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**Happiness Research: Insights and Consequences**

**Absract**

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*"The ultimate goal of Economics is, of course, to understand what constitutes well-being and how it can be increased / improved."*

Ben Bernanke, head of the US-Central Bank (until end of January 2014), August 2012

*“The traditional view is that we are more successful if we work hard. If we are successful, then we are happy.... The recent research results from the field of positive psychology have shown that it is exactly the opposite: We are successful if we are happy, not the other way around* “

Shawn Achor , The Happiness Advantage, New York 2010

**For discussion in economics – Introduction**

Economics is undergoing major changes. Cherished assumptions ("neoclassical paradigm") have been raised in the light of recent interdisciplinary findings as without solid base.

The rethinking of economics has two new directions that lie at different levels.

- The behavioural economics deals with the question of how people really decide. It moves away from the a priori assumption of homo economicus, the rational, selfishness and assumed time consistency in activities and argues on the basis of neurobiological and psychological insights of the dual action system.

- The interdisciplinary happiness research examines the question of what people really want. It is based on the basic economic question of how to use resources efficiently. It’s about how people use the ultimate scarce resource in their lifetime and thus be happy and satisfied. Therefore, it shows that the influence of material things are very limited. And the a priori assumption of "More material things are better than less" is not tenable in the light of the results of the interdisciplinary happiness research.

From a business perspective it’s by far not an absolute theoretical discussion.

It is important to be aware of these findings, since most of today's executives were more or less driven by the neoclassical paradigm in economics.

Unsustainable assumptions of neoclassical economics that lead to certain imprints also cause faulty management decisions and wrong leadership. Dealing with these assumptions is mandatory to allow the scientific foundation to overcome old imprints.

Old imprints used in studies, teachings and research in the last three decades dominated the neo-liberal paradigm. These imprints must be identified and invalidated as “mere” settlements before a new place is found and before the findings of the interdisciplinary happiness research can fall on a fertile ground and really find the way into everyday actions.

“Why write about happiness ….? Because emerging research from neuroscience, psychology, and economics make the link between a thriving workforce and **better performance** absolutely clear. Happiness can have an impact at both the **company** and the **country level**. And the movement to measure **national well-being** on factors other than GDP could be **game changing**:As we know, what gets measured gets managed. We’ve learned a lot about how to make people happy. We’d be stupid not to use that knowledge.”

Harvard Business Review, January / February 2012 p 77

We explained in our book entitled "Healthy Leadership with findings/perceptions of happiness research" (http://shop.haufe.de/gesundes-fuehren-mit-erkenntnissen-der-gluecksforschung) the meaning of "baseless assumptions " as well as the state of the current findings of the interdisciplinary research in economics in order to derive recommendations for management and personnel. Or to illustrate the words of the Chancellor Angela Merkel which she used as opening remarks at the conference of the Nobel Prize winner in economics in August 2014 in Lindau; ***“It is about distinguishing research in a "vacuum" from the "reality" ”.***

Which important role of the happiness research in economics has demonstrates the opening quotation of Ben Bernanke from the year 2012.

However, the Nobel Prize winner in literature of the year 1925, George Bernard Shaw, said a long time ago: "Economics is the art of making the most of our lives."

The findings of the happiness research have serious consequences for politics and companies. The implementation of the happiness research findings in politics and enterprises is already in progress.

Through the findings of happiness research the position of the churches is now experiencing a strong support from other disciplines.

In the beginning of 2013, the president of the protestant church council of Germany (EKD), the Bavarian Bischoff Professor Dr. Heinrich Bedford-Strohm published an article in the protestant Sunday newspaper about "Faith and Happiness" (http://www.sonntagsblatt-bayern.de /news/aktuell/2013\_06\_01\_01.htm).

The EKD Council President wrote:

"One thing is certain: the orientation of the Christian faith has a remarkable importance in the pursuit of happiness…. It has been proven that societies are happier when they are more equitable. It is not the absolute material level that decides the satisfaction of the people, but rather the question of whether everyone is involved or some are excluded? Interestingly, even the rich people in egalitarian societies are happier than those, which are characterized by large inequalities. It is therefore clear that the public support of churches for social justice is an internal connection in identifying happiness.

