

# Finns Are Not Strange: New Results from Comparative EU Research on Job Satisfaction<sup>1</sup>

*This article reports new findings from comparative research on the determinants of job satisfaction in Finland, Denmark, the UK, Greece, France, and the Netherlands. The structure of job satisfaction is similar across countries, with job satisfaction being U-shaped in age, and higher salaries having a positive effect on job satisfaction. A high level of education, on the other hand, was in most cases found to have a negative impact on job satisfaction. Finns are not strange, in the sense that the structure of Finns' job satisfaction does not differ markedly from that of other countries.*



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## THE ECONOMICS OF "HAPPINESS"

The concept of utility is central to thinking in economics. However, economists have traditionally been skeptical of using subjective data on, for example, happiness or satisfaction as empirical approximations for utility in empirical research. By subjective data we mean data that consist of information on respondents' attitudes, in contrast to more traditional data on economic outcomes, prices or behaviour. The main reason for economists' skepticism stems from the fact that economists have traditionally been unwilling to compare utility levels of different individuals.

Yet, in recent times, there has been a rethinking among economists regarding the use of subjective questions on individuals' well-being, and many papers have been written starting with the assumption that subjective well-being can be taken as an empirical proxy for economists' theoretical concept of utility. Large scale literature reviews on the economics of subjective well-being can be found in, for example, Frey & Stutzer (2002a), Frey & Stutzer (2002b), and van Praag & Ferrer-i-Carbonell (2004).

Although it will probably be some years before it becomes clear whether the economics of subjective well-being was just a fad or is an integral part of economics, there are issues speaking in favour of the suitability of subjective well-being data for economic analysis. First, many studies have found that questions on subjective well-being do provide consistent results. For example, psychologists have compared answers to subjective well-being questions with more "tangible" psychological measures, and found that individuals who report higher satisfaction also smile more (Sandvik et al., 1993), and that satisfaction correlates with changes in facial muscles (Kahneman et al., 1999). Second, earlier research within the economics tradition (e.g., Freeman, 1978) has shown that including subjective well-being data in "traditional" empirical economic analysis has been successful, in the sense that it improved the predictive power of the model. This said, however, many economists are still suspicious, perhaps justifiably, of using data on subjective well-being, particularly as a dependent variable (Bertrand & Mullainathan, 2001).

An individual's overall satisfaction with life or overall well-being may be disaggregated into various domains, such as job satisfaction, leisure satisfaction, health satisfaction and so on (van Praag et al., 2003). Undoubtedly, job satisfaction is one of the most important domains of overall satisfaction with life. Indeed, the adult population spends a large amount of time at work. This can also be seen in the economics literature on subjective well-being, which is heavily skewed towards papers on job satisfaction.

### WHAT DOES THE STRUCTURE OF FINNISH JOB SATISFACTION LOOK LIKE IN COMPARISON WITH OTHER EU COUNTRIES?

The EPICURUS project, in which the Research Institute of the Finnish Economy is participating, aims to compare the structure of job satisfaction in Finland, Denmark, Greece, France, Spain, the UK, and in the Netherlands. In Finland, very few studies on job satisfaction have been carried out<sup>2</sup>. The results of the EPICURUS project are therefore particularly relevant, as so little in terms of earlier research is available.

The objective of the project has been possible to pursue, because the research group has had access to data from the European Community

Household Panel (ECHP), which covers the 15 old EU countries for the period 1994-2001 (1996-2001 for Finland). The big advantage of the data is their high degree of comparability between countries, with individuals having been asked the same questions in all countries. Another advantage is that it is a panel, which makes it possible to identify individual changes over time. The data are well suited for research on job satisfaction, as they contain not only information on job satisfaction, but also ample information on salaries, economic conditions, and other job-related phenomena.

The table below summarises the structure of job satisfaction in selected countries. Thus, the same equation explaining job satisfaction was estimated separately for each country. As can be seen from the table, the structure is similar across countries, but there are differences.

First, a higher salary is associated with higher job satisfaction. This is of course not surprising, and perfectly predictable from a theoretical perspective. It should, however, be noted that this effect has not always been found in earlier studies for other countries.

