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# Job quality and job satisfaction

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## 1. Summary of the paper

High levels of society's well-being is what we are aiming to achieve, one effective way of doing it is through several policies and actions with the aim of improving quality of people's jobs. Due to large number of hours we spend working, jobs are key factors in most individuals' life, this is why providing high quality jobs will mechanically increase overall life satisfaction levels in countries. In this paper we will analyse the main features that make high quality employment, distinguishing the employee's main dimensions of job quality point of view and the relative cost for firms to provide this sort of jobs. Beyond from studying the relationship between companies and employees, the effect of different economic cycles on well-being will be discussed and how overall job satisfaction has evolved over time.

Altos niveles de bienestar en la sociedad es el objetivo que se persigue, una de las maneras más efectivas para lograrlo es mediante políticas y diversas acciones con el fin de mejorar la calidad del trabajo de las personas. Debido al elevado número de horas que pasamos trabajando, el trabajo es uno de los factores clave en la vida de la mayoría de los individuos, por lo que ofrecer empleos de calidad aumentará automáticamente los niveles de satisfacción general en los países. En este estudio analizaremos los factores principales que propician altos niveles de calidad de empleo, diferenciando desde el punto de vista del trabajador cuales son las principales características que tienen en cuenta a la hora de determinar su satisfacción laboral y el coste que supone para las empresas ofrecer este tipo de empleos. Más allá de la relación entre la empresa y el trabajador veremos como los diferentes ciclos económicos afectan al bienestar de la sociedad y como ha la satisfacción con el trabajo ha evolucionado a lo largo del tiempo.

## 2. Introduction to the topic

The main purpose of this paper is to study a topic that plays a crucial role on people's life. As many of us spend most of the time working, analysing the quality of jobs becomes an indispensable factor to measure the overall satisfaction and the well-being of our society. It is important then to define which aspects and values determine job quality.

Through numerous studies we will try to determine which aspects and values define job quality and how much workers value them. Identifying the job aspects that matter to workers will allow us to analyse how job satisfaction has changed and the evolution of employee's preferences over time. The study of these values will help us to understand the composition of job quality, which has an important effect on the labour market. Many important decisions that people make are based on their job, so the quality of the jobs and the current satisfaction regarding a job position may be decisive factors when deciding whether to quit or stay in a company or how much effort to put into a job.

In the different sections of this paper, we will study the relation that job satisfaction has between the employee and a company, as it can be a key factor on employee's engagement with a company and thus to its outcome. Furthermore, it will be discussed how job satisfaction in a certain moment of time can predict future quits of employees. Another point analysed are the differences in job satisfaction between self-employment, being employed and remaining unemployed, which takes in consideration the nature and the risk aversion of the individuals. The last topic we will focus on will be how job satisfaction changes during periods of booms and busts, studying the weight individuals give to the different job aspects on these two economic cycles. Special attention will be paid to unemployment throughout periods of recession and the effect that it has on people's preferences and well-being comparing it to being employed.

This paper is closely related to several research carried out by Andrew E. Clark, trying to put together valuable findings on his analysis about job quality and job satisfaction and its evolution over time together with other studies that will help to better understand the behaviour and decisions taken by the individuals on the labour market. As in Clark's studies, most of the data used in this paper is taken by different surveys carried out by ISSP Work Orientations and the British Household Panel that using the direct approach method, collect information over the years about certain key factors that matter to workers. This data also allows to establish correlations between the several variables analysed and the effect that have upon individuals' well-being.

### 3. The role of job quality on well-being

Jobs are one of the most powerful determinants of well-being, as most people spend an important part of their time working and work for a substantial part of their life. For this reason, the question of which features of job quality affect well-being of individuals becomes important to find out how well society is doing. Like a good life, a good job is made up of numerous dimensions that individuals value, but the relative importance of these aspects may not be the same for everyone or even for the same individual at different times. Before taking action to improve job quality, information on what constitutes job quality is needed, empirical work on what makes up good jobs finds that workers not only value wages, other aspects like the interest in their work and work-related economic security is also of their concern.

Job quality not only affects workers' well-being, it also has a substantial impact on aggregate economic performance and the labour market through decisions on whether to work or whether to quit, and the amount of effort put into a job. Although high-quality jobs are costly for firms to provide, good jobs also can have positive returns, as if workers value their job position they are likely to put greater effort and to be absent less often. Moreover, it has been shown that workers holding higher quality job positions are more productive and stay longer with their employer. Therefore, the quality of jobs provided in the labour market depends on the interplay between firms and workers.

If a worker's valuation of a certain job aspect relative to another is greater than the cost to the firm of supplying this high valued dimension, the firm can save resources by supplying this first job aspect at the same time that the worker is better off. But then why do not companies provide the sort of jobs that workers want if there are potential gains from doing so? The answer may be that there is a lack of information between both parties, firms most of the times do not exactly know what their employees want, so in this case, encouraging dialogue between managers and workers can only be a good thing.

Well-being plays a fundamental role in creating prosperous societies. If a society with high levels of well-being is what we are aiming to achieve, then we need to focus on well-being at work, as it creates valuable opportunities for companies to benefit from more creative, more satisfied and happier workers that translates into better outcomes. Nowadays, the main way of measuring how well societies are doing is through the gross domestic product (GDP), but although there is evidence of an existing relationship between GDP and societies' well-being it has been proved that GDP alone is not a good indicator for overall well-being measurement. For example, Blanchflower and Oswald (2004) cited in (Thomson) discuss that over decades, GDP growth in the USA has not turned into higher levels of subjective well-being.

#### Policy making and job quality

Job quality is also of interest to policymakers, as it helps them to measure people's satisfaction at their workplace, which is an important feature of overall

quality of life. Government intervention may be necessary if factors like imbalances in bargaining power between workers and employers, distortionary taxes or misinformation prevent the market itself from providing optimal levels of job quality. However, any policy with the aim of improving quality of jobs requires much information on the different job aspects that workers value, from income to job security, and on the cost of providing a socially-desirable level of job quality.

Another goal for policymakers is to identify workers in low quality job as many of the interventions to improve the quality of jobs target workers with lower levels of well-being, either for because it is easier to increase their satisfaction due to the cost-benefit reason or because society is concerned not only on the level of well-being but also on how it is distributed.

