

Happiness at Work Index

Research report 2007



Foreword

Our research into happiness at work makes for largely optimistic reading. On the whole, British workers are fairly or very happy at work. But why should business care if its workers are happy? And what do we mean by 'happy'? In 'Happiness is a serious business' (People Management, December 2006), Nic Marks draws on research published by the CIPD and suggests that happy employees are crucial to the future success of a business and that building on what makes people happy at work is more effective than just fixing what makes them unhappy.

Though a subjective concept, it's not difficult to see that employees who judge themselves to be 'happy' in their work, will be more productive and perform better than those who admit to being 'unhappy'. Though a happy employee is not necessarily an engaged one, there is a striking correlation between what makes employees happy and what engages them.

Thus, staff that enjoy good working relationships, receive proactive career development, feel valued by the organisation and well treated in times of change, are likely to be contributing the most to a business. Furthermore, they will be ambassadors for the organisation, sending out positive messages to the outside community and enhancing the employer brand.

Even in the event of redundancy, those leaving an organisation can leave happier if they are given appropriate support to find a new role, and this in turn sends a message which raises the spirits of colleagues who remain with that organisation. These messages help make recruitment and retention easier and hence more cost effective.

This ultimate link to the bottom line is why happy staff are so important to organisations. In support of several theories of motivation, it's interesting to note that for employees, personal financial gain comes way down the list of happiness indicators. If businesses think a little more deeply about what employees really want and what will make them happy, they could reap the rewards. Happy employees will not only improve the working environment, but could also increase revenue.

Sarah Chiumento, Chief Executive

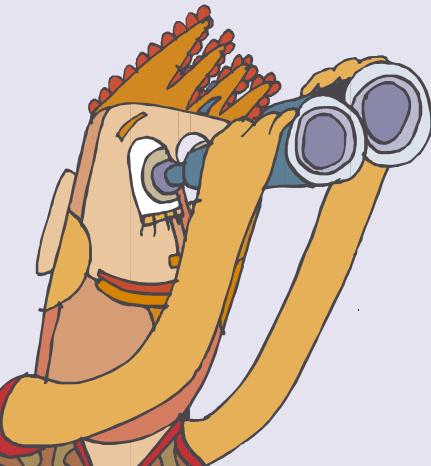
Respondent profile:

1063 respondents (547 men and 516 women) aged from 18-65 years old in full or part-time work in the UK. All are employed in organisations of 20 staff or more.

Research was conducted in November-December 2006 by The Illumination Business

Main findings

- The happiness index is 6.5 out of 10, where very happy = 10, fairly happy = 6.5, somewhat unhappy = 3.5 and very unhappy = 0.
 - The index is calculated by scoring each of the respondents against their range of responses in an online questionnaire, to measure their relative degree of happiness.
- One quarter of employees describe themselves as "very happy" at work.
- Around half the workforce (56 per cent) are "fairly happy".
- One in five employees are unhappy at work.
- Seventy-three per cent of people cite relationships with colleagues as being the key factor in happiness at work.
- Lack of communication from the top was seen as one of the biggest causes of unhappiness.



Exploring the findings

- **Small is beautiful:** people are happiest working for smaller organisations with between 20 and 100 staff. Eighty-six per cent of these employees claim to be happy. Organisations with over 1000 staff have slightly fewer staff who describe themselves as happy (78 per cent).
- **The 'seven-year itch' versus the honeymoon period:** happiness declines the longer people stay with an organisation. People who have been with their current employer for two years or less are the happiest, with 82 per cent who are very or fairly happy. However, only 76 per cent of people who have been with their employer for 10 years or more describe themselves as happy. **Why does happiness decline over time** and what does this tell us about how effective organisations are at retaining their talent? Possibly there is a lack of investment in finding out what engages the staff and responding to those needs. There may be a boredom threshold that is reached which leads to a sense of dissatisfaction and a decline in happiness. It may also be related to 'how we used to do things around here' that has led to some disaffection.
- A similar pattern emerges in relation to the **number of years people have spent in their current roles**. Those who are the least happy have been in the same role for eight years or more (75 per cent), whereas those who have been in their current job for less than a year are much happier (83 per cent). For larger organisations in particular, this may indicate the need to proactively modernise roles or to move people on to new challenges earlier in order to refresh their interest. Proactive career management in organisations is a way to ensure that people are being provided with new and challenging opportunities.
- There is little difference between levels of happiness of **staff in the private and public sectors**. However the voluntary and not-for-profit sector contains both the largest proportion of happy people (26 per cent are very happy) and the largest number of unhappy staff (24 per cent are somewhat or very unhappy). This dichotomy could be due to the vocational and rewarding nature of working in that industry but also the tendency for lack of career development and frequently poor financial reward.
- **Top floor versus shop floor:** 85 per cent of senior managers and those at board level are happy, making them the happiest employee group. Service staff and those working in sales are the next happiest (at 83 per cent). Staff working on the shop floor are the least happy (76 per cent) in their work. Happiness clearly declines the further away you are from the top of the organisation, indicating that leaders need to do more to ensure all staff stay engaged, and possibly that those who have most control over their own work are the happiest.
- **People who work part-time** are happier than those working full-time (84 per cent are happy versus 79 per cent). This suggests that those who work part-time feel happier due to a healthy work-life balance and perhaps since their work plays a less significant role in their lives they require less to be happy. At 71 per cent, those on fixed-term contracts are the least happy, further emphasising the importance of a strong work community and a sense of belonging, which many contractors may be denied; or possibly the importance of security in work, another concept described by motivation theorists as a baseline requirement.
- Despite a dearth of women at the top of organisations (in 2007 Cynthia Carroll takes over at Anglo American to become only the third woman to have headed a FTSE 100 company), **women feel more job satisfaction than men**. Eighty-two per cent claim to be happy in their jobs compared with 78 per cent of men.
- At 85 per cent, **those aged 55+ are the happiest employees**, possibly because they have reached the pinnacle of their career. This resonates with a study conducted by the Employers' Forum on Age (EFA) in 2005 which found that people in their sixties are the happiest at work. The next happiest age group is the under 25s at 80 per cent, who are no doubt excited as they start to build a career. Those who are least happy are employees in their 40s (77 per cent) who face the prospect of working for at least another 20 years. They are also more likely to have the most financial burden due to caring for both children and elderly relatives so job security may be more significant than happiness at work.



