



WHAT REALLY MAKES PEOPLE HAPPY AT WORK?

Insights from The Happiness Indicator –
a real-time view of workplace happiness





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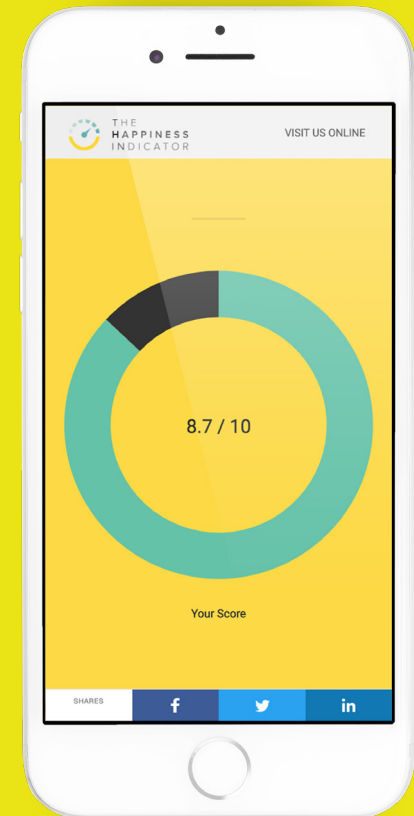
INTRODUCTION

Today's workplaces and work practices are in a continual state of change. Whether it's the office, the factory floor, high street or public services, the nature of work is adapting and all businesses are having to deal with the challenges this creates in maintaining success and growth.

The economic crash a decade ago still ripples through sectors of the economy and pay restraint has become the norm for millions of people. The uncovering of the gender pay gap and the government's requirement for companies of 250 employees or more to disclose their gender pay gap has put greater focus on reward, the levels set between men and women and how this should be managed.

Our workforce is ageing; older people are starting second careers. Younger generations face the prospect of having multiple careers and working for many different employers.

But a constant in this evolving employment landscape and fundamental to the success and performance of all businesses and organisations is the happiness of employees. At The Happiness Index we have developed a way to map, monitor and evaluate this to help employers shape people management and initiatives across the business.



A new approach

Our passion is to help organisations understand staff sentiment to improve business performance, so we have investigated what drives workplace happiness.

We asked people what makes them happy at work and identified how much influence business owners and leaders really have when it comes to engaging their staff, making them happier and boosting productivity. We've pinpointed which factors really have the greatest impact on happiness so that businesses of all sizes can make educated decisions about how to maximise their greatest strength – their people!

Traditionally when businesses have looked at boosting productivity they have focused on building staff engagement. Whilst there is a well-established relationship between improved engagement and productivity, our belief is by adding happiness to the equation productivity increases further.

Our methodology

We asked employees and business leaders from around the world what they felt were the top ten factors affecting their happiness at work. Respondents were given a selection of 30+ factors which commonly make up the foundation of employee happiness. The ten most popular choices were used to create The Happiness Indicator.

Our initial survey of workplace happiness asked respondents to rate ten questions such as "How much do you enjoy your job?" and "How do you rate your career development opportunities?" All questions were asked on a scale of 1 to 10 - where 10 is high and 1 is low. The average scores were then weighted to produce The Happiness Indicator.

What the scores mean

In our analysis, we segmented the scores in the following way:

Scores of 7-10

These individuals are happy in this area. They are likely to stay with their employers and encourage others to work for their company.

Score of 6

This indicates satisfaction in this area. These people are likely to look for alternative employment if their scores do not improve over time.

Score of 1-5

These individuals are unhappy in this area. They are at high risk of leaving their jobs and may negatively speak about their company if asked.



EXECUTIVE SUMMARY

Female employees are unhappier at work

The Happiness Indicator has revealed evidence that the gender pay gap is not the only aspect of employment female workers are unhappy with in the UK. Disappointment about career prospects is leaving female employees and directors at high risk of leaving their job and speaking negatively about the company they work for.

We also found women were unhappier than men when asked how much they believed they were “fairly rewarded” and in seven out of 10 measures of workplace happiness, they scored lower than their male colleagues.

There is a disconnect between what makes business owners and employees happy at work.

From the ten factors identified in The Happiness Indicator, we established that four of the top five are shared by employers and employees alike. Yet this masks stark differences in attitudes to the importance of these factors in workplace happiness (see table below). This shows a disconnect between bosses and workers which could lead to tensions if not understood effectively. Decision-making around where to invest in people can only be effective when employers really understand their employees’ needs.

