

LOVE YOUR JOB OR HATE IT? THE ECONOMICS OF JOB SATISFACTION

CEP Public Lecture by Professor Richard Freeman

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Richard B Freeman

Well, welcome to everybody. I'm very happy to be here tonight. My name is John Van Reenen, I'm the director the Centre for Economic Performance and this lecture is a lecture to celebrate the start of a relationship between the London School of Economics and Manpower. We are starting a Manpower Human Resources laboratory which we were intending to bring together academics and business people to look at issues inside the workplace and issues of the labour market. And in that context, I'm delighted to have with me Professor Richard Freeman. Richard has had an illustrious career. He's one of the world's leading economist. Richard is the Ashamon Chair in Economics at Harvard University. He's the co-director of Labour and Work Life Forum at Harvard Law School and a director of the Labour Studies Programme at the National Bureau of Economic Research. And I should say, he's recently won the Minser Award for outstanding lifetime achievements in labour economics. So we're extremely pleased to have Richard. I've known Richard for many years. First as a postgraduate when I was at LSE here studying his works and then he was the examiner of my PhD, so I'm here before you partly because of Richard who kindly passed me. And more recently, he's been a colleague of mine at the Centre for Economic Performance. He's a senior research fellow at the Centre and over the course of the last decade has helped us make major strides in understanding labour economics. I made the mistake this afternoon of actually printing Richard's CV out which turns out to be longer than most of my papers and in fact, although my printer was actually full of paper, it actually ran out of paper printing out Richard's work. And it's almost, it's very hard to describe where Richard hasn't made major contributions to his work in areas of education, of wage inequality, of institutions, particularly trade unions and more recently, and this is going to be the subject of tonight's talk on satisfaction and happiness issues in the workplace. So I'm extremely happy to have Richard here and I think he needs no further introduction. Please Richard, 'Your Job: Love it or Hate It?'

[applause]

Well you see from the slide there's the people who love it and say, Thank God it's Monday. Then there's the guy who's trying to force it and then there's this famous, it's not a famous movie, it's not even a good movie I think, but it comes from a famous song. And when I first was asked to give this lecture I said, let's just call it 'Take this job and shove it'. And then people said, no, that's a little, not quite right for an LSE lecture. But I do want to remind you of the song. You know, it's sung again in Johnny Paycheck and it was a big song I suppose in the late 70s, country western thing and you will see the themes in the song being represented in the research, although people won't you know, you don't use the song so much. So on the left you

see, I'm only working for my family. My woman done left me, why should I be working anymore, my family's gone. On the right you see, 15 years in this factory, people having lots of bills, they're not being well-paid. And then you see at the bottom, the foreman's a dog and the line boss is a fool. And who of us have not had, at some point in their life, supervisors or so on who are either dogs or fools? And so the 'take this job or shove it' song actually I knowas a model, cause this represents one strong form of a model of job satisfaction and what you do about it.

And I've already mentioned the four themes, the four points being made. And of course, the response is 'take this job or shove it' means you quit. You're unhappy with your work for whatever reason, you quit. And that neo-classical economics to its nth. I don't know whether Mr Paycheck in singing this song was thinking about you know, models of, economic models of people but that's basically what it is about. And that's one sort of version of the world of work and what you do when you're unhappy with your work. Here is the other version, the Dilbert thing, the hundred best companies. Fortune in the US does the hundred best companies in the US and I just put the top five there. Genentech is a San Francisco-based firm that makes drugs and spends 50% of their revenue on research and development and have been extraordinarily successful.I don't know so well and then the Sunday Times has the hundred best in the UK. And you'll notice there's one company, the Gore & Associates, which is number one in the UK and it's number five in the US and they make, it's nothing to do with Albert Gore, who did not get to be president but it's with Goretex. They make actually you know, clothing kinds of things and there's the list.

So we have a set of companies where you would think 'take this job and shove it', that's, you'd have to be a sick person to be in that mode. And this is a very different model than the 'take this job and shove it' model. I call this the Great Job thing. Turns out these companies that provide us with great jobs, they tend to be highly profitable and we do know that if their profits get squeezed as IBM has done, as they felt more competition, they will reduce some of the perks of being a great place. Many of them it turns out are protected by intellectual property and a surprising number are non-profit firms and a number if also turns out are owned by the workers in some fashion. So they're not stock market, there's some obviously there's a hundred, but it's, it's less representative of stock market firms than you would have thought.

And what they try to do is, we think about people working from the family from the song, is to create a family/team environment for workers so you feel like you're working for your family but your family now consists of your mates at work and everybody's considered part of the thing. We know there's a tradition at the LSE, sometimes after seminars, people go to the local pub and you may now have thought of that as improving the work environment or leading to higher productivity but in fact, that's the kind of thing that almost all of these kinds of firms. Then and I'll talk a little bit more. They often have some form of, I call it shared capitalist pay, meaning there's some profit-sharing, there is something going on so you get some reward by the company for good performance and we'll see the employee involvement decisions.

The other thing that these really good, great job places do is they are incredibly careful with recruiting and the amount of money that they spend in recruiting people is you know, astronomical in some sense. It's way off the map of what other people

do. So they've got an incredible selectivity of people going in so you want to work in Genentech. I mean every PhD graduate from you know, biological science, wants to work at Genentech cause it's a great place. And they understand that and they ask you and they interview you and they do all things with you.

The other things that they all seem to have is some non-hierarchical open door management. And this is now the opposite of the 'take your job and shove it'. These places have low turnover and they use a lot of voice channels. People are always talking with their mates or with their bosses about problems and issues and everybody feels again, it's a family. Not the old style family where dad told you what to do and had a strap in case you didn't do what he said but a more modern style family. So you have these two kinds of things about the job market.

Okay, what do I want to do in this talk? I want to first explain why we care about job satisfaction, should we care? How do we measure it? And then I'm going to put a great stress on the contribution of the workplace climate to job satisfaction. There's some things saying that there's some genetic aspect to our perceptions of happiness, our views of our own happiness and it's got to be true in the job satisfaction as well, that you know, if your brother or your sister is extremely happy at the job, there's odds are you are probably happier, too, than the randomly chosen person and so on, cause there's something built-in from that. Then I want to talk about the consequences and finally what we can do and I called is just side comments here but in sort of going over this area, the question of what interesting research, what do we not know and how can we improve our knowledge of this? That's the talk.

First is 'Why Care About Job Satisfaction'? So I said here it's part of your overall happiness and health. And we went to this, ISSP is the International Social Science Programme. They had a survey in 2002 in which they asked questions about satisfaction, happiness kinds of things with your life, which will be his variable, and then satisfaction with your family, the situation in your family and satisfaction with the job. And we just did a simple regression of the overall happiness as a function of the family and the job and it turns out the job is not as important as your family but it is very very powerful. Obviously these three things are very closely related and it matters a lot. There's been a Canadian study by John Holliwell who also looks at does job satisfaction, how much does it contribute to overall happiness and found basically the same kinds of things. He didn't have the family satisfaction question in his So we know that it's partly, it is a contributed to your general happiness.

