

The evidence for happy workplaces

There is a growing body of research that shows that creating a working environment where people feel happy and fulfilled is one of the most effective ways to create organisations that are more productive in every way.



The evidence shows that these organisations are more productive, more profitable, have lower costs, less staff turnover and stronger share growth.

Some of the research below is based explicitly on how happy people are. Some is based on employee engagement, or great workplace lists.

However, all of it is based on organisations that have made creating a great workplace culture a priority.



Research shows that what enables productivity is empowering people: Dr Kamal Birdi of the University of Sheffield and six other researchers studied the productivity of 308 companies across 22 years. They found that approaches like “total quality management” and “just-in-time inventory control” had no consistent effect on productivity.

This research is quoted by Laszlo Bock (Head of People at Google) in his book *Work Rules*. So, what did work? “Performance improved only when companies implemented programs to empower employees (for example, by taking decision-making authority away from managers and giving it to individuals or teams), provided learning opportunities that were outside what people needed to do their jobs, increased their reliance on teamwork (by giving teams more autonomy and allowing them to self-organize), or a combination of these.”

The benefit of engaged staff: “When Gallup analysed the differences in performance between engaged and actively disengaged business/work units, work units scoring in the top quartile on employee engagement significantly outperformed those in the bottom quartile on these crucial performance outcomes:

- 41% lower absenteeism
- 24% less staff turnover (in high-turnover organisations)
- 59% less staff turnover (in low-turnover organisations)
- 70% fewer safety incidents
- 40% fewer defects (quality)

- 10% higher customer ratings
- 17% higher productivity
- 20% higher sales
- 21% higher profitability”

[It's the Manager, Jim Clifton and Jim Harper, Gallup]

Happy workplaces are more profitable

Engaged workers deliver better results: “Business units with engaged workers have 23% higher profit compared with business units with miserable workers. Additionally, teams with thriving workers see significantly lower absenteeism, turnover and accidents; they also see higher customer loyalty. The point is: Wellbeing at work isn’t at odds with anyone’s agenda.”



[2022 Global Workplace Report, Jon Clifton, CEO, Gallup]

Happy employees lead to greater revenue growth: In Harvard psychologist Daniel Goleman’s book *Primal Leadership*, one study shows that for every 2% increase in how happy employees are, revenue grew by 1%.



Employee engagement leads to stronger margins: A three-year study of 41 global companies found “operating margins improved nearly 4% on average in organisations with high employee engagement levels and declined about 2% in those with low engagement levels.” They concluded that there is a “clear relationship between high levels of employee engagement and improved financial and operational results”.

["The Power of Three: Taking Engagement to New Heights", 1 Willis Towers Watson, May 2019]

The danger of disengaged workers: In contrast one study found that where employees are disengaged, they cost businesses in the US somewhere between \$450 and \$550 billion a year.

2 ["DNA of Engagement: How Organizations Can Foster Employee Ownership of Engagement", The Engagement Institute]



hello@happy.co.uk | www.happy.co.uk | +44 (0)20 7375 7300

Happy workplaces have lower costs

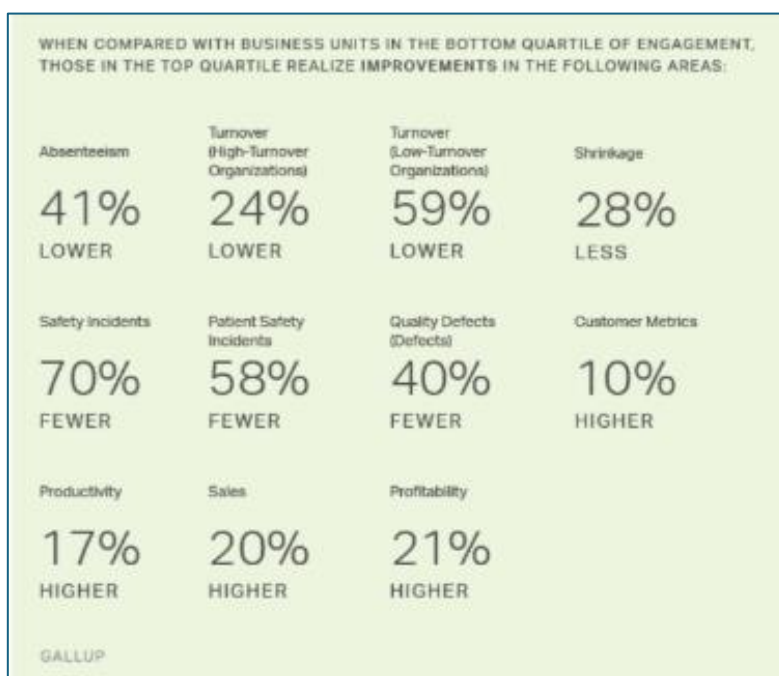
Engaged employees have lower sickness rates: In Germany, Gallup found that days of sickness for engaged and thriving employees averaged 3.9 days a year versus 10.7 for actively disengaged and suffering employees.