Leadership doesn’t make employees happy at work?

The quality of leadership is much talked about in modern business. There’s no shortage of success stories, company turnarounds and downfalls to demonstrate its impact on an organisation. But perhaps it’s time to rethink how much this influences happiness in the workforce. ‘Leadership’ is not in the top ten factors for employees (15th) yet is second place for employers, suggesting ‘Leadership’ is not a key factor in determining employee happiness.

Career development is critical.

Employees gave ‘career development’ their lowest average score of 5.7, suggesting that many are unhappy with the prospects on offer to them. Younger people (18-30) were the most positive on this question (6.4) but it drops significantly from the age of 45 to 5.7, suggesting that employers need to keep older workers in mind when thinking about future opportunities.

EXECUTIVE SUMMARY CONTINUED

Pay and benefits are important, but not the be all and end all.

The sceptical amongst us would say increasing pay and benefits would instantly make us happier at work and yes it's a very important hygiene factor. However, our correlation analysis shows it's doesn't have a strong association with making us happy at work; despite it featuring high on the happiness factor list of employees (4th) and in a lowly 9th place for employers. Boardroom pay and better salaries at senior level seem to have dulled the appreciation of what this means to those lower down in the business. Leaders need to recognise the emphasis this has in retaining and recruiting people and get on the front foot in the competitive talent market.

Big business can learn from smaller firms.

Big business can certainly learn from smaller companies when it comes to keeping employees happy. In every measure except one, SMEs were ranked higher than mid-sized and large businesses. In six of the ten Happiness Indicator questions SMEs scored positively (7.0+), whereas that score only featured once for companies employing more than 250 plus employees.

Trust is crucial when it comes to workplace happiness.

There's good evidence that workplaces across the country have an atmosphere of trust and respect at all levels of the business. 'Trust in people you work with' was the 5th most important happiness factor for both employers and employees. However, our correlation analysis showed it was the highest correlating question to workplace happiness. Those who gave a positive score for trust (7.0+) rated their happiness at work as 7.8 and those who gave a satisfactory or unhappy score (6.0 or below) scored a lowly 4.9.

Work-life balance scores well but has a low correlation with workplace happiness.

Work-life balance registered consistent and generally positive scores across all sizes of organisations. In fact, the difference in scoring between SMEs, mid-sized and large businesses was marginal, with the lowest scoring 6.7 and the highest 7.1. Despite the overall average for work-life balance being the second highest scoring question, this doesn't necessarily make people happier at work, as it was the lowest correlated question to workplace happiness.

The Top 10 factors affecting workplace happiness today

Employees and employers share four of the top-five factors for workplace happiness – but their views on the degree of importance of each question vary:

- 1 "Feeling valued as an individual."
- 2 "Doing a job that you enjoy."
- 3 "Work-life balance."
- 4 "Trust in the people you work with."

Factors	Employee rank	Employer rank	Difference between employee and employer rank
Feeling valued as an individual	1	3	+2
Doing a job that you enjoy	2	1	-1
Work-life balance	3	4	+1
Pay and benefits	4	9	+5
Trust in the people you work with	5	5	0
Quality of leadership	6	2	-4
Career development	7	19	+12
Ability to speak your mind openly and honestly	8	6	-2
Having control over your work (autonomy)	9	7	-2

Research insights:

Key findings
from our research into
workplace happiness



Employers are failing to make their workers feel truly valued.

"Feeling valued as an individual" is the number one happiness factor for employees. It also has the strongest correlation to how much a person enjoys their job. To demonstrate this, those respondents who gave a positive score (7.0+) for 'feeling valued' scored 7.4 for their enjoyment of their role, whereas those who provided a satisfactory or unhappy score for 'feeling valued' had an enjoyment average of just 4.1. This shows just how important it is for workers to feel their contributions are being recognised by both colleagues and employers.

But across all sizes of business and sectors there is progress to be made. Large businesses (3,000+) are only managing to achieve an average score of 6.0, whereas 'feeling valued' is 11% higher for small businesses. Only the Raw Materials sector is showing a positive result (7.0+) and the Services sector (e.g. transport, retail, hospitality & entertainment) scores the lowest.

Employers ranked 'feeling valued' as the third most important happiness factor – so they understand its importance.



Career development plays a key role in making people feel more valued.