And then I, it's just something that I don't think has been unpacked well at all is the question of your job satisfaction and your family satisfaction. They tend to be correlated and I just said it could be unobserved person, I'm just a happy person so I go to work, I say, thank God, it's Monday and I come home at the end of Monday and I go to see my family and say, ah, thank God, I'm home. And I just go around saying, thank God, I'm happy. And there's got to be some component to that and then there's gotta be some dual connection and we'll talk a little more about this. I don't think it's been well studied of the family to the job and the job to the family. So I just put it there with dual arrows.

Now so that's you caring about your job satisfaction because it's important for your happiness. And I say, and your health and I'll come back to that. Then what about

your partner, your family? And that's the thing of you come home and you're cranky. And the work/life balance is out of play. We don't have good studies of whether if I have a miserable job, it's more likely I scream at my kids, I scream at my partner and we break up and the whole thing ends in a disaster. You need good longitudinal analysis of that but I think most people would expect what we would get there. We just need studies of that.

Then do you care if the guy working next to you is happy or not at the workplace? And the word is going postal in the US. And some of you may have heard about that. That's where the unhappy work comes back to the workplace and kills everybody, And I thought, when I think of it as going postal, after preparing this talk, I said, I remember some incidences in the US it's going postal cause it turns out postal workers seem to be, at least got more headlines for doing this than other workers. And so I thought, wait, gee I'll just type in on the Google, going postal. And up popped you know, this year, January, a thing which I, I never saw it in the news because it, you know, many people, many things happened and so on, I'm sure it didn't make it over here as a headline event. But some, a woman who was fired from the post office went, got a gun, and shot dead seven people including herself. And that's a small headline in the US newspapers but it does mean you don't want to be working with people who are really unhappy. You don't know what they're going to take out on you. So we care on that

Now we get to your employer. Should your employer care if you're happy? Well your employer, we'll assume he's very, he or she is a very neo-classical firm and all they keep asking is, is it profitable? I mean if I have a happy team and the team comes in last every year and they're all very happy, I'm not going to be very happy and I will try to make them miserable if that'll improve the way they perform. There's a couple of areas though we think this will lead to higher profits for firms. One and obviously this is absolutely in all the evidence is the happier guys, lower quits. And the quits tend to lead to lower turnover costs. And in some situations, say it's a low level labour market where you're working in a, I don't know, a McDonald's or a Seven Eleven or something like that, just to get the people to stay a few more weeks is really profitable. So if the normal teenager or young person working leaves after six months and you can get them to stay seven months, you can quickly see you get one one-sixth saving on your turnover costs and thatprofitable people.

Then there's the notion of if we're running a workplace and the people are cooperating and they're monitoring each other, they're not against each other at this workplace, I need to do less supervision of them. So that is a positive. And then there's the Adam Smith comment although it looks like it came out a little, I typed it a little more compact but this is the compensating differential, that you'll accept lower pay. And one of my first jobs in economics, I was assistant professor at Chicago. And I made the horrible mistake of telling all my colleagues how much I loved Chicago. You know, Becker was there and this and that and Milton Friedman and I was, I just went around in like this state of euphoria and let them know. And when I got an outside job offer, they said something like, oh gee, we'll double your pay. And I said that's a pretty big increase. They said but don't you know you're the lowest paid person in this university? And I said, Adam Smith, I never should have told them that I was happy and every academic knows that you never should say that. You instead keep saying, we'll you know, I'm thinking of going to Berkeley and that's how you

get your pay up. So there is an aspect of this where if you could, if I can run a very happy workplace, maybe I can get people who will come and stay at lower wages. And then there's this question which has been a lot of psychology studies and organisational behaviour studies on whether, if you have a bunch of happy workers doing a set of tasks, will they do better than a bunch of unhappy workers? So that's your employer cares.

And then finally the social scientists, we care and I'll come back to this in a minute, because we believe these measures, job satisfaction can predict behaviour and they can really help us, they give us another variable which we can test theories of workplace. And the one I'll pick up here a little bit is desire for unions and other forms or representation. Happy workers at a non-union workplace do not particularly want a union. The union needs for there to be some problems at the workplace for people to want that. The non-work behaviour is the family things and then we have all these theories of interactions at workplace, principle agent models, incentive models. And this becomes another you know,intervening variable. It can be quite an important variable, these analyses.

Now when I first became interested in job satisfaction, I was at Chicago at the time, I think, and I'd talk to people and they would say, oh this is a ridiculous variable. I used the word here dicey, I'm not sure I spelled it right. And because it's subjective. You're asking people you know, how do they feel about their job situation. And you know, economists have a prejudice and there's some good reasons for this prejudice for objective variables. You know, wages, years of schooling, etc. And I said here the, you know, the subjective variable has this interpersonal aspect to it. In my ecstasy this is ah, this is great and you're sitting there saying, this is really boring, let's go to some place more exciting than the British Museum looking at some dead mummies or something. Um, I might say that, too, actually. And so I've said here, what do we do if we want to take this subjective variable, take it to a hard-headed, hard-hearted economist and try to convince them that this is indeed something that we should be seriously worrying about. And I'm going to give three, or really two reasons here.

First, and this is critical I think is that this variable predicts future behaviour. And the one that's going to predict the most, is the best is actually people's turnover/quitting. There's an overwhelming relation, you can put in any objective variables you want in any equation you want, and if you ask the person you're not satisfied with your job, bump, that's going to come in, the most powerful thing you can get to this. And I think the analogy I said here is with the doctor. Doctors really do want to ask how you are feeling. They ask you where is the pain? You're getting back subjective feelings and subjective statements but in fact, that is really useful and they're doing a diagnosis that there's something wrong with you. So here is like asking you, you know, how are you feeling about the job, where is the pain and that is very valuable information.

I said that a lot of the job satisfaction and happiness literature, I look at Richard (mumbles) treats it as outcomes of interest in their own right and that's fully you know, fully legitimate and I said, but once we know they're good predictors of something in the future, then we can take the most hard-headed economist and just say, no, this is a better predictor. Therefore, measuring this is important even if you don't care whether people are happy or not happy or satisfied or not satisfied. And

there's a market test for the ultimate Chicago economist. And I didn't find a more recent review article but there was a review article in '96, that there had been 12,400 studies published on job satisfaction. And when I found that, of course, I got frightened. I said, if I'm really going to be, speak about do I have to read all 12,400 studies? A lot of these studies are studies of individual firms. There's an awful lot of very micro-based analysis here and so I estimated it could be anywhere from 15 to 20,000 by now cause we've had another 14 years of people to fill up articles and studies on this. So there's a market test on this that this is clearly something that is met the test as important you know, component. So that takes care of the hard-headed economists who don't like a subjective variable.

