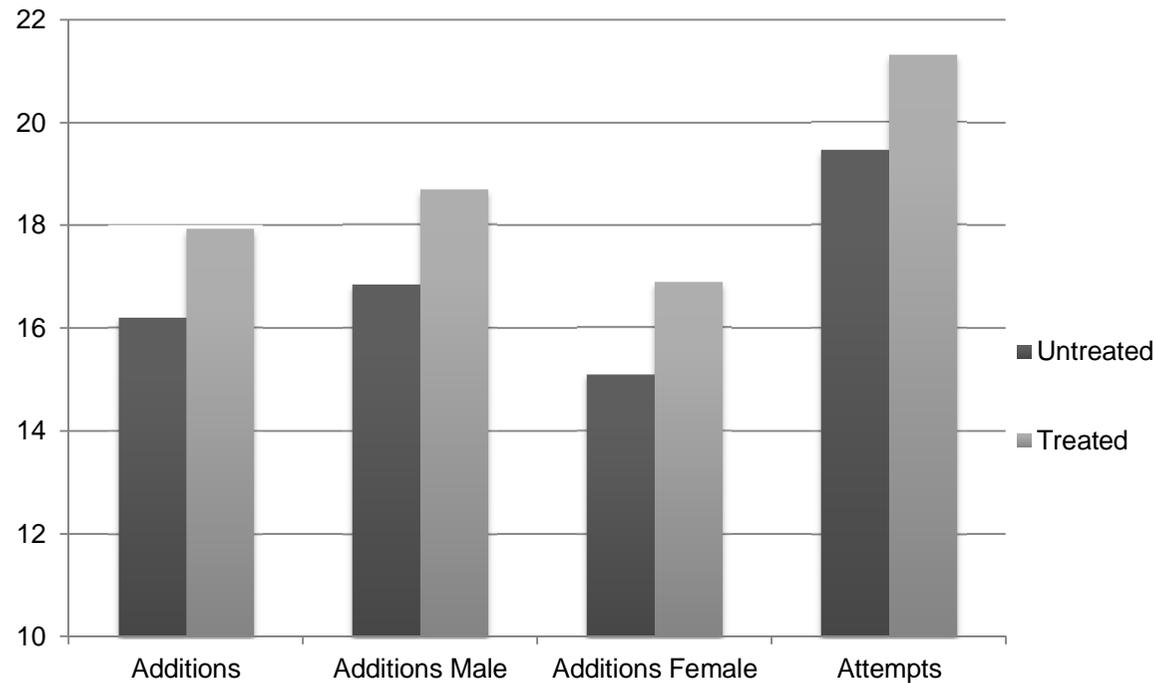
(A. Oswald, E. Proto, D. Sgroi; *Journal of Labor Economics*, 2015)