The top ten factors that make us **happy** at work

(in rank order)

- Friendly, supportive colleagues
- Enjoyable work
- Good boss or line manager
- Good work/life balance
- Varied work
- Belief that we're doing something worthwhile
- Feeling that what we do makes a difference
- Being part of a successful team
- Recognition for our achievements
- Competitive salary

Clearly the relationships we have at work have the biggest impact on our happiness, along with a sense that the work we do is interesting or meaningful. In a society where we often do not know our neighbours, and our families frequently live far away, it is not surprising that colleagues play an important role in making work more enjoyable.

Only those who are very unhappy at work say that money would lead to happiness. Sixty-nine per cent of those who are very unhappy at work cite competitive salary as the main factor in making them happy, demonstrating a gap between the desire to have more financial reward and the reality of this, and proving yet again that money doesn't buy happiness. Interestingly, the other indicators of work success, such as reward, recognition, and promotion prospects, also do not seem to make people feel very happy.

For those of us who are very happy at work, relationships with colleagues are even more important. Eighty per cent of those who are very happy said that friendly, supportive work colleagues make them happy at work. What can business do to encourage good relationships at work? On one level, encouraging regular social events outside work will help teams interact and relationships flourish. Building relationships through corporate social responsibility programmes can also increase engagement and give employees an opportunity to do more diverse activities than they would at home. Team working can be key – but only if it is properly organised and managed, otherwise the effect may have a negative rather than positive impact. Companies could also ensure 'treating colleagues with respect' is included within their Corporate Values, and measure this through an individual's performance objectives.

The top ten factors that make us **unhappy** at work

(in rank order)

- Lack of communication from the top
- Uncompetitive salary
- No recognition for achievements
- Poor boss/line manager
- Little personal development
- Ideas being ignored
- Lack of opportunity for good performers
- Lack of benefits
- Work not enjoyable
- Not feeling that what I do makes a difference

Rewards such as pay and benefits may themselves not make us happy but their absence in the workplace can cause unhappiness.

Time and again, the importance of leadership communication is clear, but too many businesses persist with ineffective communication which directly impacts on employee happiness. This is reinforced by research conducted in 2005 by CHA, a workplace communications consultancy, which found that 90 per cent of employees who are kept fully informed of business decisions are motivated to deliver added value.



Attitudes to happiness at work

The cost of unhappiness

Tackling unhappiness at work is difficult and most unhappy staff are likely to simply leave the organisation altogether, especially those who are very unhappy (73 per cent). The implications of this on staff morale and business profits can be significant. High staff turnover turns off customers and upsets business continuity. In addition the cost of extra recruitment and training can be very damaging to the bottom line. Ultimately, it can become a downward spiral where unhappy staff contribute to low morale, encouraging more staff to leave – with inevitable impact on profits.

Workplace happiness

Personal relationships at work appear to make the greatest difference between employees feeling OK and really happy. Probing further, the most important aspect of work relationships is being treated fairly – with respect, trust and commitment.