Heinrich Bedford-Strohm is also the publisher of the conference proceedings "Bliss - Theological speech of happiness in a challenging world", which was published for the same conference of the Society of Protestant Theology in February 2011 in Erfurt.

**I. Insights**

1. **What is happiness (subjective well-being)?**

Happiness research addresses happiness in the sense of happiness, i.e. with the subjective well-being and not with being "lucky", thus random luck (e.g. the probability of winning a lottery prize).

**There are two characteristics of the subjective Well-Being:**

1. **Emotional Well-Being:** is the emotional state at the moment. It is based mainly on the relationship between positive and negative emotions on a daily average. This is about the Well-being that people experience as they live their lives.
2. **Cognitive Well-Being:** is the degree of "satisfaction" with life (Evaluation). A trade-off takes place between what one wants (objectives, expectations, desires) and what one has. It is about the judgment that people make when they evaluate their lives. Goal setting is important here, as the decision is made based on whether the goals that are set by the people themselves have been met.

A happy person often enjoys positive emotions and rarely experiences negative feelings in the “Here” and “Now”. He sees a meaning in his life; therefore pursue meaningful and realistic (life-) goals.

For data collection methods, a survey for large-scale participants will be made, where each participant will be individually asked about his satisfaction with life (and lately also on the emotional well-being). One of the most commonly used data sets, is the Socio-Economic Panel (SOEP), which has been conducted since 1984 as a longitudinal analysis in Germany. The respondents have the possibility to talk about their own satisfaction with life in general or in specific areas (work, family, ...). Each will be evaluated on a scale of 0-10 that is from "very dissatisfied" to "very satisfied".

**2. What are the sources of subjective Well-being (so-called "Happiness Factors")?**

The interdisciplinary research on happiness deals intensively with the question of what important factors contribute to our subjective Well-being? In this context it’s the so-called happiness factors, they are source of subjective Well-being (benefits). The following factors were identified by the happiness research:

* Successful/ affectionate social relationships (partnership, family, friends, neighbours, colleagues ...)
* Physical and mental health
* Commitment and successful employment and / or Non-acquisition work
* Personal freedom
* Attitude (in terms of gratitude, optimism, social comparison, emotion management, ...) and life philosophy (spirituality, that is a personal search for meaning of life and religiosity)
* Means of satisfying the material (basic) needs and financial security

Social contact is an important factor of happiness, but also work plays an important role as well.

We need work because we want to do something useful with our time and generate income. Work creates opportunities for intellectual development. Work conveys the feeling of being needed, strengthens our confidence, creates identity and provides social contact.

1. **Why is it worth to be happy / satisfied?**

The person who is working on becoming happy and satisfied, will not only feel subjectively better, but also will have more energy, a better creativity, strengthen the immune system, have stronger relationships, work productively and increase his life expectancy. The well-known American psychologist Sonja Lyubomirsky talks of the most rewarding effort in life. High scores in subjective Well-Being (emotional: ratio of positive to negative feelings 3: 1 and more in daily average, cognitive: 8 and more on the scale of 0-10). Happiness is the result of a successful life, in other words, Being happy reflects/ reveals a successful life.

The medical professor Tobias Esch wrote in his book “The neurobiology of happiness – How the positive psychology changed the medicine (2nd edition, Stuttgart, among others 2014, p.28): "Thus happy people live **longer** (depending on the study, a "happy life" correlates with a higher life expectancy by 5-10 years), they are **less often sick**, **less likely become seriously ill** and / or **recover faster**."

**4. The relationship between happiness/satisfaction and economic growth in western industrialized countries over the last decades**

The worldwide large-scale survey on satisfaction practiced since the 1960’s showed that in western industrialized countries there is barely any connection between the increase in gross domestic product per capita and life satisfaction ("Cognitive well-being").

On the one hand, expectations adapt to the actual development. That is, as income increase expectations also increases, therefore, no greater satisfaction/happiness arises (So-called hedonic treadmill). On the other hand – if the basic material needs are satisfied - less absolute income, but rather more relative income - i.e. one's income in comparison to other is decisive. A general increase in income for everybody: results in an increase of social norms, therefore the level of satisfaction does not increase, as everyone receive more. With income changes: The sum of ranking positions in a national economy is fixed – when one rises, another one must scale down - a zero sum game.