Age was found to have a U-shaped effect on job satisfaction, first falling and then rising. This

### Selected determinants of job satisfaction in Finland, Denmark, UK, France, Greece, and the Netherlands

Variable	Finland	Denmark	UK	France	Greece	the Netherlands
Salary	+	+	+	+	+	+
Age	-	-	-	-	-	-
Age squared	+	+	+	+	+	+
Upper secondary or higher education	-	0	0	0	0	-
Primary or lower education	+	0	+	+	-	0
Female	+	0	+	0	+	-
Occupation: manager/professional	+	+	+	+	0	+
Blue-collar worker	-	0	0	-	-	0
Working part-time voluntarily	0	0	+	0	+	+
Working part-time involuntarily	-	0	n.a.	-	-	0

Source: Westergård, N. and Kristiansen, N. (2004).

was also the case for all the other countries examined by the EPICURUS project, and the same effect has earlier been found to be true for other countries. In the case of Finland, the minimum job satisfaction was found to be at the age of 30. One explanation for this is that young people tend to overestimate their future earnings, and initially face a period of falling job satisfaction as reality turns out to be less rosy than thought (Lydon & Chevalier, 2002). The same U-shaped age pattern has also been found in studies on the structure of overall life satisfaction (e.g., di Tella et al., 2003).

The effect of education on job satisfaction is interesting, as a high level of education is significantly negative compared to the reference category, middle-level education, in several countries including Finland. And a low level of education is significantly better in terms of job satisfaction than a middle level of education<sup>3</sup>. It may be the case that, in Finland, a high level of education also comes with high aspirations, which have a negative effect on job satisfaction. This phenomenon has sometimes been called "preference drift" (van Praag, 1971) or "the satisfaction treadmill" (Kahneman et al., 1999) in the international literature. As can be seen, this was found in all EPICURUS countries except Denmark and Greece. In Denmark there is no statistically significant difference between educational groups, while in Greece persons with a low level of education report a significantly lower level of job satisfaction than those with higher levels of education.

Females were, for the most part, found to have higher job satisfaction than males. This was also found in the UK and Greece and almost for France. This is a rather remarkable finding, from which the term "gender paradox" has arisen. Why should women be more satisfied with their jobs, when they often get paid less than men even when doing the same job?

Job content seems to be an important, independent factor affecting job satisfaction, as managers or professionals tend to have significantly higher job satisfaction than blue-collar workers or workers in intermediate occupations. This result was also found to be consistent across the participating countries. Thus, the quality of a job, in some sense, matters, even when controlling for the wage level.

In the ECHP, respondents who are part-time workers were asked whether they worked part-time voluntarily or involuntarily. The result for Finland was that those who work part-time involuntarily have significantly lower job satisfaction than other workers. This indicates that some part-time work may in fact be a form of hidden unemployment.

#### **FINNS ARE NOT STRANGE!**

From a Finnish point of view, one can perhaps say that the overall result of this comparative research is that Finnish workers are not particularly strange, in the sense that the same factors that influence their job satisfaction also seem to affect the job satisfaction of individuals in other countries. This also means that the same puzzles, such as why females are often found to have higher job satisfaction than males, are relevant for Finland as well.

These puzzles should be investigated further in future research. However, this line of research will perhaps be most useful when the job satisfaction effects of various factors that may be influenced by public policy are investigated. For instance, how does the degree of competition within an industry affect job satisfaction? In the public debate, it is often argued that job satisfaction is deteriorating because of stress induced by competition. Another aspect concerns globalisation. Globalisation is often blamed for causing many bad outcomes, but solid research evidence is often lacking. Another area for fruitful research is the effect of (low) job satisfaction on actual behaviour, such as

early retirement. Indeed, can some early retirement decisions be explained by poor job satisfaction, holding other factors constant? If the answer is yes<sup>4</sup>, society has lots to gain by trying to improve older workers' job satisfaction.

## FOOTNOTES

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<sup>2</sup> Böckerman & Ilmakunnas (2004a,b) and Johansson (2004) seem to be the only Finnish economics-oriented papers that address these questions.

<sup>3</sup> Education levels are defined using the ISCED-standards. A high level of education is defined as ISCED categories 5 to 7, middle-level education as ISCED category 3, and a low-level of education as ISCED categories 0-2.

<sup>4</sup> Some work along these lines can be found in Plekkola & Deschryvere (2004).

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