

Rise in worker happiness leads to an increase in productivity

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A new report to be published on IZA World of Labor finds that a rise in workers' happiness leads to an increase in productivity; and companies would profit from investment in their employees' well-being, following research by the University of Warwick.

Until recently [scientific evidence](#) for a link between employee well-being and [company performance](#) has been sparse. In the new IZA World of Labor report Dr Eugenio Proto, of the University of Warwick's Department of Economics, shows a positive correlation between a rise in [happiness](#) and an increase in productivity. Finding causal relations between employee well-being and company performance is important for firms to justify spending corporate resources to provide a happier work environment for their employees. Dr Proto believes "the available evidence suggests that companies can be encouraged to introduce policies to increase employee happiness."

Dr Proto cites a number of studies that uncovered evidence that happiness leads to greater creativity, and that job satisfaction is positively correlated with [worker productivity](#). Other studies show that happy people—defined as people who frequently experience positive emotions like joy, satisfaction, contentment, enthusiasm, and interest—are more likely to succeed in their career. For example, adolescent Americans who are "happier" end up with higher incomes several years later in life.

These findings have several implications for company practice and for

research. First, if happiness in a workplace carries with it a return in terms of enhanced productivity, there are enormous implications for firms' promotion policies and for the way they structure their internal labour markets. For example, managers could be rewarded on the basis of employees' [job satisfaction](#).

Second, Proto suggests a win-win situation for everyone: "the effect running from happiness to productivity raises the possibility of self-reinforcing spirals—ones that might even operate at a macroeconomic level. Happiness might lead to greater [productivity](#) in an economy, and that might in turn result in greater well-being in the population."

Provided by University of Warwick

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