Now second this is how are we going to measure this? And the question that is often done and in many surveys will do this is something like that, how would you rate your satisfaction? I put it on a scale one to five. Sometimes you say, very satisfied, somewhat satisfied, somewhat dissatisfied, very dissatisfied, but it's always five, if you do your five point scale of questions. And then it turns out that in most of these studies, about two-thirds of the people will be in the highly or somewhat satisfied. They'll be fours or fives on this and you get a tail of people at the end. Distribution does vary across surveys and I'm going to show you in a minute how it varies across time. And then it's the lowest we've ever seen is in the East European transition economies where as chaos descended in some, the beginnings of these transitions, people were not very happy with their jobs.

This was somewhat disturbing. I did a look at all the, not all but a large number, at least the ones that were prominent, US surveys of job satisfaction over the last I'd say, 15-20 years. And one of the studies that was getting incredible attention is a study by the Conference Board. Conference Board is a group of business, it's a business supported organisation. It's not a leftist organisation. They got incredible attention in the US for the work, I just say, this is in 2005, their press release actually. And they were reporting the unhappiness of Americans at their jobs. And I was concerned with the different variable, namely that more Americans who, more non-union Americans say they want unions. So it's been rising with a vengeance over the last ten years. So I thought, ah, this is now an interesting parallel, unhappy people, dot dot and their, but then I looked at some other surveys in the National Opinion Research Corporation or Centre I suppose I should call it, Centre, NORC. They have asked the job satisfaction question every year on the general social survey and they found no changes over this period. The Gallup Poll found no changes. As I went through, and at the end I felt very uneasy with, with any interpretation of trends in job satisfaction. And I mean there's no ideological reason why the Conference Board wanted to report unhappy workers and obviously people responded to their surveys. But it does say, that's the problem is a subjective variable. It's pretty hard if GDP is going up or keeps changing you know, for some fashion to get it going down. And so here we can have some trends that are disturbing. And so I dropped this kind of discussion of job unhappiness being the cause of the rising union over time.

A lot of people doing these job satisfaction, this is, comes, there's a Minnesota thing and there's a Mayflower Group of companies. And they ask you lots of questions. And then the idea is we're not going to trust the single question so we ask you a set of things and you can just, you'll see you know, the reasonableness of your work responsibilities, your job security, a whole set of things. And then from that you make

some sort of index as opposed to a single question. And you know, since more pieces of information is probably better than less, this is probably a much better thing to do than to have a survey question every year that just asks how satisfied are you with your job, more detailed.

And then there's another way of thinking about this cause I'd like to move a little bit away from the subject ofif we can. And I'm doing work with this, we're instead or in additional asking job satisfaction things, we ask things about what are the problems you have at work. The idea being that the problem you have at work is factual as opposed to getting the subject thing. You report that my employer makes arbitrary decisions. I say, at my workplace there's been sexual harassment. At workplace the employer does not tell me or does tell me about major changes you know, before, so we're consulted on major changes. You can get a how set of factual things. And actually those are very related to what they use in the broader satisfaction things. And then we've tried to do the following cause now we want to get back to the subjective variable. We'll say, well how much, in the case, how much influence would you want in this decision and then how much do you have? Do you have hopefully as a straight factual thing, I'm going to put, I have no influence on the pension, on how the pension, how much goes into my pension. In the UK, no one may have a pension so unless they reform the system. And how much influence do I want on this? Well maybe I don't want any either because that's, all it's complicated figuring out pensions and so on and so forth. So there you get an issue. And breaking it into two parts, the factual basis and the sort of subjective part of how you're interpreting that, or how it connects to what you want, does help you with one interesting result which has been true in most studies but not every one. We tend to find that unionised workers report lower satisfaction. They will even report in many studies lower satisfaction with pay and benefits when we know objectively they're getting paid more than other workers and their benefits are better. And that's kind of a puzzle. What's going on? Why are these people unsatisfied? And the interpretation is, boy, it increases how much you know, influence the want. They're told they have a right to more, the union leaders are (mumbles) and so it leads to a state of unhappiness. And of course, even if your employer's treating you very well and you want to push in collective bargaining and you want to threaten them with a strike, you better make sure the workers feel they're unhappy about the status quo. So breaking this into two ways is useful.

And then there's a set of work that I want to talk about, we're starting some work at Harvard now with the Public Health School using biological markers. So you have saliva of workers that, saliva's easy cause it's less than a brain scan. You don't have to put them in a big machine and then they do some analysis to stress at work. And you can do other things that, so you're trying to get from the satisfaction subjective variable to something more objective that you can use. And we'll see how those results come out.

The Amicus Union, I got an email two days ago from the union saying, sorry, we can't be at your talk but please go to our website and notice what we are asking about job satisfaction. And you'll notice what they are is basically, their things are largely these factual kinds of stuff. They're not, how do you feel about this, are you satisfied with, it's the factual aspects of that. So I would have said, this is not quite a job satisfaction question but it is, but it would feed in presumably. That's the Amicus.

Working with Alec Bryson, we've followed that route to a certain extent in which we count up the number of times workers tell us that there's some kinds of problems or needs at their workplace. And in the UK, we have a survey which Wayne Diamond knows well, the British Workplaceand Participation Survey, and there were like 23 questions. And so we just coded them zero, one, whether people said there was a problem or not and in the US we also had a, sorry, it says WERS, and that's wrong. It should be WRPS, I'm sorry cause the WERS, oh, I see what I did was I put the UK WERS Survey here instead of the, okay. I made a slight mistake. But it doesn't matter for this. We have something in the US as well with the US WRPS. And all of the, and the reason I didn't notice that I had the wrong graph/thing, was they all show the same shape. They show what they call a power law kind of shape which means that there are a couple of, there are a lot of people who report no problems and then there are some people who report lots of problems. So there's really is tremendous you know, differentiation about workers reporting view. And it's very similar in the UK and the US, the shapes on there.

And now that becomes quite interesting because now what we're, this sort of mimics in some sense what you find in the satisfaction things where a lot of people report they're highly satisfied or you know, somewhat satisfied. And then there's a tale of people who report themselves as pretty dissatisfied. And of course, it turns out that these are the same people who are reporting to you objectively that they have lots of needs or problems at their workplace that are not being addressed. Because if we're going to have social policy in this area, it can't be that just because I'm a cranky person and I report myself as unhappy at work, we're not going to have some particular policy for me being a crank. You know, we need a policy because it's workplace related, cause that's where we're going to deal with it as a policy.