There are many ways of increasing job quality, but some of them are costly to the government to provide, for example public transport subsidies or cutting taxes. Other interventions do not imply much cost at all, as the case of information mismatches between the sort of jobs that workers want and the ones provided by firms. These mismatches usually come from a lack of proper interpretation from firms of what workers value or due to distortions by the tax code that make certain job dimensions to expensive for firms to provide relative to others. In these situations, policymakers may intervene trying to improve job quality through different taxes or subsidies with the aim of changing the relative costs for firms of providing these dimensions and supporting the exchange of valuable information about job aspects between firms and workers.

It could also be the case of one-sided negotiations between workers and firms when determining job quality. Firms may have enough power to reduce job quality below the level that maximizes social welfare or on the contrary if workers are too strong. In this case government through public policies may intervene in order to restore the balance of power.

The greatest challenge on policymaking remains on having the right information when designing job quality policies. Even though it is easy to imagine how to improve job quality, it becomes more difficult when deciding if policymakers should intervene or not.

#### **4. Job values**

For a long time, the only important data taken into consideration when measuring what made a good job were the salary and the hours worked. More recently has been proved that changes in these two dimensions are not sufficient statistics to describe movements in overall job quality and make an accurate study of the quality of the jobs people hold nowadays. It is true that there is an existing correlation between income and job satisfaction, but this correlation is far from perfect. When determining the job values that are important at the present time a major problem comes up, unlike the salary and the number of hours worked, most of the dimensions that make up job quality in this study are not potentially

observable and these multiple dimensions are not necessarily the same for everyone or even for the same person at different times which makes it challenging to compose a standard definition of job quality and its components.

The most effective way to find out the aspects we should focus on is to ask workers directly. Different surveys carried out by the ISSP Work Orientations collect the information of which job characteristics are most valued by workers and find that job security and job content are by far the highest in the ranking, both for men and women. Another approach that we can draw from the ISSP Work Orientation surveys is to analyse the correlation between the overall job satisfaction and the various job outcomes. The results were similar for men and women, where the largest correlations were found for workplace relationships and job content, followed by career prospects, income and finally by job security.

Hereunder we go deeper into the main dimensions that are important to individuals and therefore make up the quality of work on the current days.

## Income

The income is one of the most important values for individuals because enables individuals to meet their material needs, to achieve the lifestyle they aim and as a way of recognition and status, therefore it has a substantial impact upon well-being. The relationship between income and well-being is affected by numerous features as absolute income, individual's relative income within the society, age and the gender of the worker.

In terms of absolute income, its effect on well-being has been proved an existing positive relationship between both variables. However, well-being does not increase at the same rate that income does. After a certain level of income has been reached, further increases in income have a lower impact on well-being, translating into much more modest benefits. Moreover, the evidence shows that at lower income levels an increase in income has a greater impact on well-being, becoming more gradual as income level increases.

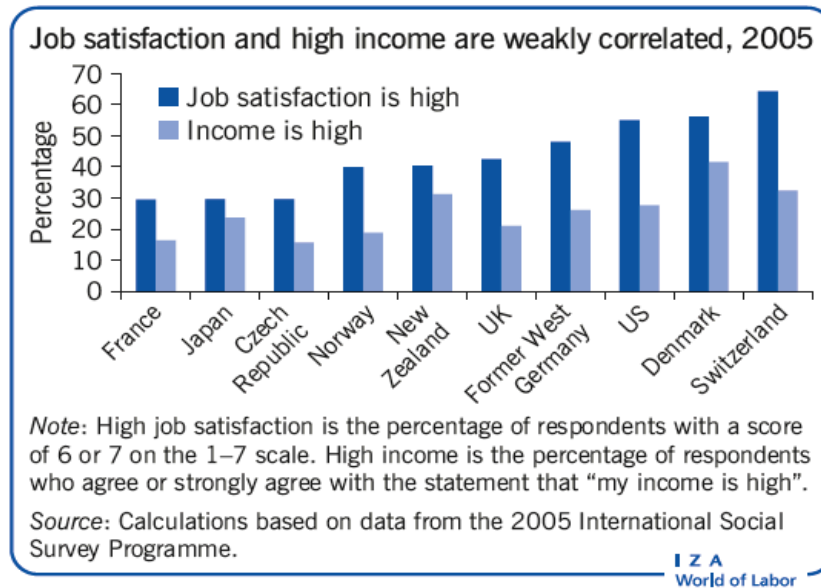
Regarding individuals' relative levels of income, it has been found to have an important impact upon well-being. Numerous authors found that when comparing the income of oneself with respect to other individuals holding similar work positions and having earning power below the median is associated with lower levels of well-being. Thus, relative pay comparisons and knowing one's position in the pay distribution with co-workers affects job satisfaction and job search intentions. Due to this fact, employers have strong incentives to impose pay secrecy rules, as salary information disclosure may result in low levels of job satisfaction and even in job quits, more concentrated among the lowest-earning workers. On the other side, for employees paid above the median it has no effect.

The age and gender of the individuals have been shown to have an impact on the relationship between income levels and well-being. There is a stronger relationship between income and well-being for middle-aged employees than for



the ones at their earlier and later stages of their careers according to several studies by Stoll et al. cited in (Thomson).

Figure 1: High income and high job satisfaction (%)



Source: What makes a good job? Job quality and job satisfaction. (Clark, 2015)

Although having a great impact on individuals’ well-being, as mentioned previously in this section, income is not the most important value for individuals according to the ISSP Work Orientations surveys. As seen in Figure 1, there is not a strong correlation between having a high income and job satisfaction. This can be explained by individuals’ preferences as other job values play a more important role on their preferences.

### Hours of work

The number of hours worked is another main topic when discussing job quality because getting an appropriate mix of hours worked allows having a proper work-life balance. People sometimes find it hard to combine personal and work lives. European Quality of Life Survey shows that individuals with poor ratings of work-life balance have a strong likelihood to suffer from stress, this is why getting the right work-life balance is without doubt worth of some attention.

Up to a certain point research find a positive relationship between the amount of hours worked and well-being, it increases as the number of hours worked rises but beyond a certain amount of hours, additional hours have a negative impact upon well-being. The evidence supports the view that throughout the developed work, beyond the range of 35-55 hours of work per week, every extra hour worked has a negative impact on well-being. Furthermore, there has been a secular trend from the early 1980s onwards in OECD countries, like Spain, Germany or France where working hours have fallen. Only in Canada and the UK the number of hours worked per week have remained stable.

