

Title: Productivity gains from subjective well-being in Europe: evidence from industry-level matched data.

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Abstract:

Many studies show that subjective well-being affects work performance and labour productivity. This evidence, however, is based primarily on small samples and experimental data. We contribute to this literature by testing the hypothesis that higher workers' well-being has a significant impact on productivity using data from representative surveys and official statistics. To study the relationship between well-being and productivity, we combine data from different statistical sources. Namely, we match data from the 2010 European Working Conditions Survey (EWCS) with Eurostat's Business Statistics for the year 2010-2013 at the industry-level. The resulting dataset includes observations for 34 European countries and nearly 11500 industrial sectors. We measure workers well-being by job satisfaction and a job quality indicator from the EWCS, while productivity measures are derived from Structural Business Statistics. Regression results show that industries with better working conditions - as measured by safety and ethics of employment, income, working hours, safety, social dialogue, stress, etc. – and higher job satisfaction display higher productivity growth. This result has policy relevance as it shows that workers' well-being is not only a desirable goal *per se*, but it also contributes to productivity growth and, as a result, to economic prosperity. This suggests that a virtuous circle of increasing well-being and growth can be established with appropriate action.