So I go on to the next thing which is the causes of this. And whether unhappy worker or happy worker is whether it's intrinsic to the person or it's intrinsic to the workplace. And we did the following analysis, we took the United States NLSY and it says here over 18 years we followed all the people in the various panels and we just said, how much of the variation in their reported job satisfaction is due to an individual dummies, individual fixed effects and it's pretty high. And so the same person who reported a certain level of happiness in one of the years in a job, would report you know, a similar level of happiness in some other year. Many of them of course had lots of job changes in the period and so we have controls for that and things like that. So basically these are very important individual component and I think we all, you know, we know happy people and we know unhappy people and that just shows up. And then I said some of that is probably genetic, where there's some analysesbrothers and sisters, identical twins and so on. But I want to talk to you about the workplace parts. I'm not denying the people part. I just want to say, it's the workplace part that interests us.

And I'll give you three sets of evidence on this. One we did which was very interesting is a Citicorp bank branches. Citicorp did in the 1990s at least when John Reed was the, was very interested in social science was President of Citicorp, they did these opinion surveys of their workers. And they had 192 branches, this is in the New York branches actually, there were a lot of questions and we took 18 items and you can take more or less, and we had, it says we had 3000 workers in these

two years. And what we wanted to find out was whether in this case the branch which is the workplace you're at, had a very significant effect on the reported quote happiness of the workers or satisfaction which was an index based on the 18 items. You can, there are many multiple ways you can deal with this statistically. And so (mumbles) gave here as anstatistic, very important. It clearly was a branch effect. The Citicorp, there would be happy branches and there would be unhappy branches. And some of the graduate students who went and sort of talked to people in these branches said, oh you could tell you know, that this was a happy one or this was an unhappy one and etc. And then the interesting thing is you know, bank tellers and people who work in the bank, there's some turnover there and what was stunning to find was that when a newly hired worker came in whom you thought was just you know, virgin worker, didn't come in with any particular positive or negative let's say attitudes. And then when they came to the workplace, they quickly adopted what was existing at the workplace. And this is not what I expected when we did this analysis. We looked at the attitude, the, we had a measure of what is the attitude at this branch in 1994? We then had what is the attitude of workers in 1996, dependent on looking at it, how dependent on the branch in '94? The low tenure people which is the green bar, were people who were hired in between '94 and '96, they could not have responded in '94, they weren't there. So these were the new people who came in and the 90, the peoplethose two years, those were a lot of those people might have answered the survey before. Not everybody answered you know, surveys, we didn't have 100% response. But you would have thought the correlation would be higher just from sort of a serial correlation of people for the people who had greater than two years tenure and that's not true. It turns out, it looked like the new hirers really got, I arrived and I found this workplace was miserable and all the senior workers were unhappy and I immediately adopted that attitude, that we're against the management and so on. And it might be over time that some of the senior workers were beginning to get adjusted to their workplace or deciding it wasn't so terrible. So it's very striking when new people come in, that they sort of adopt to the culture of the workplace. That's workplacekey stress.

Then we have some data from the Workplace Employment Relations Survey here in the UK. And I'm just going to report these R-squares that in that, in there were survey, it says here we had 25,000 etc. workers, 1,759 workplaces so we can ask on a set of questions, do the, is there a really strong effect on, of the workplace you're at on your answers. This was a, of needs we counted up zero, one, two, you know, how many of these problems you had. So this is the objective part this waythat way. And then what you quickly see and this is just true in a lot of these kinds of things, the R-square from the workplace dummies is really high. If we look at the measures of the kind of job you have and your age and your gender and your ethnicity, much less, and when you put them together, it turns out even half of what you call, might have thought of as the demography and job measures stuff, the sort of, it's essentially being picked up by the workplace dummies. And so again, there's a very, when, if some workers are telling you they've got these following problems, they're workplace objective things, that turns out other workers are also likely to tell you that. And so it's really rooted in the workplace. It's not rooted in the cranky people. I mean there's something with cranky people but what we just need is independent. The 2004 WERS I was told, are not until July, you're allowed actually to present some results from it because it's got to be made public and so on, we've been working with that.

And then we've been looking at much more satisfaction questions and we find exactly the same thing, that they vary by workplace. So workers in the same workplace are very likely to be reporting similar things which again tells you, maybe the company, the miserable workplace, the company just hired miserable people, sorted them all there. That doesn't make any sense at all. That's not what companies are doing when they're hiring people. And so you tend to think what's going on is they're coming to this workplace, it's got some bad characteristics, has a bad culture, the workers don't like the employer and the employer doesn't like the workers and so on and it just operates. And here we used 22 questions and it doesn't matter how you cut up the data, you get the same thing. There really is an important workplace effect in job satisfaction. That's important.

Now we did one other thing, this is with the US Longitudinal Survey. We took a bunch of people and we said, what's their job satisfaction on a single question and this was again the zero to five, or in this case it's coded from zero to five, um, or I suppose it's yeah, zero to five. And the green guys are people who quit and got a new job. Minus two years means that was their job satisfaction and in the two years before they quit. Minus one year is one year before they quit. Zero year is the job satisfaction right before they quit. What you quickly notice is the green guys, it's about 3.2, 3.2 I think is what the numbers are. And then it drops down. So precipitous to a quit, people are getting really unhappy. Something's happened. We don't know from the survey what it is that happened at the workplace that you know, brought them to a state of unhappiness. And we also have some figures for people who said they quit for reasons other than to find a new job and for there, you also see a drop but it's much less. And then we have something for the people who are involuntarily leaving at the same time period. And there you see much less change. Then what's interesting is look at the people who quit the green people one year after, they now found a new job and what's happened? Suddenly they're happiness has jumped up. It's actually a little bit higher than it was you know, before they had their spell of unhappiness. And again, there's something like that for the other quits and but nothing like that for the involuntary leavers. The changes are just not statistically significant across there.

So we now have another sort of type of evidence that says to us, this is 'take this job and shove it', I'm unhappy, I go find a new job and I will find a new job where at least for a couple of years, I will be happier. Now if I'm an unhappy person, it may be that three or four years down the road, I'm miserable at this job and it's a very temporary thing. You know, you're sort of, you go through your 15 divorces and for a couple of years you're happy in one of the marriages and then bump, you get unhappy, and you go to another situation. That's possible. We actually do some looking at that but I want to report that. So the fact that by changing your job when you are unhappy, you increase your happiness again tells us that this workplace related. I don't have a slide but I'll tell you we looked also did your wages change a lot and what was not going on in this. There was no big wage cut in the year you became unhappy and there was no big wage bump in your new job. So it clearly is non-wage related things that were making you miserable.

Now this is the only thing I can say about thegood evidence on the partners. Again, these are US police and I don't know about the police here, that well, but in the US police, that is a horrid profession for a family life. And every police, I deal a lot of

police, every time the policeman, every one of them's getting divorced. Every one of them has a miserable family life. Well, why? You've been out in the street, often strange hours, dealing with looney, you know, peopledangerous and you're coming home and you are not feeling good. Um, and it really, it really is a thing there. I'll say, we don't have any objective evidence on this but the number of police I know tells me that boy, have we got some good evidence on this, this is probably, just a stressful occupation for people. And you could go to other ones, too. Okay, that's the, the discussion of kind of the causes.