According to Stoll *et al.* study cited in (Thomson), there is no difference in well-being between individuals working part time hours and those working full-time if the numbers of hours worked per week is the desired by the individual as on the other side, findings by Abdallah and Shah's show that individuals that are willing and able to work full-time but working part time because they are not able to find a full-time job have lower levels of satisfaction than those working full-time. This finding shows that working fewer hours than desired or not having a certain job when you want one has a significant negative impact upon well-being.

Regarding differences between gender, a study by Booth and van Ours cited in (Thomson) finds that men working full-time with no overtime have the highest level of satisfaction but that women achieve the highest level of overall job satisfaction in relation to their working hours. In accordance to Schon *et al.*'s research cited in (Thomson) study on well-being at work, find that "men in full-time employment have higher life satisfaction than men in part time employment".

These findings suggest that there is no standard number of working hours per week that makes employees achieve a good work-life balance and vary depending on each individual's preferences.

## **Job security**

As mentioned earlier in this section, job security is ranked as the most important job value for workers. Clark shows in a 2010 study that between 53 and 62 per cent of employees mark job security as "very important" on the International Social Survey Programme data.

Several studies carried out throughout the 1980s, 1990s and 2000s together with a study by Sverke *et al.* cited in (Thomson) show that having uncertainty, in terms of job loss, is negatively associated with job satisfaction and general well-being. Podsakoff *et al.* report a strong meta-analytic correlation between job satisfaction and job insecurity and in various international surveys studied by Blanchflower and Oswald's (2011) cited in (Thomson) suggest employees who do not feel like losing their job have higher overall satisfaction than those who think that they are likely to become unemployed.

Eurofund shows job insecurity implies, specially for women, having a stronger negative impact on well-being than holding a temporary contract. However, the fear of losing one's job position is associated, for both genders, with a significant decrease in overall well-being. Moreover, Abdallah and Shah suggest that those individuals holding permanent employment contracts show higher levels of well-being than the ones with temporary contracts.

Firms play an important role in terms of job security, as the evidence shows the importance of this aspect for employees, minimising job insecurity when possible and offering permanent rather than temporary contracts will result in a substantial improvement not only in terms of the satisfaction and well-being of the employees

but also in firm's outcomes, as employees who think they are likely to lose their job tend to have lower levels of productivity.

## Workplace relationships

Clark, using data from 1989, 1997 and 2005 from the ISSP, shows the importance of work relationships for individuals. Between 65 and 69 per cent of the employees surveyed rank this job dimension as "very important". Robertson and Cooper cited in (Thomson) include this job value as one of the six key workplace factors in their ASSET model of workplace well-being, suggesting that positive interpersonal relationships at work turn into employee satisfaction, morale and motivation.

The evidence shows that having good work relationships is very important in terms of job satisfaction. Good working relationships help to create a good working environment, which turns into collaboration, cooperation and higher performance, thus having opportunities to enhance colleagues' relationships, like working together on projects or sharing skills, is shown to be strongly beneficial in terms of job satisfaction. Some other measures of the quality of social interaction with others at work are trust and social support.

As seen, there is a strong connection between positive social interaction at work and well-being. In a small-scale study carried out by Chaboyer *et al.* cited in (Thomson) amongst nurses in Australia, find that collaboration between nurses and medical staff is positively associated with job satisfaction.

However, not only working relationships with colleagues matter, studies by Helliwell and Huang in 2009 and 2011 cited in (Thomson) find that having a trustworthy manager has a greater impact on job satisfaction than a salary increase. Employees' trust in their manager is a powerful aspect for improving (or deteriorating) individuals' overall life satisfaction.

Various studies by Warr cited in (Thomson) explores the negative effects of some aspects of poor social relationships on well-being, like low levels of social support, abuse, hostility or conflict, and find a negative association between them. On the other side, there exist research studying the possibility of negative impact on well-being from having very high levels of social interaction at work. However, studies by Rice *et al.* and de Jonge *et al.* cited in (Thomson) find that at very high and very low levels of social interaction, well-being with respect to work relationships is at lowest levels.

The Self Determination Theory and its observation of an existing universal psychological social need may explain the importance of interpersonal relationships at work regarding employees' well-being.

## Job content

Job content is ranked, together with job security, as the most valued job aspect by workers according to the different surveys carried out by the ISSP. Due to the large amount of hours that individuals spend at their work place, finding one's tasks interesting and self-rewarding together with setting achievable goals has been shown to increase well-being and reduce stress. Having clear and achievable goals can help employees to feel greater satisfaction.

Robertson and Cooper study cited in (Thomson) the importance of setting the appropriate goals for each employee role and the impact on well-being. Particularly, the characteristics related to individuals' satisfaction and well-being explored when setting goals are clarity, commitment, challenge, task complexity and feedback.

Roberson finds in a study on American workers that goals set by colleagues or managers which are clearly defined with set deadlines and perceived as positive are positively associated with job satisfaction. Furthermore, also finds that self-determined goals bring an extra increase in terms of job satisfaction.

The Robertson and Cooper principle of goal clarity is supported by Podsakoff *et al.* suggesting that unclear goals cause pressure, negatively impacting the performance of the employee, associated with a drop in job satisfaction. In order to assign the most appropriate goals to each individual and to foster their sense of job satisfaction, employees and managers should do the exercise of goal setting together.

Hackman and Oldham in their study cited by (Thomson) suggest that individuals with identifiable goals doing a job from beginning to end have a sense of having completed a whole piece of work with a visible outcome, turning into higher levels of job satisfaction and with a sense of personal growth and progression. On the contrary, setting goals which are not interesting, not demanding enough or too demanding has been shown to have a negative effect on well-being, increasing the sense of stress and frustration. In addition, Warr mentions that greater dissatisfaction and unhappiness is associated with greater job demands.

Another approach to consider is that in the recent years, increasingly employees care about the social value created by the organisation they work for. People experience higher job satisfaction when they think that the organisations they work for has a positive social impact. The social value term is open to subjective interpretation as the considered social value of a same firm or job may differ between what different individuals perceive. Studies carried out from the 1960s until the current decade find an existing positive correlation between job satisfaction and the social value perceived by the individuals.

## Career prospects and personal development

Giving employees the chance to properly use and develop their skills and opportunities to progress in their careers within an organisation appears to foster the satisfaction at work. Employees who feel that their capabilities and desires suit the job position they hold and can make use of their strengths, are shown to be happier and suffer less from stress, while firms providing the tools to learn new

skills are likely to help employees to feel a sense of achievement and stimulate innovation.

