



## Well-being, job satisfaction and labour mobility

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### ABSTRACT

I investigate whether two indicators of job-related well-being predict subsequent quitting. I find that both the Depression–Enthusiasm scale and the Anxiety–Comfort scale predict quitting, the former more strongly, and this contributes an element of criterion validity to their use as welfare measures. However, overall job satisfaction, which implicitly captures well-being relative to outside job opportunities, predicts job mobility better than either the Depression–Enthusiasm or the Anxiety–Comfort scale. I also find asymmetric effects: relative to intermediate levels, low well-being or job satisfaction are associated with greater quitting, yet high well-being or job satisfaction are not significantly associated with reduced quitting.

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### 1. Introduction

Well-being measures are increasingly being developed in economic analysis (Kahneman and Krueger, 2006), and are set to form a focal point for applied welfare analyses in several fields. However, their use in labour economics has so far largely been confined to the study of job satisfaction. This paper investigates whether the concept of job-related well-being could be a useful indicator. Although the analysis of well-being can be justified in itself, even if it does not correspond closely to decision utility, labour economists would feel naturally uneasy targeting an indicator that had no relation to workers' choices. Understanding how job-related well-being is related to labour mobility should therefore be of interest, not only in itself but also as an element in the criterion validation of the indicators used. The contribution of this paper is to provide evidence on whether measures of job-related affective well-being are significant predictors of labour mobility; and if so, whether they are better, or worse, predictors than job satisfaction. I do this using representative data in Britain.

### 2. Framework and specification

The motivation for this exercise is similar to that which drove the introduction of the “job satisfaction” indicator into labour economics since the 1970s (Freeman, 1978; Hamermesh, 1977). Though job satisfaction was regarded as a “soft” subjective variable, the robust

finding that it was related to quitting intentions and behaviour made the case for a research agenda. Social surveys and many firms were collecting job satisfaction data, so the tools were becoming available. Research focused in part on the relationships of particular facets of job satisfaction to quitting (Clark, 2001; Clark et al., 1998). The attraction of this agenda was the aspiration that job satisfaction could provide a direct measure of utility from work, and a number of writers have used job satisfaction as a measure of job quality. Thus, when the quality of work came to the fore at the start of this decade in policy circles, for example as part of the “Lisbon agenda” for the European Union, aggregate indicators of job satisfaction were looked to as potential indicators for an assessment for employment policies (e.g. European Commission, 2002). Studies focused also on the determinants of job satisfaction, extending with economists' methods a longer tradition within psychology (Weir, 1976). Yet, the interpretation of job satisfaction has proved more complex, and the course of research has been that of an indicator in search of its parent concept. Job satisfaction's relationship to “utility” crucially depends on the comparison point and standard, against which survey respondents judge their degree of satisfaction. Strands of job satisfaction research have focused on identifying the relevant comparison norms – colleagues, neighbours, similar workers, past experience or current alternatives. Levy-Garboua and Montmarquette (2004) and Levy-Garboua et al. (2007), for example, argue that a person's job satisfaction is in effect an evaluation, an “experienced or post-decisional preference for her job relative to outside opportunities” (2007: p.252). Kristensen and Johansson (2008) find that different comparison standards across countries render uncertain how one should interpret cross-cultural comparisons of job satisfaction. Nevertheless, even though job satisfaction is

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not a direct indicator for either utility or job quality, it does convey some indirect partial information about workers' preferences.<sup>1</sup>

In principle, job-related well-being, a long-standing concept within psychological research, should also be applicable within labour economics, and might be a better proxy measure of utility from work. Unlike job satisfaction, subjective well-being does not reflect evaluation and comparison with the utility derivable from some alternative state.<sup>2</sup> Moreover, indicators of job-related well-being are designed to be more general than job satisfaction. The theory of well-being hypothesises that the generic range of emotions or feelings can be summarised by descriptions of their location along (at least) two orthogonal dimensions, one covering the degree of pleasure or displeasure being experienced, the other the degree of arousal (e.g. Russell, 2003; Warr, 1990, 2007). Within this two-dimensional plain, well-being indicators are proposed along two axes, one ranging from "Depression" (displeasure and low arousal) to "Enthusiasm" (pleasure and high arousal), the other ranging from "Anxiety" (displeasure and high arousal) to "Comfort" (high pleasure and low arousal). The indicator of job satisfaction is seen as lying along the pleasure dimension alone (Warr, 2007: p.432), implying that it is positively correlated with both the Depression–Enthusiasm axis and the Anxiety–Comfort axis, but not capturing the extent of arousal. These factors imply, at first sight, that well-being indicators might be a superior basis to job satisfaction for empirical welfare and policy analysis in the labour market, because they explicitly capture both the pleasure dimension and the arousal dimension, each with discriminating antecedents and effects.