Our research shows employees 'feeling valued' has a direct correlation with "Career development opportunities". To demonstrate this correlation those who scored 7.0 or above for 'feeling valued' rated their career development opportunities as 7.3 and those who scored lower than 7.0 scored their career development as 4.1. Therefore, promoting access to career development is a great way for organisations to make their staff feel more valued.

Yet views on the importance of career development shows the second-highest disparity between employees and business leaders. It is ranked at seven for employees but does not feature in the top ten for employers (who place this at 19th). In 'making it to the top' and senior positions in business, owners and directors have successfully developed their own careers; meaning areas such as learning and development become more valuable than career development. However, it's really important they enable their employees to develop, as it's beneficial for both the employee and the organisation. Employees still place a strong emphasis on career development, learning and progression. And this is not only among younger generations. In fact, our findings show that the views of employees on the opportunities open to them decline as people get older.

Career development produced the lowest average score of all employee responses to happiness, at 5.7, with Services recording 5.5. This highlights a critical need for business owners and directors to focus on staff development to prevent their people from getting bored, feeling like their careers are stagnating, or worse still leaving.

What really makes people happy at work?



Trust is a key issue for everyone.

"Trust in people you work with" was the joint 5th most important factor for employers and employees and it increases with age. Those aged 45 and over gave it a higher score than younger workers. Evidently, trusting our peers is important throughout the entirety of our working lives and people of varying seniority will not feel happy at work if they don't trust, or feel trusted by their peers.

Employees in all sectors ranked the trust question similarly, with Raw Materials the highest with an average score of 7.1. Intellectual Services (e.g. Tech, IT, media, R&D) and Service sector are on a par with an average score of 6.7. This shows that workers from all demographics clearly consider trust as an important happiness influencer.



Pay and benefits are still a sore point for employees.

When asked “How much do you feel you are fairly rewarded for the job you do?” neither business owners nor employees responded with a positive score. This suggests that decisions on pay and wage deflation in some sectors in the years since the 2008 crash may be taking a toll on everyone’s attitudes, regardless of seniority or any other demographics.

Business leaders are 11% happier than employees in this area at 6.9. This is just shy of the high-scoring tier (7-10). This suggests that business leaders must start recognising and rewarding staff contributions more.

In our experience its unsurprising respondents felt they could be rewarded better. Given that both employers and employees had “Pay and benefits” in their top ten list, feeling rewarded and receiving the right pay and benefits are clearly important for everyone. Yet no one is completely satisfied in this area.



Company values and vision aren’t making workers any happier.

Businesses invest a lot of time and resource into creating values and a clear vision, yet our data suggests this doesn’t influence workplace happiness. However, they do play an important role in staff engagement.

In our original research, the impact of company values and vision on the workplace happiness of employers and employees differed greatly. With 40% of employers scoring them as a happiness factor, compared to just 25% of employees.

“Belief in the organisation’s values” does not feature in the top ten happiness factors for employees and only manages tenth place for employers. This raises the question of whether focussing on values is of more benefit to the company than the individual.

Even in organisations where the values and vision are highly promoted, it seems that placing a strong emphasis on this will end up having little impact on the happiness of staff. Even if it is of benefit to company performance.



Female employees are unhappier than their male colleagues.

Overall, women scored lower and therefore feel less happy at work than men. This was the case in seven of the ten factors assessed. It suggests that the gender pay gap is not the only issue in today's workplace where female employees have concerns which are either being ignored or have been allowed to persist.

"Career development opportunities" is the most serious issue with women rating their happiness at 5.8, highlighting a sense of unhappiness which needs to be addressed in all sizes of business and across all sectors.

Men feel they can "Speak openly and honestly" more than women. This may explain why they scored a higher rating for 70% of the questions; men feel more empowered to be open and honest and express their feelings without fear of repercussions. This openness is vital to all workers' happiness and its importance cannot be underplayed.

There was more general agreement between male and female respondents when asked "How much do you enjoy your job?" and "How do you rate your work-life balance?". However, as 60% of The Happiness Indicator responses came from women, our results indicate there is still a lot of work to do to reap the benefits of a happier female workforce.

What really makes people happy at work?



Bigger isn't always better.