**II. Consequences for...**

1. **... The (economic) policy**

According to the findings of happiness research, after the basic material needs are satisfied a further increase in income will not lead to more subjective well-being. This threshold might have already been achieved in (West) Germany in the 70s of the past century. After reaching this threshold, the (economic) policy should therefore no longer gear itself on achieving economic growth, but rather on a broader set of targets (set of indicators).

„For sure we will reach to the point, that the sound question is raised, of whether it is useful and right to produce more goods and material wealth, or if it makes more sense to win more free time, more consciousness, more leisure and more rest“

Ludwig Erhard, Welfare for all, 1957

OECD presented its "Better Life Index" in 2011, and since the beginning of 2014 the website is also available in German language (<http://www.oecdbetterlifeindex.org/de/>). In 2011, the OECD also published the study "How`s life? Measuring Well-Being". The OECD Guidelines on “Measuring Subjective Well-being " and " How`s life? 2013” were published in 2013.

The UN Happiness Report was published in 2012, 2013 and 2015. In the preface ("praises") of the UN Report 2013 the German Chancellor Angela Merkel and the British Prime Minister David Cameron were mentioned as global pioneers of directing Well-being as an objective of the (economic) policy.

The federal government is already in the process of developing appropriate set of indicators. The German weekly news magazine “Der Spiegel”- “The Mirror”- (Edition no.1 of 29.12.2014, p. 22-24) reported about the initiative of the federal government: "Now the government is looking for new formats in order to involve citizens more strongly. And on the search for happiness. ... No wonder that at federal chancellery there are already concrete expectations of the navel-gazing among Germans. Quality of life it is said, is not just economic growth. "This ranges from a happy family life through friendships and health and education, to work and adequate income," chancellor Angela Merkel said in June (2014."

The Federal Government of Germany seeks expert advice from the Behavioural Insights Institute of the British government, it advises the British government since 2010. The aim of this consultancy is the orientation of the government's policy to improve the subjective Well-being (in particular considering the satisfaction with life) of the people, for which the findings of the interdisciplinary research on happiness are central. However, implementing the policy should be based on the observable human behaviour and not on the assumed as in the case of neoclassical.

The German Chancellor Angela Merkel requested an explicit integration of the behavioural economics: "That also means we are certain that the homo economicus is much more than just an entity with economic data, but rather influences of behavioral economics and many others flows into a useful theory for the society. "

**2. ... for companies**

**a) Why should companies care about the well-being of their employees?**

* Improving **operational results/performance**;
* **Demographic development** in Germany
* **Image boost/enhancement** (respectively pure necessity) in order to remain competitive in **winning / retention of employees**

(Employer rating potal "Kununu" - belongs to the career network Xing - and "Job voting") - Keyword **Employer Branding**;

* important for the **health** of an **aging workforce**;
* important for the **willingness** to **voluntarily retire later on**;
* **Shift in the values** of **Generation Y** (those born from 1980) towards a holistic, satisfied / happy life;
* **Legal requirements** ("clarification" in the Labor Protection Law § 5 para. 3, no. 6, according to which the **risk assessment** also refers to mental stress at work).

Alone for economic reasons; because of the demographic development and changing values of Generation Y, companies should look after the happiness and satisfaction of their employees in the near future, in order to compete without having bad cards.

A persuasive, science-based "happiness strategy" will soon be a central component of a successful "Employer Branding".

**b) Where can companies concretely begin?**

**Two-pillar-concept** (happiness strategy) to increase Well-being

**Pillar 1** is about raising awareness / supporting the employees.

It's about pointing out the basic findings of the interdisciplinary happiness research (What is happiness (wellbeing)?, what makes/brings to Happiness ?, what are the factors of happiness ?, what is the significance/importance of work and money?), and a clarification of what an individual himself can do (happiness activities).

**Pillar 2** is about where the company can begin to improve the conditions for Well-being. This concerns the **leadership style**, the nature of **workplace design** and a sustainable **work-life balance**.

