

Economic Insights

APRIL 2008 VOLUME 2 NUMBER 3



COLORADO COUNCIL ON
ECONOMIC
EDUCATION

WWW.CCEE.NET

Economic Insights is a publication of the Colorado Council on Economic Education, a not-for-profit organization founded in 1974 to promote and improve economic literacy in Colorado schools.

We feel that an understanding of key economic concepts is vital for all citizens in order to live, work and make informed decisions in our modern economy. We present high-quality graduate courses designed to provide an understanding of important economic concepts to Colorado K-12 teachers, so they can then bring these concepts to their classrooms. Topics covered include monetary policy, taxation, spending, inflation, the environment, growth, conservation, trade and energy, to name a few.

I Love My Work

By Arthur C. Brooks

Marienthal is a small Austrian village, and in the 1920s it was dominated by one textile factory, which employed the majority of the town's residents. As the firm fell on hard economic times, it pulled the fortunes of Marienthalers down with it: by the time the factory closed in 1929, three-quarters of the town's families had lost their income.

The Marienthalers were not starving—Austria in those years had unemployment insurance that covered most of a factory worker's wages. But the townspeople languished nonetheless. There were no regular jobs to replace their old positions, and to qualify for unemployment support workers were strictly prohibited from taking any part-time work. One poor soul lost his benefits after he was discovered playing the harmonica on the street for money. Economic circumstance and government policy conspired to guarantee that the Marienthalers had nowhere to go and nothing to do.

Marienthal had previously been an active community with social clubs and political organizations. The paradox is that, after the factory closed and people had abundant leisure, these activities withered. In the two years after the factory closed, the average number of volumes loaned out by the town library dropped by half. Said one woman, "It used to be magnificent in Marienthal before—just going to the factory made a change. During the summer we used to go for walks, and all those dances! Now I don't feel like going out anymore."

Time seemed to warp. Men stopped wearing watches, and wives complained that their husbands were chronically

late for meals—even though they were not coming from anything. Outsiders observed that it took villagers longer and longer just to walk down the street. People slept for hours more each night than they ever had. They could not recall how they spent their days, and they whittled away far more time sitting at home or standing around in the street than doing any other activity.

A group of sociologists who had come to interview the townspeople as part of a study on the importance of work determined that what destroyed life in Marienthal was not the loss of wages, but the loss of ability to earn them. The lesson of Marienthal is clear. Work is not just a means to an end. Work has enormous intrinsic value. We are, however, bombarded with messages to the contrary. Bestsellers like Barbara Ehrenreich's *Nickel and Dimed*, which documents the hardships of working-class employment in America, aim to show us how bad it really is for the working stiffs of this country. And our policymakers generally believe that the good life in a wealthy society means shorter workweeks, longer vacations, and earlier retirements. Why? Because when we're rich we can afford these things. What else are we working for, after all?

In short, when it comes to work, we have a conflict of visions. One vision says that work is a source of happiness, the other that it is a necessary evil. Which view is the more accurate for most Americans? The answer to this question is fundamental to understanding whether our public policies and labor practices are pushing us toward greater happiness as a society—or away from it.

About the Author

Arthur C. Brooks is Professor of Public Administration and Director of the Nonprofit Studies Program at Syracuse University's Maxwell School of Citizenship and Public Affairs. Brooks earned his PhD in Public Policy Analysis from the Rand Graduate School in 1998, and also holds an MA and BA in economics. Mr. Brooks has published approximately 100 articles and books on the connections between culture, politics, and economic life in America, and he is a regular contributor to *The Wall Street Journal's* editorial page. His latest book on American charitable giving is *Who Really Cares* (Basic Books, 2006). Preceding his work in academia, Mr. Brooks spent 12 years as a professional French hornist, holding positions with the Barcelona Symphony Orchestra and other ensembles. He is a native of Seattle, Washington, and currently lives in Syracuse, New York, with his wife Ester and their three children. This article originally appeared in the September/October 2007 issue of *The American* and is reprinted with permission from Professor Brooks.



Ask yourself this: What proportion of Americans do you think are satisfied with their jobs? Twenty percent? Thirty? In fact, according to the 2002 General Social Survey (GSS) from the National Opinion Research Center at the University of Chicago, among adults who worked 10 hours a week or more in 2002, a surprising 89% said they were very satisfied or somewhat satisfied with their jobs. Only 11% said they were not too satisfied or not at all satisfied.