[“Low Employee Well-Being and Engagement Hurt German Companies”, 3 Marco Nink, Gallup Business Journal, April 2013]

In the US, 550 million days a year are lost due to workplace stress.

Highly engaged workplaces have 41% less sickness and 59% less staff turnover: In its 2017 US State of the American Workplace report, Gallup found dramatic differences between the top quartile most-engaged workplaces and the bottom quartile.

[State of the American Workplace, 4 Gallup, 2017]



Employees with higher job satisfaction are less likely to leave: Not surprising, perhaps. A Columbia University study found that job satisfaction is less likely to lead to people leaving the company.

[Job Satisfaction and Employee Turnover Intention: What does Organizational Culture Have To Do With It?, 5 Elizabeth Medina, Columbia Academic Commons]



Happy workplaces, more share growth

There have been a large number of studies showing that great places to work produce better stock market returns.

Investing in the Fortune best workplaces produced a 136% greater growth than the S&P share index: Analysis of a value-weighted portfolio of the Fortune “100 best companies to work for in America” resulted in an average of 3.5% greater return per year from 1984 to 2009. This means that compared to an investment in the S&P that ended up with \$100,000 in 2009, investing in the best workplaces (changing the portfolio each year) would have produced \$236,000.

[Does the stock market fully value intangibles?, 6 Alex Edmans, Wharton Business School, 2010]

Over 17 years, the best places to work grew at over three times the rate of the standard stock market: Stock market listed companies in the Fortune “100 best companies to work for” in 1997 grew by 495% in the 17 years to 2013, compared to 170% for the Russell 3000 and 156% for the S&P 500.

[“Treat Employees Well, See Stock Price Soar”, 7 David McCann, cfo.com, 2014]



Glassdoor “best places to work” companies increased their share value by twice the level of the stock market: Investing in stock market listed companies in the Glassdoor “100 best places to work” companies from 2009 to 2019 resulted in a 553% stock market growth compared to 258% for the standard S&P.

[“How Do Satisfied Employees Impact Stock Performance?”, 8 Dr Andrew Chamberlain and Zanele Munyikwa, Glassdoor Economic Research Blog, 2020].

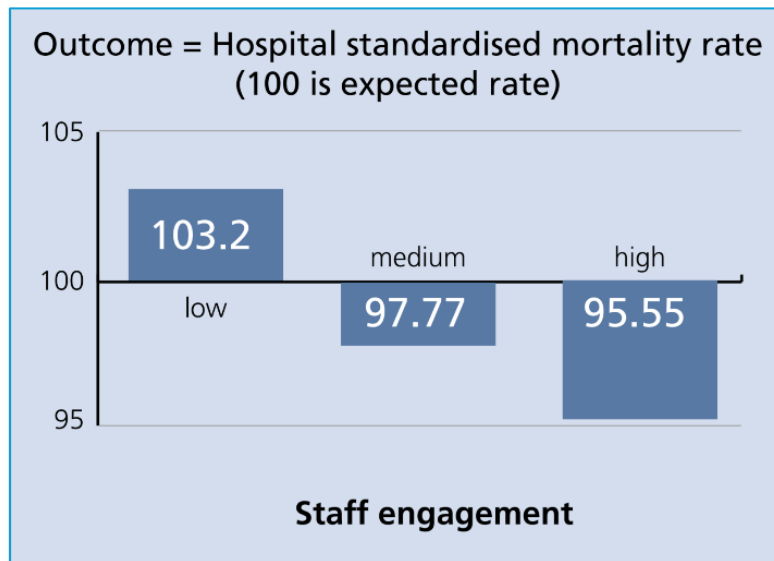


Great workplaces have earnings per share growth that is 4.3 times greater than competitors: Gallup studied the performance of its Great Workplace award winners and found 115% growth in EPS (Earnings Per Share), compared to 27% for competitors.

[State of the American Workplace Report, 9 Gallup, 2017].