Harter and Arora show in a study cited by (Thomson) that those employees who feel that their job matches their skills and desires have higher levels of well-being. In the study they also suggest that this perceived match is associated with more positive daily experiences and a higher level of working life evaluation. In addition, according to Xie and Johns cited in (Thomson), this sense of skills match is also associated to lower levels of stress. On the contrary, Mckee-Ryan and Harvey cited in (Thomson) suggest that individuals reporting a situation of skill-underutilisation, are shown to have low overall job satisfaction.

Concerning the opportunity to develop new skills, there is an existing strong positive relationship between well-being and personal development. Research by Wilson *et al.* finds a positive correlation between job satisfaction and the perception of opportunities to develop new skills. The sense of personal development, in terms of learning new skills and adding professional value to oneself, is seen as a positive fact to future prospects as it may help to get a better job position and better income either in the same organisation or in a different one.

The evidence shown above prove that giving employees a role that suits their capabilities and having the opportunity to make the best use of one's skills and being able to develop new ones foster overall well-being of individuals and help to reduce stress, improving performance and productivity.

## **5. Evolution of job satisfaction over time**

This section is concerned with the evolution of general job quality and with changes on the value that workers give to the different job dimensions over time.

Analysis carried out by ISSP Work Orientations between 1989 and 2005 find that satisfaction with the dimensions job security and subjective income fell during that period but that promotion opportunities rose. The results from 1997 and 2005 are singularly consistent for both genders, men and women. There is a remarkable movement in recent years towards a higher importance of high salaries, promotion opportunities and having flexible working hours. On the other side, job security importance has remained steady between both ISSP surveys. According to the British Household Panel Survey, in the UK, from the early 1990s to the late 2000s, the satisfaction with income and job security rose in that period, but overall job satisfaction trended downwards. This increase in satisfaction with salaries and working security was outweighed by a significant drop on the work content satisfaction together with some other decreases on unmeasured relevant job dimensions. This falling overall trend is not a particular phenomenon of the UK, similar trends occurred in numerous OECD countries.

Figure 2: Job values percentage evolution by gender

ISSP 1989, 1997 and 2005						
Job Values: Percentage Saying "Very Important"						
WOMEN						
	1989	1997	2005	1997	2005	
High Income	20.5	19.9	21.1	18.9	**	23.7
Flexible Working Hours	19.5	18.7	17.7	18.4	**	21.4
Good Opportunities for Advancement	23.0	20.6	21.7	18.8	**	22.7
Job Security	61.4	62.4	61.2	58.0		58.2
Interesting Job	48.2	49.7	50.1	52.7	*	55.2
Allows to Work Independently	28.7	31.0	28.7	31.7		32.2
Allows to Help Other People	22.7	* 25.5	** 29.5	27.2	**	30.9
Useful to Society	25.4	24.9	** 31.2	24.5	**	29.5

MEN						
	1989	1997	2005	1997	2005	
High Income	24.4	22.8	24.7	20.7	**	26.3
Flexible Working Hours	14.1	13.7	** 17.6	15.0	**	19.8
Good Opportunities for Advancement	22.4	* 19.5	** 24.5	18.7	**	23.2
Job Security	57.1	58.6	59.5	54.9		53.2
Interesting Job	45.6	47.0	48.2	50.1	*	50.9
Allows to Work Independently	31.6	30.8	* 34.0	32.1		33.9
Allows to Help Other People	15.4	15.3	** 24.5	18.2	*	22.7
Useful to Society	22.1	** 17.1	** 26.0	20.3	**	23.7

Notes: Weighted Data; \*\* (\*) = significant difference by year at the one (five) per cent level.

Source: Works, Jobs and Well-being across the Millennium.  
(Clark, 2009)

The conclusion from figure 2, is that for both genders, men and women, the results are fairly similar in terms of which job dimensions they value most in their job. Job security and having an interesting job remain stable over time being the two most valued job aspects for individuals.



Figure 3: Job outcomes percentage evolution by gender

ISSP 1989, 1997 and 2005							
Job Outcomes: Percentage Reporting the Characteristic in Question							
WOMEN							
	1989		1997		2005	1997	2005
Income is high	15.3		15.5		16.4	16.0	** 19.0
Prefer to spend less time in their job	35.4	**	42.4	**	37.0	39.3	* 41.4
Prefer to spend more time in their job	13.7	**	9.6	*	11.9	10.2	10.3
Opportunities for advancement are high	18.2		17.6	**	23.4	17.7	** 22.3
Job is secure	72.7	**	66.8	*	70.7	63.6	** 66.4
Hard work	37.5	**	42.4		41.1	40.2	40.9
Good job content	42.3	*	45.9		49.3	43.7	* 45.9
Good relations at work	68.4		66.8		67.6	66.8	65.6
High job satisfaction	39.5		37.4	**	45.9	41.1	42.0
MEN							
	1989		1997		2005	1997	2005
Income is high	25.8	*	23.6	**	27.6	24.2	** 29.5
Prefer to spend less time in their job	37.4	**	41.5	**	36.7	41.0	40.6
Prefer to spend more time in their job	12.2		10.9		12.2	8.9	8.8
Opportunities for advancement are high	23.0	*	20.2	**	26.5	21.8	** 27.5
Job is secure	70.1	**	63.5		64.0	61.2	* 63.4
Hard work	54.2		52.1		55.2	50.6	51.4
Good job content	41.6		40.2	*	43.9	41.5	41.6
Good relations at work	67.3		64.6	**	69.4	65.8	66.4
High job satisfaction	38.2		35.9	**	44.7	40.3	** 43.3

Notes: Weighted Data; \*\* (\*) = significant difference by year at the one (five) per cent level.

Source: Works, Jobs and Well-being across the Millenium.  
(Clark, 2009)

Figure 3 shows the changes on workers' preferences of the different job outcomes. The evidence seen is that income rose between 1989 and 2005 for both genders, reporting men a higher increase. Regarding the amount of hours spent at work, women results show a desire of reducing the number of hours at the workplace but for men this value keeps steady over time. Concerning the promotion opportunities, there is a substantial increase for both genders, especially between 1997 and 2005. Job security experienced a significant drop between 1989 and 1997, but there has been a slightly recovery for women in 2005. Good job content has markedly risen throughout the three surveys. The

working relationships have relevant importance for both, men and women, but especially for men there has been a substantial increase, while for women this increase was not that large. The overall evolution of the outcomes over time has been positive, with most of them experiencing an improvement and some other remaining steady. The last observation we can make from this table is that high job satisfaction fell from 1989 to 1997 but there has been more than a recovery by 2005, especially increasing by three percentage points for men.