Now I want to talk about the consequences of the job satisfaction. Lower turnover as I said is universal. There's not, I don't know of a single study that doesn't find a lower turnover. Initially the studies were used as variable called 'intent to leave'. So a cross-section study, I ask you how satisfied you are with your job and you say, oh, I'm a two you know, which would be moderately un-dissatisfied. And then they would ask you, do you intend to look for a new job in the next year? Well that's not, it's too subjective variables or too you know, it's not, so what we've now done and a lot of people have done is the year longitudinally follow. And that's where the real believability in this kick is. The US has developed these longitudinal surveys and so I told you I was unhappy at my job in 1990 and two years later, the next time you survey me, I have changed my job. And so it's pretty clear this is a strong thing. There's also pretty strong result with absences from work. People who say they are unhappy are you know, are likely to be absent. There's no really good study and whether they, whether if I'm absent or not, I'm, maybe I won't leave the job. You can imagine a model that would say, well, I don't like my job, maybe I leave, maybe I'm just absent as often as I can as opposed to quitting. I don't have any study of that.

The sort of I don't know the employers' bottom line question is this, an employer let's say not caring about anything else is you've got to produce more. And this literature here is very interesting. Because initially I would have said most peoplesaid very small correlations, when I was a student this is what I was taught and very weak and they've done a lot of, and to do a really satisfied worker study of this kind, you can't rely on national surveys cause how would you ever get the productivity of you know, the workers, you couldn't. So these would only be based on small case studies of particular firms. That's a lot of those 12,000 articles would be on very specific. And then the conclusion I'd say reached in the 70s was oh not, effects are really small. They're somewhat positive but really really small. Nowadays they've the meta-statistics analyses. So you tape together a lot of these small studies and the most recent one say, give you a larger effects and from the moment let's assume that the more recent one are more valid answers. So it does look as if the happier people are more productive.

And then I said there's some moderate evidence for the workplaces. We found in our study of the banks, the Citicorp banks, the workplaces, the branches that had happier workers tended to have higher sales, higher revenues per worker and they also were ones where, Citicorp was closing down a lot of their enterprises at this time. They were bought up at one point by Sandy Weill and they changed their ownmodel. Um, and the ones that were shut down turned out to be the ones where the workers were mostly unhappy. That was like a really powerful predictor of this which also implied that the company see them as very fruitful. And so I offer my hypothesis here cause I think, I would guess that if you do this across workplaces, you would get

better results than if you did it with individual workers within a workplace because here are some very happy, non-productive workers. To the left is the boss and he's sitting in the big chair, he has to do nothing. And indeed, the whole point of a lot of these tournament models is that when you get to be the CEO, you collect huge sums of money and you do nothing. But it's a prize that everybody in the company is striving to get to, you want to reach that heavenly position. And then you have a guy on the right who is, he shouldn't be smoking, that's really illegal, but you can see from, he looks very happy, although he should be playing computer games I would have thought, not putting a pencil through his computer. But the idea is, he's a very happy guy and he's doing nothing productive at the workplace. So there can be pretty happy non-productive workers but if every, if the whole workplace is filled with these guys, of course, it's not going to be a productive workplace. So that my hypothesis isbe stronger at the workplace.

Then there's this result that I had to back away from as I prepared this lecture. I was told at a conference at Harvard on creativity and happiness, happiness is now called positive affect by some psychologists and basically your happiness. And so people were asked in some experiments that they did at the Harvard Business School, give their state of mind or how do you feel about yourself at different points. And then there was same rating of your creativity over the day and when you had a good idea and so on. And the Harvard study, which I was told at this conference and which I thought was the truth, was that there's a very strong positive relation. And then there's a review article in one of the psychology journals that says, oh, those Harvard guys found this. But other people have not found this and we're not sure what the pattern is. And so thought here, well, you know, do you want to hire someone if they're weird and they're unhappy but they may be more creative, it's possible. And maybe if they become happy, you know, if Van Gogh became happy, he might never have done all the paintings that he did and that would be you know, it's an interesting question. Would you have liked to have seen him happy, if you could have given him some pills or something to make him happy or not. And then there's some evidence in what you really want to hire for your workplace is people who have schizophrenic relatives but are not schizophrenic so they've got something about, in the genetics possibly of this kind of a thing but they're not so unhappy as to make the place miserable.

Okay, now I want to conclude with the policies that we can, we can do to make a happier and more productive workplace. And there's some US data that says, and I've been working with some colleagues at Rutgers on this and I'll give you some of, I wasn't going to give the quantitative evidence but John said, give the quantitative evidence, I said okay, which says that when you have these, we called them shared capitalist, when you're paying people with profit-sharing/gain-sharing/employee stock ownership, when they're part of the team, then on a whole lot of questions they look to be more happy and they also tend to produce more. Um, and I said there's no effort yet to sort of differentiate between the more objective measures that you ask them and the more subjective measures which I think is an interesting picturethis literature. So here are the results that John insisted that I put in quantitative forms.

We've done two studies. We won a contest in the US to put questions on the NORC General Social Survey which is about a thousand workers every, and we put a set of questions about how people are being paid and various things about labor practices and how they felt about their job. That's the GSS. Then we've been working with a

set of companies, we have a large number, we don't have 13,000 companies. That's the number of workers who took the, who took our survey and but we have a set of companies and we now have one huge multi-national, we're going to double that 13,000. So we have a huge sample of workers working in different work sites and the different kinds of things. These are just T-statistics. I don't know quite how to summarise this in the thing so every knows a T-statistic of three is pretty, T-statistic of two okay, etc. The company studies the T-statistics should always be higher because we've got a much larger sample of people, way larger and it's generally true, not true in the very first one. So the first thing was do you take part in decisions at your workplace which is an objective kind of thing and positive coefficient. Good management labor relations, positive for both, much stronger in this case for the company data, at your workplace cause the companies have multiple workplaces, so we're doing some workplace. Then there was an interesting question that was asked on the GSS which we didn't ask our companies which was a mistake, was, was there stress at work. And so these places that have profit-sharing and so on, there was, that's a minus. They were more stressed cause the way you phrase is lack of stress of work, they were more stressed, well, they were more responsible, etc. But generally speaking again, we had about 20-odd questions, I just picked a number of these including the ones with job satisfaction which fits sort of almost perfectly. The T-statistic is much bigger for the company because the sample size is much bigger. It looked very very, lots of say. The satisfaction with your participation in certain kinds of decisions, there should be participation, which we didn't ask in the GSS when we askedthe companies cause a couple of the companies said they wanted to ask very specific questions about satisfaction with participation in certain company decisions. And there are questions like that on the 2004 (mumbles). So we tend to say, well these are places where, they're, basically they're showing you with their pay that they really are committed to some form of team/family basis at the workplace and it works.