* **Compatibility of family and work (Work-life balance) -** Happiness is not separable

Satisfaction with the compatibility of work and private life means above all an improvement of the compatibility between work and family life. Without an adequate work-life balance a sustainable satisfaction cannot be achieved, therefore productivity at work will eventually suffer.

* **Workplace design:** From job to vocation

The company can lay the foundations in which a job is conceived as a vocation and therefore corresponds to work flow-experiences:

* Work requirements must be quantitatively and qualitatively manageable; it comes to avoiding over- and underload;
* Employees must have a certain influence on the work;
* Work must require a variety of talents and skills;
* Employees must be able to perform a specific task completely, thus, from the beginning to the end;
* Employees need to feel that their work has a meaning for others, for example through quality and usefulness of products, environmental sustainability, training efforts among young people, support for social projects in the society, scientific and cultural fields.

**Flow activities** are mainly characterised by being challenging activities that require special skills, focus all the attention on that action, targets are clearly outlined and instant feedback is given. With this kind of action you can totally forget everything around you and live up in your activity and totally forget about time. If you get into that flow, working goes on its own, and you don’t always have to force yourself to stay focused on the job.

**- Leadership** – It doesn’t work without leadership ethics and social/soft skills. Leadership has a central meaning. What is it about in details? It is basically an ethical-conscious management.

**Ethical leadership** describes the **individual self-discipline** to **balance** between what is best in **your own interests** and what should be done in **the interest of others**. In other words, it is about the behaviour that follows the golden rule.

**Golden Rule:** “How you want to be treated by others – that’s how you should treat them"(Bible, New Testament, Matthew 7:12) -. The philosopher Immanuel Kant speaks of the **categorical imperative.**

The Golden Rule applies to all areas of life, particularly in the area of dealing with each other in companies. Without this anchor, without such "leadership ethics", it will be difficult - game theoretic speaking - to attract employees to co-operate, that is releasing commitment and creativity.

In concrete terms managers should show interest in the welfare of their employees, care for them, take them seriously and be polite, put emphasis on politeness in the way employees deal with each other and enforce good behaviour. This involves:

* Share information;
* Give performance feedback;
* Promote development of individual employees;
* Fill exemplary role of managers;
* Provide scope for decision making;
* Promote teamwork and good working environment;
* Show fairness;
* Give recognition

**3. ... for individuals: Tips for a happy/ier life**

* Setting realistic and high-quality goals, that is, developing your own priorities and respond to them.
* Practice gratitude (and thus perceive the world more realistically and find out your strengths). Here a “Gratitude Personal Diary” is helpful in which a person enters 2-3 times a week, three positive experiences that have taken place in the last 24 hours.
* Train optimism (develop confidence through self-efficacy- "The glass is half full").
* Avoid musings and social comparisons (do not devalue your own goals).
* Strengthen the willingness to give („Giving is more blessed than receiving“)
* Intensify/increase social contacts (show respect, recognition, appreciation and attention. Show empathy and active interest in the fellow human beings)
* Learn to forgive (letting go)
* Live in the here and now (Enjoy, practice mindfulness and concentration).
* Search for the flow-effects (merging with what you are doing).
* Engage yourself with Religion and Spirituality (ask for a higher meaning).
* Take care of your body.

**Recommended Literature:**

Karlheinz Ruckriegel / Günter Niklewski / Andreas Haupt: Healthy leadership with findings of happiness research (German titel: Gesundes Führen mit Erkenntnissen der Glücksforschung), Haufe-Publishers, Freiburg/Germany 2014 (for more information about this book in German, look at <http://shop.haufe.de/gesundes-fuehren-mit-erkenntnissen-der-gluecksforschung>).

Information about the interdisciplinary research on happiness can be found as well on: www.ruckriegel.org.

**About the Person:**

Prof. Dr. Karlheinz Ruckriegel is a professor at the Technische Hochschule Nuremberg (TH Nürnberg). He teaches economics at the Faculty of Management. His major research interests and focus include macroeconomics, especially monetary and currency policy, behavioural economics and interdisciplinary research on happiness. He also works as a consultant and a lecturer for companies and in politics.