

# Bosses matter: The effects of managers on workers' performance

What evidence exists on whether bad bosses damage workers' performance, or good bosses enhance it?

Keywords: managers, bosses, peers, productivity

## ELEVATOR PITCH

A good boss can have a substantial positive effect on the productivity of a typical worker. While much has been written about the peer effects of working with good peers, the effects of working with good bosses appear much more substantial. A good boss can enhance the performance of their employees and can lower the quit rate. This may also be relevant in situations where it is challenging to employ incentive pay structures, such as when quality is difficult to observe. As such, firms should invest sufficiently in the hiring of good bosses with skills that are appropriate to their role.

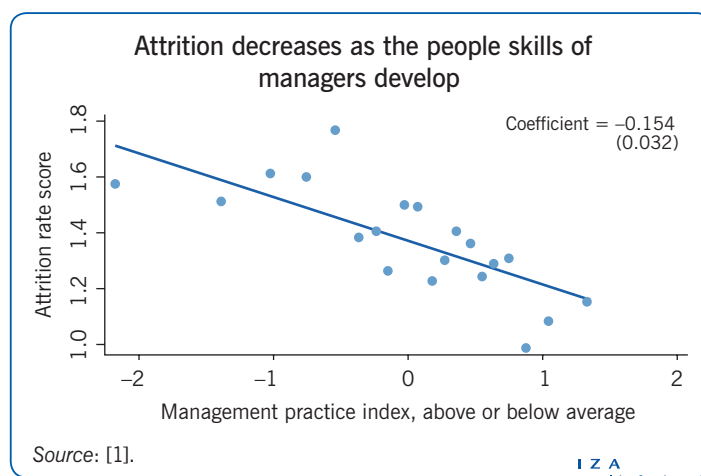
## KEY FINDINGS

### Pros

- + Economists now have good data to measure the effects of bosses on workers' performance.
- + Being assigned to a good boss increases personal productivity relative to being assigned to a bad boss and the effects are large.
- + Good bosses have some universal traits: they coach and teach and offer insight into the strategy of the firm and the worker's career goals in light of that strategy.
- + The effects of good bosses dominate the effects of good peers.
- + Workers quit bad bosses and bad bosses are more likely to leave the firm.

### Cons

- Boss traits are not universal; a good boss at one firm might not be a good boss at another firm.
- Managerial talent is sometimes innate, at other times it is learned.
- Good bosses are good in part because they attract good workers.



## AUTHOR'S MAIN MESSAGE

Firms make extensive investments in their employees. They invest in the hiring of workers that match the firm's needs, and they invest in workers' human capital once they are employed. New research suggests that the hiring and training of good bosses may carry substantial weight when it comes to workers' performance. Investing in a good boss has positive effects on the productivity of the workers he or she supervises, and on the retention of these workers. Hence, firms are now seeking to assess the effects that bosses have on their workers' performance, and to assess the traits of the bosses that have the most impact.