Job-related well-being indicators tend to have predictable antecedents, as the psychological literature attests. For example, Totterdell et al. (2006) show that high work demands generate low levels of job-related well-being, as measured by either the Depression–Enthusiasm or the Anxiety–Comfort indicator. However, to warrant using them in labour market analysis we desire also that they can predict behaviours. In support there is, for example, evidence that subjective well-being is associated with subsequent absence behaviour (e.g. Hardy et al., 2003). Absence indicators are related more strongly to scores on the Depression–Enthusiasm axis than to job satisfaction or to scores on the Anxiety–Comfort axis (Warr, 2007: p. 430). There are also several studies that find associations between job-related well-being and other indicators of job performance, though in most cases the direction of causality is not established. For a review of this infant literature, see Warr (2007: Ch. 14). Some well-being scales are also known to have strong relationships with objective indicators of mental ill-health.<sup>3</sup>

One can also expect an impact of well-being on job mobility. Suppose that workers are able to compare their current happiness with their prospective feelings should they quit for another job. Conditional on what the best alternative job offers, we should expect workers experiencing higher subjective well-being from their current job to be less likely to want to quit. Hence, a negative relationship with quitting is expected. Does evidence support a negative link with voluntary job mobility? Wright and Cropanzano (1998) showed a link between an emotional exhaustion scale and a subsequent voluntary turnover, but this small-scale study comprised just 52 employees, all social welfare officers. Otherwise, little or nothing is known about whether job-related well-being is, like job satisfaction, related to mobility.

Whether job-related well-being indicators are expected to be better than job satisfaction as predictors of job mobility is an additional issue. As stated above, job satisfaction does not pick up respondents'

<sup>1</sup> Hamermesh (2001), for example, concludes: "even though it may be a substantial stretch to link expressed job satisfaction (or satisfaction generally) to utility, studying job satisfaction is still important for understanding labor-market behavior ...".

<sup>2</sup> Despite this, it can be recognised that emotional states may nevertheless be influenced by comparisons with alternatives.

<sup>3</sup> Elliott et al. (2003) is just one example taken from a considerable literature.

location along the arousal axis of well-being, and so might on this count be expected to perform less well as a predictor than well-being scales that do. However, job satisfaction measures are not just measures of well-being along the pleasure axis. Rather, they are evaluations against alternatives which are, arguably, respondents' outside job opportunities, precisely the comparison relevant for decision-making about job mobility (Levy-Garboua and Montmarquette, 2004).<sup>4</sup> Job satisfaction is thus associated with the propensity to quit for one of the available alternatives. Thus, job satisfaction could be expected to be a better predictor of quitting than well-being scales that do not involve any comparative judgement. Moreover, measures of job satisfaction in surveys often have a more cognitive emphasis which may capture part of happiness as self-validation, or an evaluation by "the remembering self" (Kahneman and Riis, 2005) that is able to include a future perspective. Measures of job-related well-being are, by contrast, often indicators of experienced utility and depending on item formulation may be variable due to temporary variation. Thus job satisfaction, providing that it is reasonably accurately reported by the remembering self, might provide a closer correlate of behaviours that require major, future-oriented, decision-taking.

There is thus an ambiguity in the expectation. Job-related well-being scales might be superior as indicators of welfare at work, and therefore also might have more bite for the rational decision-maker (and hence the policy-maker), than job satisfaction. But when it comes to predicting quit behaviour, a job satisfaction indicator could still have the edge because it implicitly incorporates a comparative evaluation with alternatives, and because of its reflective character.

Formally, let us suppose that workers' perceived well-being is used to guide the decision to leave one's job. Then the probability of quitting is given by:

$$\Pr(\text{Leave}) = f(w^* - w - c) \cdot f' > 0$$

where  $w$  stands for well-being,  $w^*$  signifies the outside job opportunity, and  $c$  is the mobility cost associated with market imperfections. The decision to quit depends on how the worker perceives outside opportunities and mobility costs. Absent any direct indicators of these, a reasonably flexible assumption is that the outside opportunity is a function of personal characteristics. With the addition of job characteristics, which could also capture variability in mobility cost, and after linearising, a suitable model specification for the latent propensity to quit a job,  $L^*$ , is:

$$L^* = \alpha w + \beta X + \varepsilon \quad \text{Model (A)}$$

where  $X$  is job and personal characteristics, and  $\varepsilon$  is a random error term. A criterion validity test of a well-being indicator, then, is the test of the hypothesis that  $\alpha$  is negative.

By contrast, as discussed above job satisfaction may be conceived as directly incorporating the workers' estimate of the difference in well-being between the current and the outside job. However, incorporating mobility costs means one still has to control for personal and job characteristics. Hence, the alternative model is:

$$L^* = \alpha JS + \beta X + \varepsilon \quad \text{Model (B)}$$

There are thus two central research questions being addressed, each for the first time: whether work-related well-being indicators have a negative association with the propensity to quit, and whether they might even be better predictors than a more traditional job satisfaction indicator. The strategy is first to test for each well-being

<sup>4</sup> Levy-Garboua et al. (2007) propose that the quit propensity is most closely captured by the predicted residual of their job satisfaction equation, using longitudinal data.

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