Now a thing for these companies. I have been struck in dealing with job satisfaction surveys done by companies, employee opinion surveys, that they don't use them. And they don't use them I say, creatively. They do them. I'm a good company, so I survey something and I ask are you happy at your work andcompany values and do you feel you're (mumbles), they use them and they come on the CEO's desk and they sit there and he looks and he said, okay, nobody uses them and that's really a terrible thing. They would never do this in marketing. If they found the customers reported themselves unhappy about something, they would quickly figure out a new campaign. But this is really not, it's not built into the things. So I have a suggestion that they should take these opinion surveys and it really would be helpful and you treat them as diagnostic tool, not as something you just do cause you got a human resources department and this is what you do. Um, I think and you can see why from the bank study we did, you really want to get new employees, how happy are they before they go there, how you know, what was their expectations. And then, after they're there for a period, see what's happened. So if I came to the LSE as a new employee and six months later I'm saying, get me out of this place, this is terrible. You know, what is it that was wrong about the workplace? You want to know that so you can correct it. And that's just not done. They don't do that that way. You very, I don't know of any place actually that does a really extensive survey of employees before, once they have been hired and they committed to the job, before they got there so we have a baseline of what's going on. And that's the seek causes of the problems, obviously seek the

specific questions and responses. And then you can think well, I'm a company and I've got a workplace that's not working out well. Got to experiment with interventions. You really have to have an experimental design and then I sort of (mumbles) what kind of design would I actually want to do? You can't just say to a company, do some design. If I have a miserable workplace and I have a new cohort of let's say ten workers who've just been hired for that workplace, I want to give them some identification and build some things among them so they could be the first group that would have a better attitude, that would have a better you know, feeling about the thing. And certainly if you have a school that's really working awful, the guys you really want to work on is the new freshmen class that's coming in where you can possibly create a different atmosphere before they've been contaminated by the seniors and people who say, this school sucks and these teachers are bad and so on. And so that's, that's the things of these employee surveys.

Now what can a worker do? Well, I, if you have market power, you use the quit option. Employers really appreciate the quit option. And then if you don't have that power, see, academics have some of that option. We can go and say, I've got a job offer from some place else and they'll correct things. One of my colleagues at Harvard just discovered earlier this year that he was being paid not so much. So it's like me at Chicago. And he came in, he said, what shall I do, what shall I do? And I said, well call up some other universities. You go in to, he went into the Dean actually before this and said, gee, you know, I'm being paid less than the newest hire and he's a very distinguished scholar, let me tell say this and he's, I meanguy but not on the same league as the scholar. And he had, he had been doing the silly thing that I was doing, had done once at Chicago, not very, he went out and he got some rather large offers from other universities, then went to the Dean and told him, I said, the other thing I learned in this was you also say, oh by the way, Mr Dean, I can only talk to you for a few minutes. I've got catch an airplane, I'm checking out the housing at Princeton and someplace else. And he is now one of the highest paid people at the Harvard faculty. And now if you don't have that and you're an ordinary, you're a worker that can't do that, it's obvious you have to form some organisation and go to them the same way and say, we are not putting up with this, we're going to do this.

And then the other scheme is of course you can buy of shares of the firm and you go to shareholder meetings and you just say, we're the workers, we own part of this firm and we're not happy, we have a right to speak at shareholder meetings. There's nothing CEOs dislike more than a bunch of shareholders complaining particularly if they're workers. It just, it just creates a whole kind of an issue and then the big pension funds and people who own this, somebody's saying, what's going on at this workplace, at this company, you know, etc. There's another set of things you can do which I didn't, this is a book that, I have not read the whole book but this is not the advise I would give but I will try and give you, there is some other advice and it's, how you have to love this horrible job, it's basically. The boss beats me every morning, masochism is good. You know, it's, it's changing your internal things. I don't think that's a particularly good, good idea.

.....a union do and some of these things have been done. The Amicus was starting their own employee opinion survey but if there's not an employee opinion survey at your, at the workplace where you're union, that's what you want to do. Find out what people are thinking, so you can talk to the employer about this, we've done

this survey. You haven't done it, we've done it. One of the things that was extremely effective by a, not quite a union but a group of law clerks, potential law clerks, law students, who were very unhappy with the way pay was going for young graduates in law things. They set up a website and they said, it's really horrible working at X law firm. Do you know how quickly that law firm changed its practices? It was like cause if the new crop of law students are going to come and you are recruiting them, imagine graduate students, if graduate students at the LSE put up a website that said, you know, the LSE's a horrible place for graduate students. Don't come, our supervisors are not giving us enough attention for our theses, we're doing too much dah dah dah dah dah. Um, and then I think the unions have got to have a real plan. They can't just complain, they have to be proactive.the last line, I think.

We're doing one thing which we're trying, which we just started based on some things the Dutch and there is a UK version of this which is different from the one we're doing and maybe we can work with the UK people. Because a lot of this, the Dutch really began this survey called the Worklife Wizard things and the idea was to get workers that go to a site where they can find out whether they were underpaid and what problems they might have in pay. I, the US was, everybody's underpaid except for Bill Gates and a few high powered CEOs, so we know that. That didn't seem that fruitful in the US to ask. And a lot of people like being underpaid cause they think they're going to be Bill Gates and they'll be able to lord it over everybody else in the future. So, we focused on non-salary related things, asking all these objective questions and satisfaction questions of people. It's a web-based survey and we're going to go on-line in September. We have support from the, turns out Business Week, Monster and MSN. So we think they'll be a lot of traffic and then we have this incredible problem that every web-based survey's going to have that is how representative are the people whom we, you know, we're picking up. Are we picking only cranky people who hate their job? Well, I don't think so cause we'll be getting a lot of people who go to Monster to look for new jobs. Well, maybe they're cranky about their past job, we'll see, we'll find out. So that's our research evidence again to try to build some more information from this.

I think oh, well I am done, that's correct. This is very well done.

Okay, so there's a lot of economics to job satisfaction. It does matter and there's a lot of research and things we can do to really improve what we know in this area. Thank you.

[applause]

Van Reenen; Well, one of the things which immeasurably improves my job satisfaction of being at the LSE is having the opportunity to listen to people like Richard giving a great talks. And we're fortunate we have some time for questions that we can take now. We're going to have, there's a dinner, some people are invited to dinner later on so at the end of this question and answer session then we'll go up to the Chairman's Dining Room for that. But we now have some time for questions and so if people would like to put their hands up, we have roving microphones around. So please feel free to ask your questions.

Q; I'm curious about the link with workplaces and managers. So whilst we can say it's an unhappy workplace, how much of that is attributable to the manager?