Happy workplaces in the public sector

Fewer patients die if hospital staff are happy and engaged: The Kings Fund found that for every 96 patients who die in a hospital with highly engaged staff, 103 die where staff have low engagement. That means over 5,000 deaths a year, in the UK alone, result from poor organisational culture. Or, as I prefer to say, 5,000 lives are saved by happy, engaged hospitals. [10]



More control over your work makes you healthier: The Whitehall Study, which is the largest longitudinal study of people in the workplace ever conducted, found connections between better wellbeing and positive outcomes, and also direct causes. It has investigated more than 10,000 UK civil servants since 1985 and a key finding was that how much control you have, and how much opportunity there is for social participation, profoundly affects the health of individuals. The conclusion was that there is an intrinsic need for autonomy and social engagement. [11]



More benefits of happy workplaces

Greater customer loyalty and higher productivity: Christian Krekel, George Ward and Jan-Emmanuel de Neve from Said Business School explored Gallup studies involving 1.9 million employees across 230 organisations in 73 countries. [xii]

They found employee satisfaction had a substantial positive correlation with customer loyalty and higher productivity, a negative link with staff turnover and – less strongly – with profitability.



Happy workers are less likely to leave: Brooks Holton of Georgetown University found that if workers are more connected to their jobs, their co-workers and the firm, they are less likely to leave. [xiii]

Focus on meaning: A University of Alberta study showed that companies who help staff to focus on the purpose and meaning in their positions showed a 60% drop in absenteeism and a 75% reduction in staff turnover. [xiv]

Engage your employees for a competitive advantage: A Hay Group Study reported that 94% of the world's most admired companies believe that their efforts to engage their employees have created a competitive advantage. 85% of these companies believed that their efforts to engage employees had reduced employee performance problems. [xv]

Be happy and be more productive: The well-cited study from Warwick University in 2012 managed to quantify the relationship between happy employees and productivity: half of the participants were exposed to mood-enhancing factors such as comedy clips before trying to solve problems and puzzles, while the other half embarked on the problems directly without being exposed to the clips. The first test group solved the problems much faster and were 12% more productive. [xvi]



Happy workers are 31% more productive and generate 37% more sales: And they are three times more creative. This is taken from Shawn Achor's article "Positive Intelligence" in the Harvard Business Review. [xvii] It is based on research by Sonia Lyubomirsky, Laura King and Ed Diener: "The Benefits of Frequent Positive Affect: Does Happiness Lead to Success?". [xviii]

Focus on employee wellbeing: Clinical psychologist and business consultant Dr Noelle Nelson has written the book *Make More Money by Making Your Employees Happy*. Her research shows that companies who realise the value in focusing on employee wellbeing and take actions to promote it have three times higher ROE (Return on Equity) than firms that do not.

Dr Nelson gives a good example of this in practice: when Paul O'Neill became CEO of manufacturing firm Alcoa in 1987, he shocked the Board members by announcing that his primary priority was to improve worker safety. O'Neill had realised this was a major issue for the staff. In the following 13 years, accident rates dropped massively while productivity soared. By the time O'Neill stepped down, Alcoa's annual revenues had increased by 500%. [xix]

Customer retention rates are higher when staff are engaged: Software provider Cvent found in a 2014 study that customer retention rates are on average 18% higher when employees are actively engaged at work. [xx]



Happy people live longer and lead more fulfilling lives

Happy people live longer: "Both positive affect (e.g., emotional well-being, positive mood, joy, happiness, vigour, energy) and positive trait-like dispositions (e.g., life satisfaction, hopefulness, optimism, sense of humour) were associated with reduced mortality in healthy population studies. Positive psychological well-being was significantly associated with reduced cardiovascular mortality in healthy population studies, and with reduced death rates in patients with renal failure and with human immunodeficiency virus-infection."



This was the result of a meta-analysis of 35 studies on initially healthy populations and 35 studies on populations suffering from endemic diseases.

["Positive psychological well-being and mortality: a quantitative review of prospective observational studies", xxi Y. Chida and A. Steptoe, Psychosomatic Medicine, September 2008]

Happy people have more fulfilling lives: Based on a meta-analysis of 225 papers, covering 275,000 people, results showed that "happy individuals are more likely than their less happy peers to have fulfilling marriages and relationships, high incomes, superior work performance, community involvement, robust health, and a long life".



["The Benefits of Frequent Positive Affect: Does Happiness Lead to Success?", xxii Psychological Bulletin, 2005, Sonja Lyubomirsky, Laura King and Ed Diener]

Individuals high in subjective well-being are more likely to secure job interviews, to be evaluated more positively by supervisors once they obtain a job, to show superior performance and productivity, and to handle managerial jobs better. They are also less likely to show counterproductive workplace behaviour and job burnout.