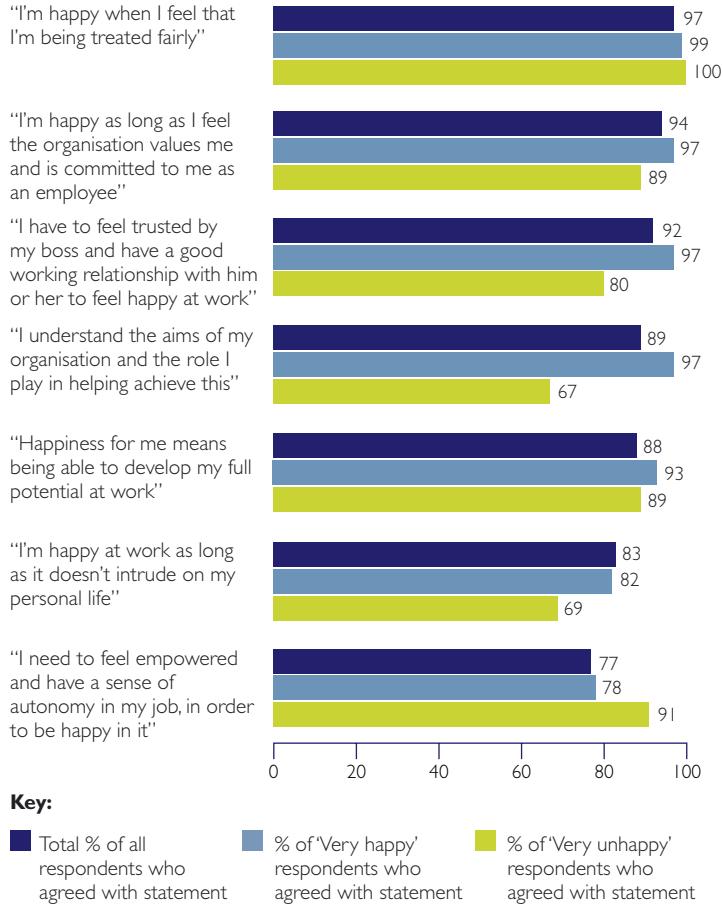
The traditional measures of career success, such as power and development opportunities appear to be of slightly less importance when work relationships are good. And when work relationships are good and we are happy and motivated, we are more accepting when work does intrude on our personal lives.

A difference of opinion

There are some striking differences between the happiest and the unhappiest people in terms of their support for these opinions. However, it is difficult to be sure what is the cause and what is the effect.

The happiest people seem to think that relationships at work and feeling a valued team member, while maintaining a reasonable work-life balance, are most important. Those who are unhappiest appear to believe that power and control over their working lives are the most important. If it is denied them however, this may lead to greater unhappiness.

What makes people tick?



Key:

- Total % of all respondents who agreed with statement
- % of 'Very happy' respondents who agreed with statement
- % of 'Very unhappy' respondents who agreed with statement



Engagement and happiness

How much do you care about the success of your organisation?

To measure the link between happiness and engagement, we looked at two measures of engagement: how much employees care about the success of their organisation, and how much they feel they personally contribute to their organisation's success.

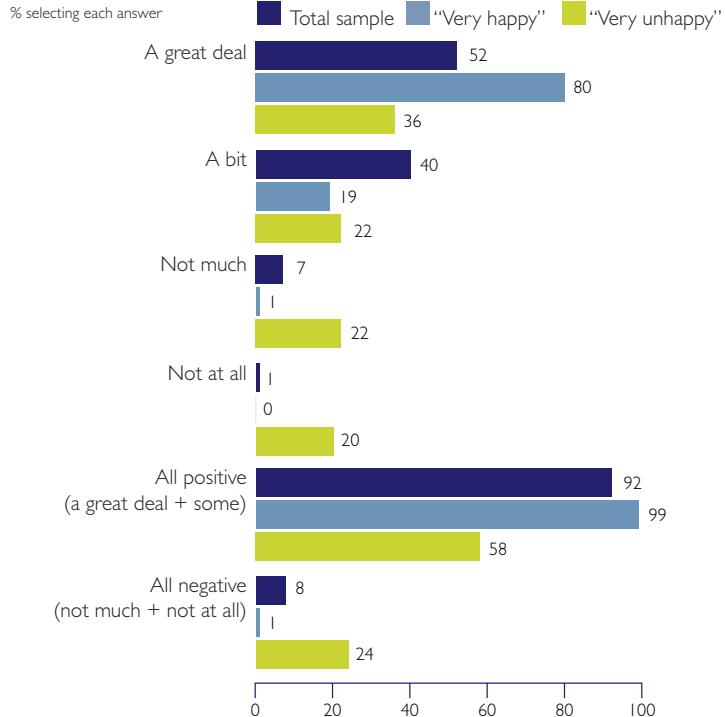
There is a clear link between happiness at work, and how much people care about the success of the organisation. There is a lesson for business here. If you treat your staff fairly and ensure good lines of communication you will help them feel happier which in turn encourages them to give more discretionary effort.