F; Yeah, the original design, I can't give you a good answer. The original design for our Citicorp thing was exactly that. We were going to follow managers who have been shifted from one branch to the other and that was our plan. And it turns out, Citicorp, oh good Lord, the data problems that they had, this turned out not to be a feasible design. Cause exactly, and the best place to possibly do that study, you can't really do it I think so much in the football here but in the American baseball, the same managers seemed to go from team to team to team. So there you could follow a manager and see what, you know, how that would work. I mean it's very hard judge you know, one of these managers whether they're successful. Forget the job satisfaction, happiness of workers. The successful in you know, the company doing well because you don't have a good control. You don't have the same manager working in a different place. The only thing we do know, Marian Bertrand who's know at Chicago but was a Harvard student, she had a study which did show that like managers who came from R&D, tended to spend more on R&D when they went to a new thing. Managers who came from marketing, tended to behave differently. So there is some belief at least not at individual but the characteristics of the manager really does affect the characteristic of the operation. And then there are the problem with her study, or you could raise the problem, well, maybe the board that hired the manager did it knowing that's the kind of things they wanted done, rather than it was the manager him or herself doing it. That's a great question. I think it's really a fundamental thing we would very much like to know.

Van Reenen; There's a gentleman here in the shirt.

Q; Hello there. It's Waynefrom the Department of Trade and Industry. Richard, just on measuring job satisfaction, one of the things we, we've been working on recently is looking at the British Household Panel Survey, going back to 1992, they asked job satisfaction questions on every single wave and we're looking forward to doing some interesting longitudinal analysis on this. But just looking at it cross-sectionally, one of the things we noticed was a very big difference between wave one and all subsequent waves in terms of the patterns. Again, so we would agree that you get a long-term consistency in job satisfaction but there seemed to be a big difference between wave one and wave two. We couldn't account for wave one or subsequent waves until we discovered that the way the question was asked varied ever so slightly between the two waves. Now on wave one, there was a seven point scale, they only marked the extreme points of the scale. So they marked one, five, sorry, at mid-point four and seven with like text labels and on all the subsequent waves, they put text labels on every point. So what you get on the first wave is a polarised, like a much more extreme responses than you get in all the subsequent waves. So it's just a way, it's just very interesting before they're actually asking the question in a minutely different way actually gives you quite significantly different results, so just

F; Yeah, I mean that's, that's a typical criticism one can make if any of these subjective things and usually the way we try to deal with that is to ask it in the same, you know, on the same survey in two or three different ways. Put one question early, one question later and make sure that we're not you know, overly sort of the way we framed the question really tilted the answer. But yeah, that's

END OF SIDE A

Van Reenen; The gentleman, then the woman sitting next to him.

Q; Richard I was wondering if a certain level of job non-satisfaction is heavy in an organisation where if everyone was satisfied it would lead to complacency within the organisation. So is there any level of non-satisfaction also good and if yes, what would that level be?

F; Oh boy, oh, I have the answer to that and that's takes my consulting fee from McKinsey. It's a great question because every economist, if you're not an economist, you're thinking like an economist you know, we always think there's an optimal point of whatever it is, it goes up and it could be too much. I would say no study has done that because they've had, it's taken them sufficient time to in all this meta stuff just to find that satisfaction is positively you know, related. And but it's certainly, that's a great thought for a, the sort of next wave of research, to look for that. If you could have everybody as you say, everybody's totally happy, totally satisfied and you need some kick in a company so that you know, so I'm competing with you and if I loose in the competition with you, I should be somewhat unhappy. If I'm just as happy if I lost the competition for you, some how or other the company hasn't set up the incentives in such a way as to make us both you know, really, the prize should be high. So I, that's a good point. I don't know of any study that's done that.

Q; Hi Richard. I'm interested in the meta study that looks at the relationship between job satisfaction and productivity. Were most of the study kind of looking at sales and clients facing jobs or did they, or were they more broad factors, back office workers?

F; Oh, you've put on a good point. A lot of them are sales, people related things. Then that's right, I think it's stronger for the people related things than it is for you know, if you're working on a line with obviously where the machine is dictating the pace, you have no, happy or unhappy, it doesn't matter. You're going to keep doing it or else you're maybe you're hand'll get cut off by the machine. So you've got to keep, but that's a very clear way. So an awful lot of these are white collar and that's when I moved to the creativity, those are all these white collar kinds of things where you're asking is the advertising department coming up with better ideas, if they're happy or if they're unhappy. And there, I said it's the creativity, there doesn't seem to be a clear consensus now. But you point your finger on a correct point.

Van Reenen; A man in the green sweatshirt, then the woman in the leather jacket.

Q; Hi. I wondered whether there was any correlation between the formal or informal structure of an organisation and job satisfaction.

F; Oh boy, um, I would say that the more, the less hierarchical it is, you tend to see higher job satisfaction. There are probably more results you know, from the organisational behaviour people and sometimes I can read those results but sometimes they use different language than economists and you sort of glaze over you know, over them, I'll admit that. But I think the hierarchical one is the one I would stick with. If it is a very hierarchical organisation, the people are not particularly satisfied.

They still may be you know, effectivethe quest for productivity. You know, we don't want, in principle we don't want to have the Army. Army's great for a hierarchical organisation and we don't want to make, we think we don't want to have debates or discussions about what we should do when the you know, it says charge of the light brigade. You know, maybe if they did debate that, they might have had a better outcome. But in principle, Army's you know, operate by you better do what you're told. So they will be very hierarchical kind of organisation.

Van Reenen; Question here?

Q; Thank you. With the increased number of people working from home, with the use of computers, etc., etc., has that increased the level of job satisfaction?

F; Um, well I'm not trusting the, these trends in job satisfaction. I am disturbed that the USdifferent datas. So let's, put your trend question aside and let me give another answer to it which is, the people who are working at home do seem to be quite happy about their job. Of the hundred Fortune companies that came out as the best in the thing, Fortune did a little comparison, you can look at the lasta couple of editions ago, they said, that one of the most striking things that happened was that many more of the companies in the hundred best places to work were in fact, had more tele-working, people working at home. People would be able to stay home for a couple of days or and do things. So I think you, there's a pretty good chance that what you propose is correct. The people are happy, showing up at the companies, it's just very hard to see it in these trend questions that just maybe cause of the comment Wayne Diamond made about, they asked them slightly differently and it's put in a different place in the Gallup poll and they're not that subtle kinds of things.

Van Reenen; Lady at the back with the grey scarf.

Q; Hi. I'm curious about your definition of some of your preferred questions as factual rather than subjectively based. If I recall correctly, you, there was a question that you split into two parts about how inference do you want and then do you have the inference that you actually aspire to have, or whatever words you used. And you suggested that once these are factual, they overcome the problems of ambiguity in comparative work that you do when you have subjective questions. But in a lot of research and really we find questioning that I've done on workplace satisfaction, I find that you know, you still are dealing with the aggregation of lots and lots of subjective data no matter how carefully you refine the question. So for example, the same person will feel that if the sandwich variety is you know, not enough each day, that it's still fine. The same person will think it's okay and someone else will think it's a problem because they all have different levels of expectation. How do you get round that?