Micromanagers cause more heart attacks: This study from Harvard Chan School of Public Health and Penn State University, was reported in the November 2023 issue of the American Journal of Public Health. [xxiii]

In the study supervisors attended training to identify ways to increase employees' control over their jobs and tasks. The researchers found that for employees who had a higher baseline risk of developing heart conditions, their risk of succumbing to disease once they had more control fell to match that of someone ten years younger.



The benefits of gratitude

Do you take time to be grateful? There is clear evidence that this leads to greater happiness in a workplace, and long-term success for the business.

Gratitude leads to happiness: A Hope College study found that taking time to be grateful leads to greater hope and happiness for yourself. They explored the difference between gratefully remembering a past hope that had been fulfilled (in writing) and a control group who wrote no such report. Those who had written about being grateful found "significant increases in their hope and happiness". [xxiv]

Gratitude leads to fewer GP visits: In one study, participants were divided into three groups and asked to write a few sentences a week about their feelings. One group wrote what they were grateful for, one group wrote what they were irritated by, and one group simply wrote about anything that had affected them. [xxv]

After 10 weeks, those who wrote about gratitude were overall more optimistic and felt better about their lives. Surprisingly, they also exercised more and had fewer visits to GPs than those who focused on sources of irritation.

Report by Dr Robert A. Emmons of the University of California, Davis, and Dr Michael E. McCullough of the University of Miami.

Thank people for their kindness: One of the gurus of happiness psychology, Martin E. P. Seligman, found that if you deliver a letter of gratitude to someone who has never been properly thanked for his or her kindness, the recipients immediately exhibited a huge increase in happiness scores. [xxvi]



¹ Willis Towers Watson, Power of Three: <https://bit.ly/Power3x>

² Cost of £450 to \$550 billion a year: <https://bit.ly/NoLaughx>

³ Germany, Gallup, sickness: <https://bit.ly/LowSickness>

⁴ Gallup, *State of the American Workplace*, 2017: <https://bit.ly/Gall2017>

⁵ Job Satisfaction, Colombia University: <https://bit.ly/JobCul>

⁶ Alex Edmans, stock market: <https://bit.ly/EdmansX>

⁷ Treat employees well, stock markets will soar: <https://bit.ly/TreatXX>

⁸ Glassdoor best place to work list: <https://bit.ly/Glassdoor20>

⁹ Gallup, *State of the American Workplace*, 2017: <https://bit.ly/Gall2017>

¹⁰ Fewer patients die in happy hospitals: <http://bit.ly/3nV6xAC>

¹¹ More control over your work makes you healthier: <https://bit.ly/WhitehallX>

^{xii} Greater customer loyalty and higher productivity: <https://bit.ly/Economist19>

^{xiii} Happy workers are less likely to leave: <https://bit.ly/3zLWGjt>

^{xiv} University of Alberta, focus on meaning: <http://bit.ly/41gkPu4>

^{xv} Hay Group, engage your employees for a competitive advantage: <http://bit.ly/3KpV3gd>

^{xvi} Be happy and be more productive: <http://bit.ly/3mxuw8C>

^{xvii} Shawn Achor, Positive Intelligence: <https://bit.ly/3oiUpK4>

^{xviii} Lyubomirsky: Benefits of frequent positive affect: <https://bit.ly/3ZYKM0f>

^{xix} Focus on employee wellbeing: <http://bit.ly/43qgHtu>

^{xx} Customer retention rates higher when employees engaged: <http://bit.ly/40WIT5n>

^{xxi} Happy people live longer: <http://bit.ly/3mpiZbz>

-
- xxii Happy people have more fulfilling lives: <https://bit.ly/3ZYKM0f>
xxiii Micromanagement causes heart attacks: <https://bit.ly/hattack>
xxiv Gratitude leads to happiness: <https://buff.ly/2xpKxUB>
xxv Gratitude leads to fewer GP visits: <https://bit.ly/3Kr538U>
xxvi Thank people for their kindness: <http://bit.ly/3Kr538U>

We can help you create more joy at work

Thank you for exploring how happy workplaces create tangible results.

Want to learn how you can create a happy workplace within your organisation? Contact us for a free, no obligation chat with our friendly team – our details are below. Together, we'll explore how to transform your organisational culture and unlock the potential of your people through our workplace consultancy and learning packages. We look forward to partnering with you to create joy at work.