Then ISSP data from these three surveys show an increase in job quality over time, as most of the different components have improved. We can say that overall job satisfaction is higher in 2005 than it was back in 1989.

## **6. Well-being in booms and busts**

The evidence shows that society's well-being and individual's preferences on the several job aspects suffer significant oscillations during periods of recessions and booms. The mental well-being of people tends to be pro-cyclical, mostly being higher in booms than in busts. The data used in this section come from the British Household Panel Survey (BHPS) covering approximately 10,000 employed British individuals who were in different periods of time about their satisfaction with the job dimensions' income, hours of work, job content, job security and finally overall job satisfaction.

Results were that job values are differently correlated to job satisfaction in booms and in busts. Particularly, income satisfaction and job security are pro-cyclical, being higher in booms than in recessions, whereas job content seems to be counter-cyclical, being higher during busts. Surprisingly, the same happens with overall job satisfaction, showing better results during periods of recession. However, for British workers' overall job satisfaction is not the only aspect that matter, because overall well-being increases during booms. Changes in the economic cycle also implies changes on individuals' preferences, as good times are shown to increase income importance and decrease job security importance.

The information above suggests an existing relationship between workers' satisfaction and the economic cycle. During recessions, there is an increase in unemployment and therefore individuals' satisfaction with income and job security tend to be lower, but higher with the amount of hours worked and the job content.

As mentioned before, the surprising finding is the positive correlation between job satisfaction and recessions, this may be explained in several ways. The first one is that workers who success in keeping their jobs during busts tend to be happier to still have a work because they compared themselves with colleagues that went unemployed. Another way of explaining this fact, as the survey only takes into account employed individuals, is that workers holding low quality positions are likely to lose their jobs during hard economic times, then the average satisfaction of those still in employment will be mechanically higher.

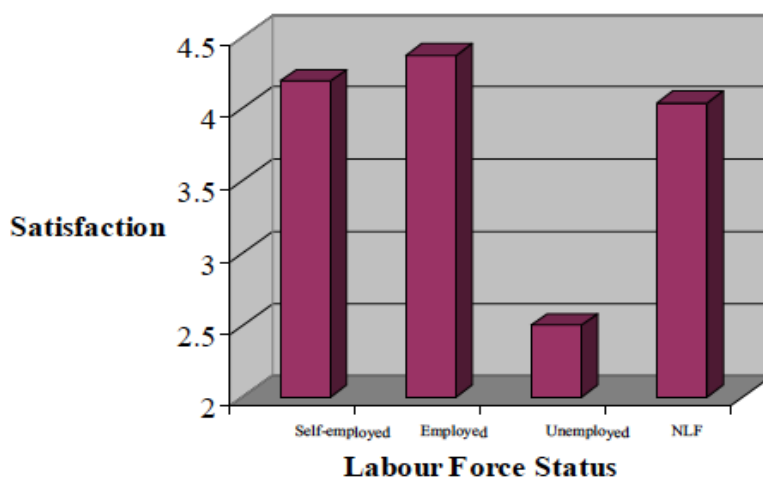


## 7. Employment, unemployment and self-employment

In this section we are going to analyse the relationship between being employed or unemployed and the effect on individuals' well-being. One of the main aspects on the labour market concerning well-being is the ability of people on finding a proper job, assuming that they want one. In addition, a special distinction will be made between the differences on overall satisfaction between employment and self-employment.

One way of studying these variables is paying attention to what people say, as in workers' statements concerning well-being we find a valuable and strong predictor of what could happen in the future regarding productivity, quits and unemployment duration. The relationship between unemployment and well-being it has always been a subject of interest, and usually it is associated to lower levels of welfare but using data from the British Household Panel Survey (BHPS) and the European Community Household Panel (ECHP) we will evaluate the real effect that it has on individuals.

*Figure 4: Satisfaction with main activity and labour force status*



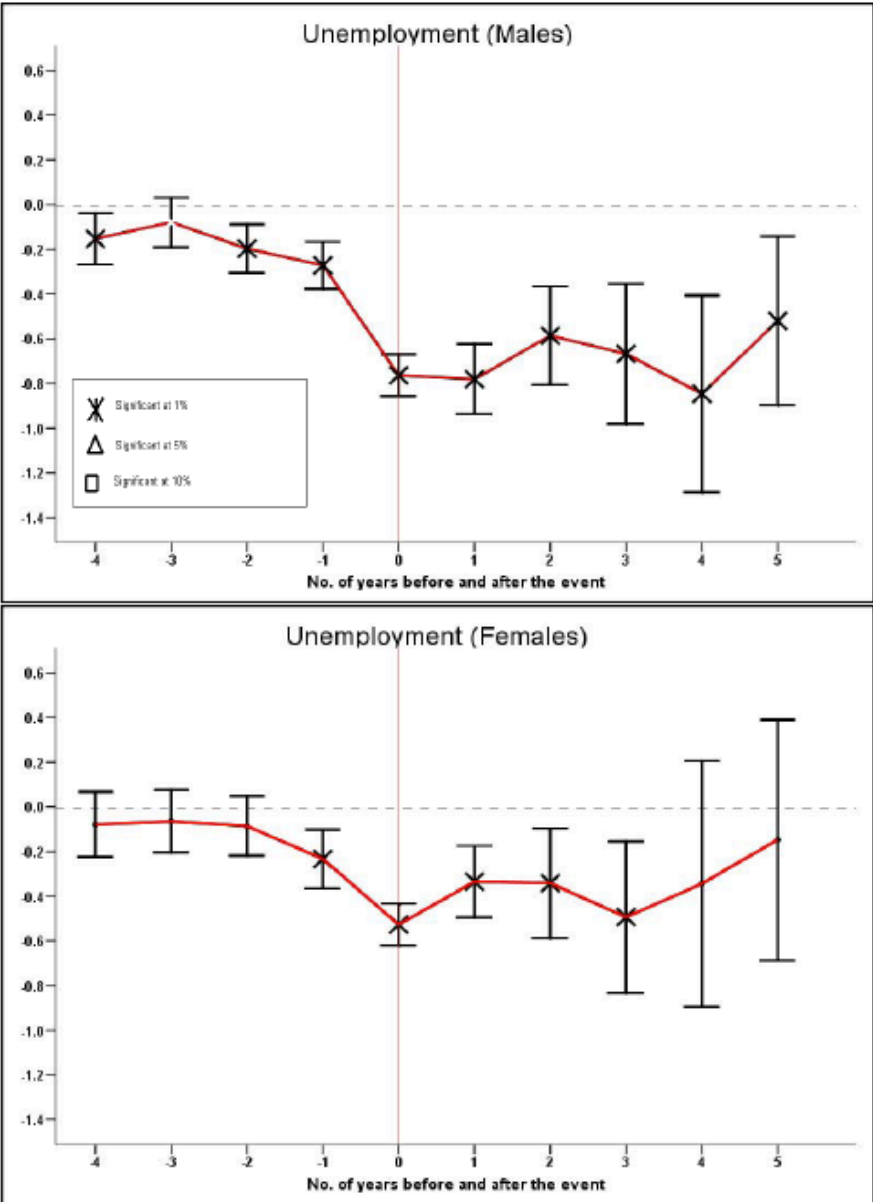
Source: Work, Jobs and Well-being across the Millennium  
(Clark, 2009)