Likewise, as demonstrated below, it is quite clear that those who are less happy at work care less about the success of the organisation.

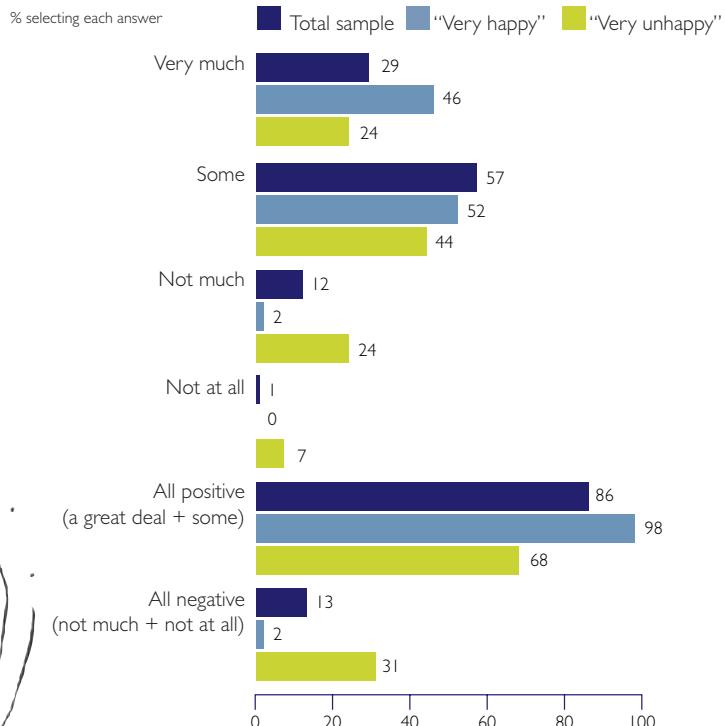
How much do you feel you contribute to the success of the organisation?

It is not surprising that almost all of the happiest people feel that they contribute to the success of their organisation, while one-third of the unhappiest employees feel that they contribute little or nothing.

How much do you care about the success of your organisation?



How much do you feel you contribute to the success of the organisation?



The impact of redundancy on happiness

The experience of redundancy

Thirty per cent of those polled have personal experience of redundancy and a third of those are now very happy in their jobs suggesting that redundancy does not need to be a negative experience, but can ultimately lead to a positive outcome.

Less than half (just 44 per cent) of those who have been made redundant in the past feel that they were well treated, compared with 56 per cent who say they were not well treated. Just six out of 10 of them (59 per cent) received statutory redundancy pay while only one in five (19 percent) were given outplacement support. Shockingly, almost a quarter (23 per cent) of those who have been made redundant received no support at all.

The impact of redundancy on colleagues

Among those who have never been made redundant themselves, four in 10 (42%) have personally known a colleague who has been made redundant. The effect on employees was to make them feel insecure and nervous (34 per cent), demotivated (34 per cent), anxious they might be next (31 per cent) or resentment toward the organisation (27 per cent). Organisations need to be aware of the impact of redundancies on those left behind.

'Survivors' of a redundancy programme must be kept motivated and productive, and talented staff retained to ensure the most positive outcomes for the business.

Interim management and happiness

Interim managers, defined as people brought in by organisations to carry out specific short-term assignments, are substantially happier than permanent staff. Nearly half of interims claim to be very happy compared to a quarter of full time and part time staff. When probed as to what makes them happy at work, interim managers say it is the sense that they can do varied, interesting work that makes a difference, and the fact that they no longer have to get embroiled in office politics. There are also significant differences for what makes interims happy and unhappy at work compared to permanent employees.

The eight factors that make interims happy are:

- Ideas being listened to
- Feeling that what I do makes a difference
- Believe that I'm doing something worthwhile
- Varied work
- Enjoyable work
- Friendly, supportive work colleagues
- Good work/ life balance
- Good boss/ line manager

Top tips to encourage good working relationships:

- Foster inter-departmental communication and working, giving employees opportunities to share ideas and experiences
- Encourage face-to-face communication where appropriate, so that colleagues have more worthwhile discussions than email alone allows
- Encourage a culture where people can express feelings
- Learn to listen effectively and without judging, this will help you understand your colleagues better
- Ensure no staff member is working in isolation but feels supported and involved in the business
- Treat all team members with respect and be aware of cultural sensitivities
- Provide opportunities for socialising outside of work e.g. family days. This will help employees relate to each other and may help with conflict resolution in the workplace
- Discourage cliques. Although it is healthy for colleagues to form friendships, cliques can fuel office politics
- Put positive working relationships at the heart of your business culture by including it as a corporate value
- A good corporate social responsibility plan will give staff the chance to work together on non work-related projects that also benefit the outside community
- Communicate well and often, and ensure a supportive attitude



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The individual approach to HR

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