Small and medium-sized (SME) businesses scored higher than both mid-size and large businesses across 9 of the 10 questions within The Happiness Indicator. Respondents from SMEs provided an average happiness score of 6.8 compared to the combined happiness score of 6.3 from mid-size and large businesses. And for six out of the ten happiness factors, SMEs recorded a positive result of 7.0+, whereas this score featured just once for larger employers.

"Career development" was the lowest scoring area for workers at big businesses, with a result of just 5.6. In general workers in big businesses are satisfied with "Feeling valued as an individual", "Quality of leadership" and "Having control over work (autonomy)" – all ranking 6.0 - but they aren't happy and will not be positive brand ambassadors for their businesses.



Conclusion:

What businesses can do
to improve their employee
happiness

There's a definite mismatch between what business leaders and employers have told us makes them happy at work. Employers are missing key opportunities to improve in core areas like valuing the individual, career development and trust. Even marginal gains in these areas could have a large impact on happiness, and in doing so improve business performance.

In recent years there has been a trend for companies to invest huge amounts of money into trying to make their employees happier... think of all those offices with a table tennis table and bean bags. However, they need to think carefully about where the spend is directed. We can see from The Happiness Indicator that the core factors affecting how happy someone is at work are often more subtle and intangible. Sustainable wins can be achieved without the need for major investment.

This is a ray of hope for businesses challenging to compete in a crowded talent marketplace and improve business performance through happiness. There is no one-size-fits-all approach. However, valuing your people and creating a trusting, balanced, open and honest culture whilst investing in their development will always have a positive impact. Making continuous improvements to stimulate major change will help and don't be afraid to go back to basics.

Key takeaways & recommendations

Employees want to feel valued as individuals, but that doesn't necessarily mean they want higher pay!

'Feeling valued' correlated far more with overall happiness than 'feeling fairly rewarded'. From our experience, financial rewards provide a short-term boost to employee happiness, with recognition based on making someone feel valued having a longer lasting effect. With this in mind it's good for companies to be imaginative to create ways to show employees they are valued. Such as:

- ▶ Tailored and flexible programmes designed to reward and recognise employees at all levels will ensure your initiatives speak to everyone.
- ▶ Reward initiatives needn't be expensive. Start small and ensure the message is genuine, authentic and tailored to the individual.
- ▶ You may not always be able to out-pay your competitors and it not always necessary to do so in order to create a happier workforce. Pay is just one of the many factors employees consider when evaluating their career prospects and an overall package is often more attractive than a high base salary.

"Trusting the people you work with" has the greatest impact on employee happiness.

Overall, employees scored an average of 6.7 for 'trusting the people you work with' and those who scored positively for this question (7.0+) had a far greater happiness score. Therefore, its vital business of all shapes and sizes address this issue.

Initiatives such as improving communication play a critical role in developing an open, transparent and accountable culture.

Implementing a flexible working approach is an effective way to demonstrate trust. This ranges from working at home days and flexi-time to more straightforward practices such as stopping the interruptions that disrupt our natural flow of work.

Personal relationships are key along with teamwork and inter-departmental integration to ensure there is greater collaboration. It's impossible for organisations to foster a culture of trust if teams and departments work in silos.

Keep investing in people's development.

"Career development" is the lowest scoring area regardless of business size and companies need to demonstrate to employees how they can grow within the organisation and help the business succeed.

Here it's about the brilliant basics, such as making sure all staff have a career development framework. These need to be documented and re-visited during 1 to 1s and appraisals.

Give employees some discretion over their development path as people are more likely to be motivated when pursuing self-determined goals.

What big businesses can learn from small businesses.

Within smaller organisations – it's easier for employees to see how their role has an impact on the success of the business. Employees are also more likely to experience greater variety in their roles, enabling them to develop across a broader spectrum. We recommend:

- ▶ Ensuring communication channels are in place to share positive client/customer feedback with the whole business. Hearing these stories can help remind employees why they do what they do – and how they fit into the bigger picture.
- ▶ Put secondments in place to enable employees to experience other parts of the business. This will help employees to understand the varying roles required in order to make the business a success.
- ▶ In our experience of working with smaller businesses the key factor their employees love is agility. Agile working provides creativity, encourages problem solving and empowerment - all of which increases employee happiness.



Want to get **The Happiness Indicator** for your organisation?

Here's how:

Our research showed no one company or sector seems to stand out as having 'got it right' when it comes to employee happiness. If you'd like to know where you stand in relation to your competitors give The Happiness Index a call to discuss the results in more detail and find how we can help you to boost employee happiness!

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