# Watching Comedy Increases Happiness



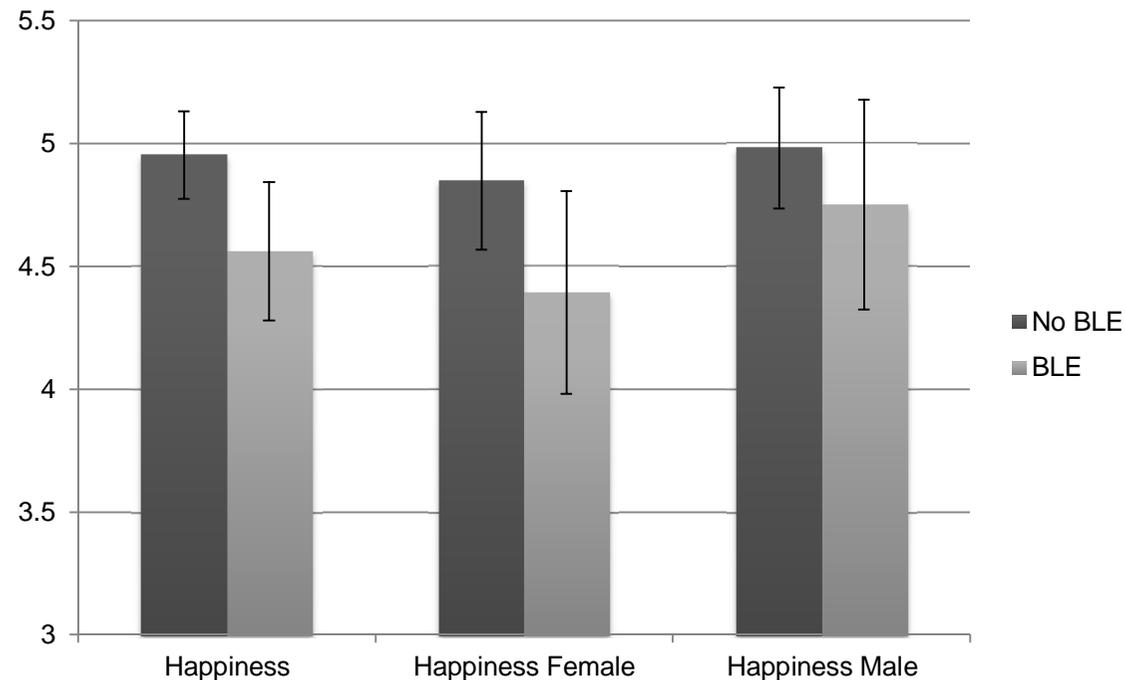
# Watching Bill Bailey Increases Productivity



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

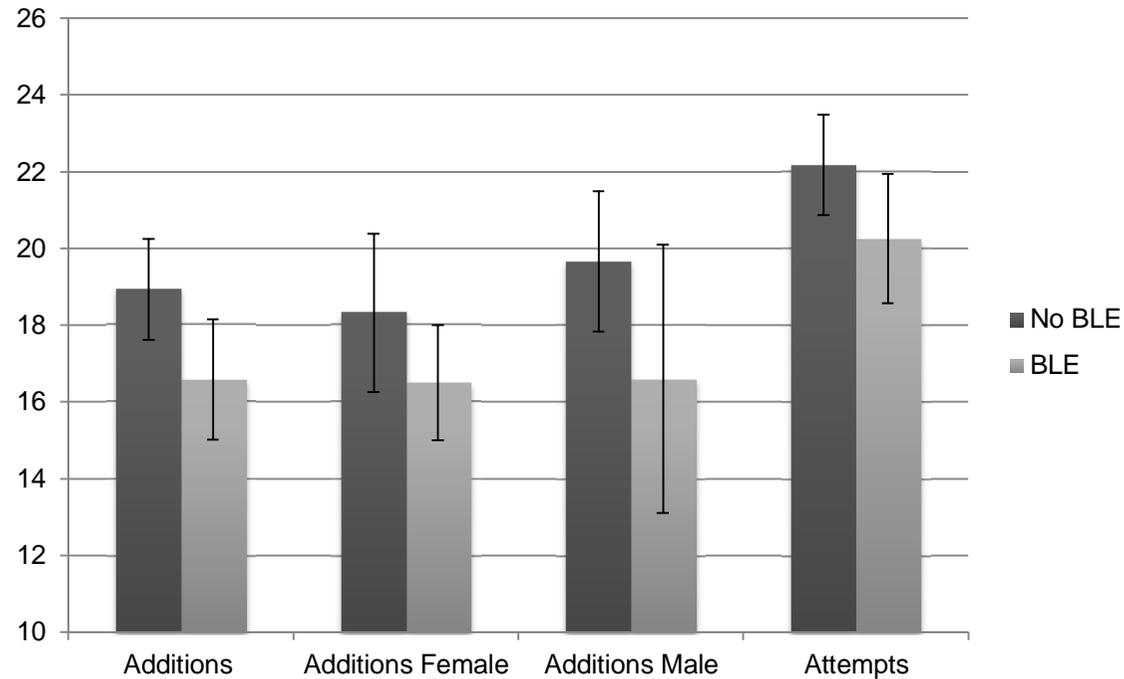
**What about outside the  
laboratory?**

# 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!