Of course, this statistic might be hiding big differences between people with “good” jobs and those with “bad” jobs. What about the people with low incomes and little education? They must be less satisfied with their jobs than we are, right? Wrong. Precisely the same share of Americans with above-average and below-average incomes are satisfied: 89%. Similarly, 88% of people without a college education are satisfied, as well as 87% of people who specifically call themselves “working class.” What about the middle class, who we hear from television pundits and politicians are so dispirited? Ninety-three percent are satisfied. Also, the proportion is almost exactly the same—around 90%—among people working for private companies, for nonprofit organizations, and for governments.

These figures don’t disprove the notion that, all things being equal, people who work less than others are happier. The data just prove that most people like their jobs. Even if I am satisfied with my work, I might still prefer leisure. So let’s look closer...

The 1998 GSS shows that only 11% of American workers say they wish they could spend much less time on their paid work—versus 12% who say they wish they could spend much more time on it. Similarly, the University of Michigan’s 2001 Panel Study of Income Dynamics (PSID) indicates that people who say they felt inconsolably sad over the past month take, on average, only one day of vacation less per year than people who aren’t so sad. Obviously, vacation itself has nothing to do with the happiness difference between the groups.

Nor does an actual lifestyle of leisure tempt many Americans. In 2002, the GSS asked, “If you were to get enough money to live as comfortably as you would like for the rest of your life, would you continue to work or would you stop working?” The number answering that they would stop working was just 31%. Sixty-nine percent of American adults said that they would continue

to work even if they did not need to. And there is no difference at all between those with below- and above-average incomes. Similarly, 66% of people without a college education would keep working.

For most Americans, job satisfaction is a reliable source of happiness—more so than leisure. Among those who say they are very happy in their lives, 95% are also satisfied with their jobs. Imagine two workers who are identical in every way—same income, education, age, sex, family situation, religion, and politics—but the first worker is satisfied with his job and the second worker is not. Surveys show that the first worker will be more likely, by 28 percentage points, to say he is very happy in life.

In short, most people like their jobs and would work even if they did not have to. Obviously, there is a point beyond which excessive hours of work will lower health and quality of living. But within the bounds of normal work life, the data are overwhelmingly clear that for the vast majority of Americans, our work in and of itself gives us happiness. How? There are several plausible explanations. Chief among them, according to many authors, is *meaning*.

The notion of meaning as a guiding principle for happiness explains some interesting facts about what actually compensates workers in their jobs. There is a vast literature on this subject, and it is typical to find that money and time off matter far less to people than less tangible rewards, such as recognition and evidence that their work is valuable. For example, people who think their work allows them to be productive are about five times more likely to be very satisfied with their jobs than people who do not feel they can be productive. And those who are proud to work for their employers are more than ten times as likely to be very satisfied with their jobs as those who

are not proud. In contrast, money matters relatively little, and the amount of leisure time a job allows has no significant effect on satisfaction at all.

Indeed, there is strong evidence that compensation such as pay and vacation—the “extrinsic rewards” for working—can actually have a negative effect on job satisfaction by degrading the “intrinsic rewards” that people care about so much. The reason for this is that people stop seeing a task as fun when pay is involved. Many studies have illustrated this conclusion, including a famous experiment in which college students were given puzzles to solve. Some of the students were paid, and others were not. The researchers observed that the unpaid participants tended to continue working on the puzzles after the experiment was finished, whereas the paid participants abandoned the task as soon as the experiment ended.

Another route from work to happiness is *control*. According to psychologists Edward Deci and Richard Ryan, in some of the most authoritative psychological research on the subject, people have an “intrinsic need to be self-determining.” This means that, to the extent that work gives people a sense that they are in charge of their lives, it will bring them joy. As Aristotle put it, “Happiness belongs to the self-sufficient.” Control is the reason that job security is so important for predicting job satisfaction for many workers. Nothing lowers our sense of control as much as insecurity about our ability to make a living.

