

## Happiness as a guide to labor market policy

Happiness is key to a productive economy, and a job remains key to individual happiness, also under robotization

Keywords: happiness, well-being, employment protection, wage-income distribution, robotization

### ELEVATOR PITCH

Measures of individual happiness, or well-being, can guide labor market policies. Individual unemployment, as well as the rate of unemployment in society, have a negative effect on happiness. In contrast, employment protection and unemployment benefits or a basic income can contribute to happiness—though when such policies prolong unintended unemployment, the net effect on national happiness is negative. Active labor market policies that create more job opportunities increase happiness, which in turn increases productivity. Measures of individual happiness should therefore guide labor market policy more explicitly, also with substantial robotization in production.

### KEY FINDINGS

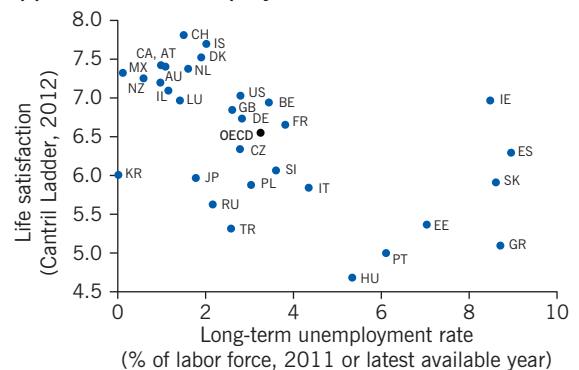
#### Pros

- + Unemployment has a significant negative effect on individual happiness and is comparable to personal trauma such as divorce or a death in the family.
- + Employment protection policy for permanent jobs contributes to happiness.
- + Unemployment benefits contribute to happiness.
- + Policies designed to increase employment opportunities also increase happiness.
- + Policies aimed at reducing income inequality, such as minimum wages, will increase happiness.

#### Cons

- The pain and subsequent unhappiness of losing a job is not fully compensated for by finding another job, unless this occurs seamlessly.
- Employment protection can increase unemployment for “outsiders” and hence be associated with unhappiness.
- Favorable unemployment benefits may prolong unemployment and thereby reduce happiness.
- Minimum wages may reduce happiness if they lead to more unemployment.
- Happiness-increasing policies have winners and losers, so there is risk to governments in introducing happiness-increasing policies.

Happiness and unemployment, OECD countries, 2012



Source: OECD Labour Force Statistics. Online at: <http://www.oecd.org/sdd/labour-stats/>; and Gallup World Poll. Online at: <https://www.gallup.com/analytics/232838/world-poll.aspx>

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### AUTHOR'S MAIN MESSAGE

Society should be organized to foster personal happiness and well-being. Employment is central in this context and happiness at work increases productivity, whereas unemployment has negative effects on long-term happiness. Policies that reduce unemployment can thus increase happiness; but, the timing and targeting of such policies is important. Robotization may decrease employment of certain groups with possible concomitant loss in happiness. So to ensure national well-being and greater productivity, governments should put full employment center-stage.