Figure 4, using ECHP data from 1994 to 2001, shows, on a 1-6 scale, the correlations between the labour force situation and the satisfaction with the current status. The main result we can observe is that the unemployed individuals have lower satisfaction than the ones that are employed, so there is a strong negative correlation between unemployment and well-being. Furthermore, it would take a great cost in monetary terms to make unemployed individuals as

happy as the employed ones due to the significant difference on satisfaction between both.

According to this evidence, in the event of putting the unemployed back to work, the whole society’s well-being will systematically rise. But some theories argue that unemployment might not be the cause of making people less happy, as low levels of overall life satisfaction lead individuals to unemployment. This argument holds the idea that if these individuals were put back into work, it may have no or little effect on their well-being as other factors are causing this low levels of happiness independently of their labour situation. Although there is a little correlation, there is no evidence that this large unemployment well-being gap is caused by low levels of life satisfaction.

Figure 5: Unemployment and life satisfaction over time in German panel data



Source: Work, Jobs and Well-Being across the Millennium (Clark, 2009)

Another point of study is individuals' adaption to new circumstances, suggesting the idea that workers who go into unemployment may adapt after some time to the new situation and reach after some time similar levels of life satisfaction to when they were employed. The conclusion would recommend then to focus on individuals who became unemployed short time ago, as the returns from becoming employed again would be larger before this adaptation period has effect. Clark *et al.* (2008) searched for evidence in different waves of the German panel data taking unemployment under consideration and picking life satisfaction as the dependent variable. The results show that there is a significant drop in well-being when becoming unemployed. For men, after three years of unemployment, life satisfaction is as low as the first year of unemployment, showing no recovery and proving that the adaption theory over time does not hold. For women, there is a slight recovery on the first year but on year three the levels of satisfaction are as low as the moment of becoming unemployed.

The last important topic concerning unemployment is the social comparisons effect. There is evidence that unemployment comparisons imply that not having a job will have different effects on the individual depending on the how others working situation is like, being unemployed has larger negative effects on satisfaction for those living in low-unemployment rate regions and on the contrary, unemployment hurts less the more there is of it around. Clark (2003), using BHPS data proved evidence of this comparisons theory and found that unemployed individuals living in a 5% unemployment rate region have approximately a 31% of probability of reporting high levels of well-being, while this satisfaction percentage increases to 38% if we move to regions high higher levels of unemployment rate.

The evidence show above proves that the unemployed are unhappier than the employed ones and that life satisfaction may oscillate depending on the society's level of unemployment, as if many people find themselves in the same situation of not having a job, the fact of being unemployed does not hurt that much.

## **Self-employment**

This section focuses on the specific role of self-employment compared to employment, how it determines job quality and what is particular about this feature in OECD countries.

The self-employed individuals are a particular case of study, as many of them report lower levels of job dimensions separately but state to have higher well-being than those in employment. Usually they report to spend more hours working and having lower levels income and job security but on the other side they enjoy more autonomy when making relevant decisions. A possible explanation to this fact is that there might be several job dimensions not taken into account that foster self-employed well-being compared to the employed.

There is a significant number of people who would like to become self-employed but remain working for someone else. This depends on each individual's preferences and risk-aversion, as many people would like to run its own business but the fact of disliking low job security keep them being employed by other firms. Although there is an increasing trend in the amount of self-employed individuals in some countries, the rate of self-employment has gently dropped. Only a fourth part of individuals who state that would like to become unemployed finally does. Then, if the self-employed report higher levels of life satisfaction why do not more people become self-employed. One explanation might be the barriers to entry self-employment, as many people would like to become autonomous worker but can't. These barriers are seen as difficulties to raising enough capital to start running a business by oneself, and these barriers have been growing over time.

As seen above, in OECD countries, the self-employed are more satisfied than then employees and according to Helliwell and Huang (2009) cited in (Clark, 2009), working by oneself is associated to more autonomy and decision-making that is positively correlated with job satisfaction.

## **8. Future labour market behaviour using quit data**

Another strand of research studies the behaviour of individuals and its effect on the labour market. The evidence confirms that the reported job satisfaction of workers in a certain moment of time may be a reliable predictor of what will their future working decisions be and how this can be reflected in the market.

Over time, quits have been considered as one of the main determinants of labour markets mobility, associating them with a negative correlation with current income. In this section, using labour market data from the first seven waves of the British Household Panel Survey we study separations and quits from jobs. There are two main findings extracted from this data, the first one is that reported job satisfaction in a particular moment is highly correlated with separations and quits in the future predicting labour market behaviour. The second one is that the values of income and hours of work are not sufficient features for determining mobility, other characteristics like job security and job content play an important role in deciding whether to quit or stay in a job.

Using BHPS data, Clark finds which are the first and second most important aspects of a job for individuals. Results show that job security is the most important one predictor of future quits, followed by job content and income. Sub-regressions also reveal that these job dimensions preferences are different between both genders, the age of individuals and the number of hours worked. Economists mainly focus in wages when studying quits, but as seen above jobs are best described by other features of the current job, like promotion opportunities, job content, job security and workplace relationships, thus these characteristics should be taken into consideration. Job utility depends on more variables than income, then when considering these other several dimensions, a

more accurate prediction of future movements in the labour market could be made.