In 2002, the GSS asked, “At any time during the last ten years, have you been unemployed and looking for work for as long as a month?” The answers to even this fairly mild question predicted enormous happiness differences among people. Middle-aged adults who had experienced

Support Economic Education

We depend on donations from private individuals, foundations and businesses interested in education and community support to fund our important mission of economics education for teachers and their students. With your support we can advance education and help students make informed decisions in our modern economy.

Name _____
 Organization _____
 Address _____
 City, State, Zip _____
 Email _____
 Phone _____

- Enclosed is my tax-deductible contribution to CCEE for \$ _____.
- Check made payable to CCEE is enclosed.
- Charge my: VISA MC
 Exp. Date _____
 Card No. _____

Please send information on leaving a gift to CCEE in my will or trust.

The Colorado Council on Economic Education is a not-for-profit, 501(c)(3) organization.

unemployment in the past decade were one-third less likely to say they were very happy than those who had not been unemployed. A single bout of unemployment predicts happiness differences even after correcting for income, education, race, religion, and many other demographic characteristics. According to the PSID in 2001, people who had missed any work at all during the past year because of involuntary unemployment were two-thirds more likely than other people to say they felt “hopeless,” and more than 50 percent more likely to say they felt “worthless.”

Economists have found that unemployment in a country even lowers the happiness of people who are working, because the prospect of unemployment—even when benefits are generous—is so dire. People hate the very idea of being out of work. In fact, people who say their job security is not good are more than six times likelier to be unsatisfied with their jobs than those who say their security is good.

What about retirement? Does voluntarily separating from work at an appropriate age have the same negative influence on happiness? It appears not. In 2002, retired people were two percentage points less likely than non-retired people to say they were very happy.

What is the most common policy solution when people cannot find work and support themselves? In Western countries, it is public support—“welfare,” in the vernacular—to meet their economic needs. A sensible response on its face, financial support combats part of the material deprivation that comes with unemployment. But this approach does nothing to combat the unhappiness problem. The PSID shows that, in 2001, people receiving public assistance were more than twice as likely as those not receiving welfare to feel hopeless or worthless.

Receiving government assistance appears to have special unhappiness-provoking properties, even apart from the fact that people on welfare are generally not earning their living through work. Holding constant all of one’s personal characteristics, including whether or not one is employed, we find that receipt of public assistance by itself pushes up the chances of saying you have been inconsolably sad over the past month by about 16 percentage points. No other single factor—not income, age, education, or anything else—comes close to predicting this much of one’s unhappiness.

Work is a fault line between happy and unhappy America, but not in the way we are often led to think. The happy are not those who enjoy lots of leisure, but rather the majority of Americans who enjoy satisfying work. The unhappy among us are more likely to be unemployed, on public assistance, or members of the small minority with unsatisfying jobs. When it comes to work, if happiness is our goal, we have no apologies to make for working hard.

Obviously, not every job brings satisfaction and happiness in life: remember the 11% of American workers who are unsatisfied with their jobs, and disproportionately unhappy in their lives as a result. It is hard to say whether they experience an inadequate amount of “flow”—the zone where workers feel at one with their task, where challenge is matched with ability. But what we do know is that they tend to find little meaning in their jobs. Here lie some modest lessons for improving the satisfaction and life happiness of workers. The implications of getting these lessons right are more than just ethical—they actually mean lots of money, too. American firms have been bemoaning the costs of high employee turnover for years, and nothing predicts attrition better than job satisfaction: people who are not satisfied with their jobs are about seven times more likely to quit within a year than those who are very satisfied.

First, workers need to work for something meaningful. Believing in a job and employer is critical to satisfaction. Second, extrinsic rewards must not crowd out the intrinsic rewards of work; that is, we have to be careful that pay and benefits not take the joy out of productive activity. How to do this? Not with a national program to drive down pay and benefits—that would be absurd—but with an effort to find ways to give people a personal sense of control in their jobs.

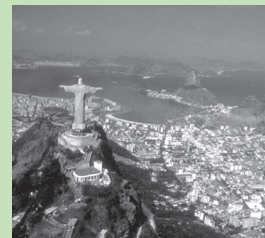
What about job security? Knowing what we do about the misery of idleness, would raising job security across the board somehow lead to greater workplace (and life) happiness? Not necessarily. Work-loving Americans face a tension between jobs that are a good match for their skills and interests and ones that are secure. Secure jobs can be less meaningful and absorbing than those involving more risk—think of the difference between doing bureaucratic work and operating a start-up business. The right mix of job adventure and security depends on the individual.