F; That's where the great stress I put on the workplace being a critical variable cause there we are aggregating basically across a lot of workers. I mean you're exactly right. In a given workplace, and we're doing say, similar work, there will be somebody who says it's very interesting work and somebody will say it's very dull work. They'll be, they'll always be this distribution. And the way we deal with that is by moving from the individuals to the workplace. And so if it's really dull work, let's phrase it this

way, a lot more of us will say dull than interesting. And the workplace, and so that was, you really put on the, I think that's the right way to go, to deal with this. I mean obviously by asking you know, is there bullying at your workplace, let's say, we mean that to be factual but we do understand that you make it bullying and I may think it's just making some jokes you know, whatever it is. And so people will have some different things but in a workplace where there's bullying, we anticipate more of the workers will be and that's what does come out. But and be clear, that comes out both in the satisfaction things and these more objective things. So I, so that they're both telling us there's a workplace component which is I think the key thing from this, these analyses.

Van Reenen; I think there was a question there, the gentleman in the reddish tie.

Q; Thank you. Richard, a couple of things in your presentation sparked my mind to thinking well what comes first, what drives what? The first thing was when you talked about recruitment and selective recruitment. And my mind was, you know, were these companies recruiting extremely carefully and as a consequence, it drove high performance. Or conversely, did they have a great business strategy, created high performance and as a consequence of that, were able to spend an inordinate amount of time selecting further very good people to come in. And the same thing is teasing my mind relating to job satisfaction and high performance. What comes first? Does satisfaction from your research create high performance or can you just go hell for leather for high performance and rely on that generating highest job satisfaction? Sorry, it's two questions really.

F; No, yeah, but it's the same orientated question. And you know, the only way we're going to get a full answer to that, one that would convince everybody, is to have some experiments. Otherwise, we're going to be fussing with interpreting these causal links cause you're absolutely right, you could be interpreting things in the other direction and there's, so all I can um, say, I can say, let's take first the recruitment you know, side of this. It's very clear when they do this very intensive recruitment, they are selecting out a set of people that they think will fit with the particular way the firm operates. Now that means McDonald's is not going to do the same recruitment things as Genentec does. And so there are many different recruitment strategies but if we think those recruitment strategies are all optimised, we're going to have great trouble in doing it. So I suppose the best thing we'd get an experimental thing without conducting a real experiment would be a firm that suddenly has a disaster occur to it, so it can't be its general you know, its general, it's got a great strategy, it's moving along. So your patent suddenly got lost and that was a large part of your profitability and you really have to squeeze. The company that didn't have that happen but which comes closest to this we think of as IBM whichhad been so generous to its workers and it is clearly now very generous to its CEO and less generous to the other workers. And they've had all kinds of upsets and so on but I don't think it's actually destroyed the IBM you know, operating system. So you've had some negative thing but they still are recruiting quite well, getting very good people and surviving. But this is the, I mean this is the problem with all of, with a lot of this, of this research is how can you pull out the things that we, we think of as social science manipulative variables versus you know, the feedback loops to that. Um, it does work on it and they do things but I'm not going to, if you want to be sceptical, you don't have to be convinced by some of those things because they don't have the greatest quote

instruments or, or you know, experiments. You can do things in laboratories. That's another way of doing this stuff. So you can in a laboratory set up a group, you know, I come in as the, the virgin character and I'm in this lab with three other people and we're supposed to do something. I don't realise that the three other people are guys John hired to be miserable workers you know, be miserable people.was terrible you know, Tottenham lost this whatever is was. This is something, so everything they say is miserable.

Van Reenen; That was a jolly good thing actually ((multiple voices) (laughter)

F; And, so we could do, I mean that's the great virtue of doing some laboratory experiments. There have been some done in these areas and then of course, there's some criticism of you know, is the lab the right equivalent to the real world kinds of things. And um, I'll just leave it at that, okay?

Van Reenen; I think we'll just, I'll just take one, the last question I think from the gentleman in the striped tie at the front.

Q; Richard, hi, Grantfrom DTI. Um, I think one of the most interesting charts was the one from the longitudinal study which showed what happened when satisfaction dipped for those intending to quit. But I thought was also striking, perhaps you draw it out in your presentation, was two years later, their satisfaction was the same as two years before they quit. You know, the classic issue of head-on adaptation. Um, if people actually don't know what makes them happy at work or for that matter happy in life, then it's surely difficult for them to actually optimise their satisfaction either in the workplace or in general. And I think that strikes a problem not only for individuals but for firms and for public policy. The classic example of course is thetreadmill of people thinking that a pay rise will make them happy or a new car or a new dress or whatever, which they very quickly factor into their expectations and are just as miserable or just as happy as they were before. Um, surely that makes it quite difficult for employers potentially to create a happy workplace but also means that particularly if the expectations of the workers about what will make them happy for example, a 20% pay rise are wrong.

F; Um, I mean in one sense you're right and we didn't know in that particular survey you know, what it is made their happiness go down. There were no questions, it was just, I'm not in favour of these one question things, are you happy or not? I think the way you deal with your thing is to ask them a whole you know, battery of questions. Firms have done what they call exit interviews you know, when they leave and they're asking people why is it, what was it that bothered you? Um, and what we also know is that it's often the workers' perceptions that will affect their behaviour even if the perceptions are wrong. And it's pretty stunning in some of the cases. There was a very nice study done of workers who were retiring decisions and the, it was very clear that the money was much better if you stayed till 63. Workers thought it was good to leave at 62 and they did, even though it made absolutely you know, zero sense and we found this in a lot of forms of behaviour now, that giving people some extra information can indeed affect them cause they are, as you say, they don't know about what lots of stuff and they're forced to make things. I just think this, this just means that we should think of this job satisfaction not as something we ask as, are you satisfied at your job, one to five. But here are a whole set of issues at the job. That's

why I did the two, the two part thing of asking do you have a say in this or do you have a role in this? Do you want one? So there we're asking, even the happy worker, I'm a satisfied worker. Let's assume that most workers at the LSE are satisfied. They probably still have things that they would like to see changed in a positive direction and they don't have to be miserable to say I'd like to see some improvements. So I think phrasing the things in that way is a much more positive and valuable thing both for government and for employers, so we get an idea of what we can do that you know, better and even if people adjustlater on, that's fine. Because I think that's how we keep getting sort of better and better is by you know, adjusting to the past knowledge and things that, things that we learn are now taught you know, people in high school classes and you know, DNA and whatever it iswhat they're doing in high school biology. And that's just the way we keep going. So

Van Reenan; Well, I think I'd like to thank Richard for a very stimulating and enjoyable lecture and to put our hands together and thank him again. Thanks very much, Richard.

[applause]