McEvoy and Cascio (1985) cited in (Clark, 2001) analysed five American studies on job enrichment and found a strong negative correlation between job satisfaction and quitting. Clark *et al.* (1998) using two studies on job satisfaction and quits from the German Socio-Economic Panel (GSOEP) find that those workers who report dissatisfaction with their job position are have a strong likelihood of quitting than the ones reporting good levels of satisfaction. Hence, identical individuals with different job satisfaction levels will have different probabilities to quit their job in the future.

*Figure 6: Separation and quit as a function of job satisfaction*

	Separation rate $\chi^2(6)$	Quit rate $\chi^2(6)$
Overall job satisfaction	259.0	100.2
Satisfaction with		
Promotion Opportunities	74.4	21.5
Total Pay	166.3	97.0
Relations With Supervisors	46.5	24.2
Security	364.8	48.1
Use Of Initiative	120.6	53.9
Work Itself	167.3	79.1
Hours Worked	104.9	54.2

Critical values for the  $\chi^2(6)$  distribution: 22.5 = 0.1% level; 16.8 = 1% level; 12.6 = 5% level.

Source: What really matters in a job? Hedonic measurement using quit data (Clark, 2001)

In figure 6 all the correlations are significant at more than a 0,1% and analyses mobility as a function of job satisfaction. Concerning separations, the most important predictor turns to be job security with the higher correlation, followed by total pay, job content and use of initiative. Regarding quits, as expected, we find the strongest correlation with overall job satisfaction, and total pay and job content the two most powerful job dimensions.

Figure 7: Separation, quits and overall job satisfaction: duration models

	Separations		Quits			
	All	All	All	All	Men	Women
Job satisfaction	-0.118 (0.008)	-0.113 (0.008)	-0.145 (0.017)	-0.114 (0.019)	-0.126 (0.027)	-0.103 (0.028)
Male		-0.037 (0.033)		0.085 (0.076)		
Age		-0.118 (0.009)		-0.038 (0.022)	-0.028 (0.031)	-0.077 (0.033)
Age-squared/1000		1.204 (0.116)		-0.408 (0.295)	-0.437 (0.407)	0.022 (0.435)
Log wage		-0.114 (0.034)		-0.381 (0.069)	-0.353 (0.102)	-0.370 (0.096)
Log hours		0.181 (0.048)		0.330 (0.097)	0.282 (0.124)	0.462 (0.201)
Temporary/Fixed-Term Contract worker		0.875 (0.045)		0.909 (0.097)	0.888 (0.123)	0.944 (0.153)
Union member		-0.073 (0.035)		-0.201 (0.090)	-0.187 (0.120)	-0.144 (0.136)
Union recognised at workplace		-0.123 (0.034)		-0.336 (0.081)	-0.301 (0.107)	-0.373 (0.124)
Married		0.173 (0.042)		0.159 (0.090)	-0.092 (0.136)	0.424 (0.124)
Separated		0.203 (0.090)		0.168 (0.195)	0.025 (0.254)	0.279 (0.314)
Divorced		0.217 (0.062)		0.273 (0.149)	0.204 (0.200)	0.112 (0.241)
Widowed		0.107 (0.151)		-0.042 (0.398)	-0.273 (0.449)	0.102 (0.913)
Education: High		0.115 (0.044)		0.305 (0.096)	0.296 (0.133)	0.335 (0.145)
Education: A/O/Nursing		0.015 (0.040)		0.062 (0.087)	0.068 (0.117)	0.087 (0.131)
Firm Size < 25		-0.018 (0.036)		0.085 (0.081)	0.042 (0.109)	0.095 (0.123)
Firm Size 25-199		-0.013 (0.031)		0.081 (0.073)	0.041 (0.103)	0.110 (0.104)
House Renter		0.150 (0.033)		0.198 (0.072)	0.206 (0.100)	0.223 (0.106)
Number of Children aged 0-2		0.135 (0.044)		0.100 (0.101)	0.085 (0.161)	0.054 (0.132)
Number of Children aged 3-4		0.070 (0.045)		-0.149 (0.101)	-0.123 (0.164)	-0.163 (0.130)
Number of Children aged 5-11		0.061 (0.023)		0.092 (0.051)	0.175 (0.067)	0.005 (0.081)
Number of Children aged 12-15		0.104 (0.029)		0.134 (0.065)	0.305 (0.084)	-0.141 (0.109)
Number of Children aged 16-18		0.055 (0.063)		0.195 (0.134)	0.262 (0.169)	0.130 (0.205)
Regional Dummies (18)		Yes		Yes	Yes	Yes
Industry Dummies (10)		Yes		Yes	Yes	Yes
Occupation Dummies (9)		Yes		Yes	Yes	Yes
Number of observations	31,461	28,036	24,402	21,779	11,102	10,677
Number of individuals	13,670	11,674	10,784	9211	4722	4489
Number of separations/quits	7217	6253	1752	1459	753	706
Log Likelihood	-60,471.3	-50,888.4	-14,211.2	-11,046.4	-5177.6	-4816.3
Log Likelihood at zero	-60,577.1	-51,650.5	-14,250.2	-11,690.1	-5514.6	-5164.5

Standard errors are in parentheses.

Source: What really matters in a job? Hedonic measurement using quit data. (Clark, 2001)

In figure 7 we can observe one strong predictor of separations is job satisfaction, as the more satisfied workers are less likely to separate from their job. Another conclusion from this table is that those working with high levels of income are likely to stay longer at their job. On the contrary, the ones working longer hours, holding temporary contracts, having children, having high levels of education and those renting accommodation, have a shorter expected duration at their job positions.

Concerning the job domains and satisfaction in figure 8, as mentioned before, we can observe that job security turns to be the most important predictor to future quits. In the event of choosing one job feature in order to analyse the future behaviour of the labour market, job security would allow us to make the more accurate prediction. Income and job content are ranked as the second most important features. On the other side, working relationships and promotion opportunities seem to be insignificant characteristics explaining labour market behaviour.

Figure 8: Job features ranking

	Most important	Next most important	Insignificant
All	Job Security	Pay Initiative Work Itself Hours	Promotion Relations
Men	Job Security	Pay Hours	Everything Else
Women	Initiative	Hours Work Itself	Promotion Relations
30 or Under	Initiative	Job Security Hours	Everything Else
Over 30	Pay Work Itself Job Security	Hours	Promotion Relations Initiative
Part-time	Promotion Hours	Job Security Work Itself	Relations
Full-time	Job Security	Pay Initiative	Everything Else

Source: What really matters in a job? Hedonic measurement using quit data (Clark, 2001)

There are two conclusions that can be extracted from this section, the main one is that the levels of job satisfaction reported by individuals at a particular time are good predictors of their future decisions regarding their current job. The other conclusion is that income and hours worked are not the only features that matter to individuals. Moreover, the number of working hours is not even between the most important ones, as seen above job security is ranked as the most powerful predictor of future quits followed by wages.