Upcoming Seminar for the Community & Teachers

Check out www.ccee.net for a complete class listing with detailed descriptions.

Property Rights and Economic Development

What is the economic relationship between poverty and property rights? Comparisons between the U.S. and Latin



America illustrate how governments and legal frameworks can retard or encourage wealth creation. Learn what happens when a government forcibly buys private property and pushes the limits of eminent domain. **April 26, 2008 - Westminister**

Fortunately, free markets are good at producing an assortment of jobs that appeal to our varied tastes and needs. If you have an especially strong desire for freedom and adventure, America provides entrepreneurship opportunities that are risky but also offer the possibility of explosive returns. If you prefer lots of security, there are jobs (such as university teaching under the tenure system) in which, once established, you can hold your position until you retire or die.

The key for policy is not to impose the same level of risk and security on everyone, but—aside from obvious cases such as racial discrimination—to protect free markets so that people can find and choose the types of employment that suit each of us best. Our imagination should not be devoted to protecting the jobs of the privileged, but to finding better ways to give all Americans willing to work—including the disaffected 11%—the job market choices the rest of us enjoy.

These are modest recommendations, intended as a starting point for a conversation about how our jobs can continue to bring Americans a high quality of life. The key point for public and private policy, however, is a simple one: For the overwhelming majority of Americans, work is a great source of joy, and not a necessary evil. It is the consummate “win-win” of American culture that what makes us rich also makes us happy.

Board of Directors

Chairman

- Jerome Bruni
J.V. Bruni & Company

Chairman, Adam Smith Society

- Walter (Buz) Koelbel, Jr.
Koelbel and Company

Secretary

- Robert Fogler
Kamlet Shepherd & Reichert, LLP

Treasurer

- John Couzens
Trinity Capital Services, LLC

Members

- Peggy Altoff
Colorado Springs School Dist. 11
- Paul Ballantyne, Ph.D.
CU at Colorado Springs
- Rep. David Balmer
Assistant House Minority Leader
- Christine Burttt
CQB & Associates, Inc.
- Christine Calvert
Wells Fargo Bank, N.A.
- Ward Cerny
Green Manning & Bunch, Ltd.
- Peter J. Coors
Coors Brewing Company

- Robert Deuschle
FirstBank North
- Meg Duke
- Jay Grenawalt
Heritage High School
- Steven Gunderson
US Bank, N.A., Grand Junction
- Sherri Koelbel
- John Moran, Jr.
- Joe Pariseau
Colorado Lending Source
- John Pritzlaff, III
Aviation Technology Solutions
- Brooks Rarden
Northern Trust Bank, N.A.
- LaKay Schmidt
CCEE President Emeritus
- William Schuck
The Schuck Corporation
- Mark Schweitzer
Federal Reserve Bank
- Michael Serio
Citicorp North America, Inc.
- Brian Travis
Eaton Sales & Service, LLC
- Lisa Vogt
ThunderRidge High School

- Michele Warren
JPMorgan Chase Bank, N.A.
- Jeffrey Whiton
TransPort
- William Wright
Xcel Energy

CCEE Staff

- Robert Clinton
President
- Heidi Conley
Vice President
- Dennis Grogan
Program Director
- Amanda Dixon
Development & Program Associate
- Erica Fukuhara
Program Associate
- Audrey McKee
Administrative Assistant
- Michele Wing
Office Assistant

Editors

- Jerome Bruni
Chairman, CCEE
- John Brock, Ph.D.
CU at Colorado Springs

Copyright © 2008. Views expressed in *Economic Insights* are those of the author, and do not necessarily represent the views of the Colorado Council on Economic Education and its affiliates. Individual subscriptions are free upon request. Prior editions are available online in PDF format at www.ccee.net. Bulk black and white reprints are available for \$25 per 50 copies.

ISSN 1937-1977

Economic Insights



COLORADO COUNCIL ON
ECONOMIC
EDUCATION

225 East 16th Avenue
Suite 350
Denver, Colorado 80203

303.832.8480
888.815.2974
303.832.8474 fax

www.ccee.net

Nonprofit
Organization
U.S. Postage
PAID
Denver, CO
Permit #2508