## 9. Employee satisfaction and employee engagement

Employee's motivation is composed by many crucial factors which need to be satisfied altogether to arise the optimum level of performance. There are many studies which analyse the development of those factors and their role in employee's performance, a good example with consistent results is Herzberg's Motivation-Hygiene theory.

### Herzberg's Motivation-Hygiene theory

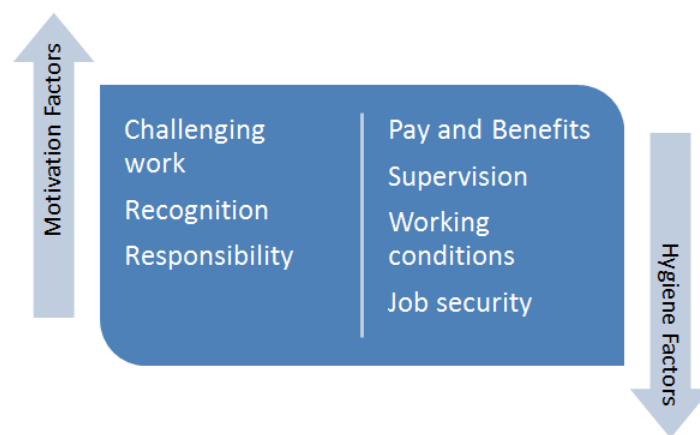
According to the study made by Frederick Herzberg, it is very important to distinguish between employee satisfaction and employee engagement when analysing outcomes at workplace. Both concepts are used to define employee's



attitudes and they seem to be analogous and bidirectional, but according to the theory developed in this paragraph it is a wrong generalisation to say that all satisfied employees are engaged to work.

Assuming that employee's satisfaction automatically increases employee's motivation is a common mistake done by managers who look forward successful results. As it is explained in Herzberg's Motivation-Hygiene Theory, workers are influenced by two different blocks of factors: motivation factors and hygiene factors.

*Figure 9: Herzberg's motivation-hygiene theory*



Source: Employee Satisfaction vs. Employee Engagement in 2018.  
(Rogel, 2018)

- Hygiene factors: this collective includes those basic factors indispensable for people to be able to work and determine the level of satisfaction which brings to employee retention (Rogel, 2018). For example, fair pay and benefits, proper working conditions and security or good supervision are crucial when determining employee's level of satisfaction; if they are not met, workers will look for better opportunities.
- Motivation factors: this group includes all factors that have a direct effect on people's performance on their jobs. This group of factors directly impacts in results; motivated employees invest more of themselves in their work and strive to do better (Rogel, 2018). Good examples could be challenging work, recognition of partners and superiors, responsibility and delegation etc.

Once the two groups are settled it is very important to talk about the difference between motivation and satisfaction and the wrong assumption of the bidirectional relation of these two concepts (motivation does not necessarily bring satisfaction and vice versa).

On the one hand, an employee could be satisfied with conditions and workplace atmosphere, but this does not necessarily bring workers to work harder and go a step further. This could bring workers to accommodation or conformation stage.



On the other hand, employees could be highly motivated but at the same time experience a lack of satisfaction at workplace. They could find challenging and interesting their tasks but if there is not a proper environment or they do not have a fair wage they will not be satisfied.

While employee satisfaction is essentially brought by hygiene factors and employees could perform with weaker motivation factors (without ensuring retention), the latter mentioned group is essential to achieve employee engagement. This feeling of commitment is what really brings to employee productivity (Rogel, 2018). Each worker is different, and it is very important that managers understand their team and learn how to deal with each profile. They need to find the best way of satisfying each one's motivational scale of preferences in order to achieve their best performance.

Managers are essential mediators in seeking productivity, taking employee engagement as a basis. Team leaders need to achieve Individual implication and enthusiasm, which will bring commitment with the company and their tasks. Once workers know what is expected of them, have what they need to do their work, have the opportunity to feel an impact and fulfilment in their work, perceive that they are part of something significant with co-workers whom they trust, and have changes to improve and develop, then they will be emotionally and cognitively engaged (Harter, Hayes, & Schmidt, 2002).

One of the most difficult tasks managers need to deal with is the alignment between company's and worker's interests. All improvements in job quality are costly for firms, so this brings an important trade-off which needs to be solved seeking the optimum level of investment in these productivity intensifiers.

## 10. Conclusions

The conclusions of this paper is that job quality has a substantial importance on society's well-being. In order to achieve a society with increasing levels of welfare, paying close attention to what makes up quality of jobs nowadays becomes a fundamental action to carry out.

Throughout the various sections on this paper we have studied how job quality affects the well-being of individuals through the several job aspects that matter to workers. Results showed that more than income and hours worked, many other features are relevant to determine job satisfaction. Analysing how policymakers can improve job quality we found that before intervention, a large amount of information is required in order to determine if government should attempt to implement new policies. Another conclusion extracted from our analysis from ISSP data is that job quality has positively evolved over time, reaching higher levels of job satisfaction in 2005 compared to 1989. The two most important job values reported by workers are job security and job content and seem to remain stable over the years. Using Herzberg's Motivation-Hygiene theory we focused on the importance for firms to proper understand employees needs in order to foster their satisfaction and engagement to the company, as it has been shown to have great returns in terms of higher productivity and better outcomes to the firm. The differences between employment, unemployment and self-employment have also been of our concern, showing the significant negative effect of unemployment amongst individuals and discussing the reason of a decreasing number of individuals becoming self-employed although those in self-employment report to have higher levels of job satisfaction than the employed ones. We also argued how workers' statements regarding job satisfaction in a certain moment of time are good predictions to know future movements in the labour market, being job security the job aspect that has a greater impact on satisfaction when deciding whether to quit or stay in a job. Last topic studied is how the economic cycle affects peoples' well-being and how during booms and recessions people tend to value differently the several job dimensions studied in this paper. We found that mental well-being of workers is pro-cyclical, being higher in booms. A surprising finding is that job satisfaction tends to be higher during recessions although overall well-being, as mentioned above, is higher during good times.

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