

# How Compensation Affects Employee Happiness

Alexander Kjerulf



# Topics

- The most relevant research about the link between compensation and employee happiness
- Why getting compensation right doesn't make employees happy – but getting it wrong makes them miserable
- How to get compensation right + great examples





**ASK**  
me anything  
in the comments



Why  
does  
this  
matter











Compensation  
doesn't matter

Compensation  
is all that matters



The background of the slide features a collection of coins. In the upper left, there is a small stack of three coins: a silver one-dollar coin on top, a gold coin in the middle, and a silver coin at the bottom. Scattered across the rest of the slide are several other coins, including silver quarters and a large gold coin in the lower right. The coins are resting on a light-colored, textured surface.

Compensation  
does not make  
employees happy

At best it makes  
them satisfied






Job satisfaction  
is what you **think**  
about your job





Compensation  
Office gym  
Fancy office design  
Employee of the month  
Office parties  
Bonus schemes  
Competitions  
Teambuildings  
Wellness programs  
Massages  
Laundry/dry cleaning  
Legal counseling  
Health insurance  
Free breakfasts  
Christmas presents  
Stop smoking programs  
Weight loss programs  
Nap pods  
Free drinks/coffee





Happiness at  
work is what  
you **feel** about  
your job



# Happiness drives results more than satisfaction

More productive

More creative

More helpful

Better customer service

More focused on quality

Better team-players

More open

More likeable

Show more empathy

More resilient

More persistent

Better physical and mental health

More optimistic

More motivated

More engaged

More energetic

Learn faster

Better leaders







# Results Relationships



The background of the image shows a collection of coins on a light-colored, textured surface. In the upper left, there is a small stack of four coins, including a silver one-dollar coin at the top. Scattered around this stack and across the lower half of the image are numerous other coins of various denominations, including pennies, nickels, and dimes. The coins are slightly out of focus, creating a sense of depth. The text is overlaid on this background, with the word 'unhappy' in a different color to emphasize the negative outcome.

Compensation  
can absolutely  
make employees  
unhappy



Compensation makes people  
unhappy when it is:

Not fair

Not livable



# 3 reasons why compensation doesn't make us happy at work

1. Creates satisfaction not happiness
2. Hedonic adaptation
3. Invites comparison with others



# Inequality at Work: The Effect of Peer Salaries on Job Satisfaction

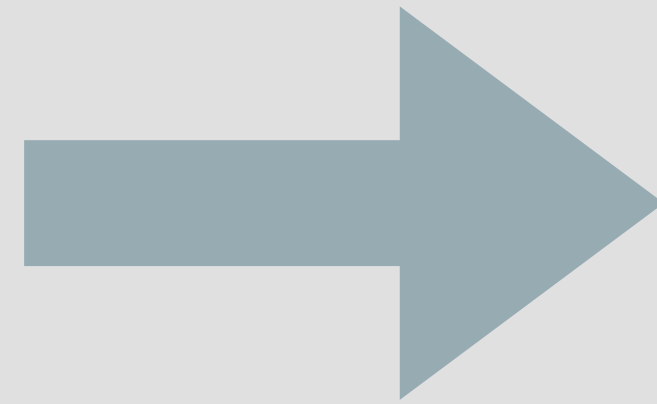
David Card, Alexandre Mas, Enrico Moretti, and Emmanuel Saez\*

November 2011

## Abstract

We study the effect of disclosing information on peers' salaries on workers' job satisfaction and job search intentions. A randomly chosen subset of employees of the University of California was informed about a new website listing the pay of University employees. All employees were then surveyed about their job satisfaction and job search intentions. We find an asymmetric response to the information about peer salaries: workers with salaries below the median for their pay unit and occupation report lower pay and job satisfaction, while those earning above the median report no higher satisfaction. Likewise, below-median earners report a significant increase in the likelihood of looking for a new job, while above-median earners are unaffected. Those negative treatment effects are concentrated among employees in the first quartile of each pay unit. Differences in pay rank matter more than differences in pay levels. Our findings suggest that job satisfaction depends on relative pay comparisons, and that this relationship is non-linear (*JEL* J24).

Compensation



Makes us  
unhappy  
when **not fair** or  
**not livable**.

Makes us  
satisfied  
(not happy) when  
fair and livable.



The factors that make  
us happy at work  
aren't just the factors  
that make us unhappy  
reversed



Take away the factors  
that make employees  
unhappy - but that's  
not enough





# Results Relationships





# Why do people work? The 3 work orientations

Job  
Career  
Calling



Source: [https://www.researchgate.net/publication/272177855\\_Jobs\\_Careers\\_and\\_Callings\\_People's\\_Relations\\_to\\_Their\\_Work\\_Amy\\_Wrzesniewski](https://www.researchgate.net/publication/272177855_Jobs_Careers_and_Callings_People's_Relations_to_Their_Work_Amy_Wrzesniewski)



People with the calling  
orientation are happier at  
work, happier in life  
AND more successful  
in their careers



Source: [https://www.researchgate.net/publication/272177855\\_Jobs\\_Careers\\_and\\_Callings\\_People's\\_Relations\\_to\\_Their\\_Work\\_Amy\\_Wrzesniewski](https://www.researchgate.net/publication/272177855_Jobs_Careers_and_Callings_People's_Relations_to_Their_Work_Amy_Wrzesniewski)



# 5 tips to get compensation right

Tip #1  
Check that salaries  
are fair and livable





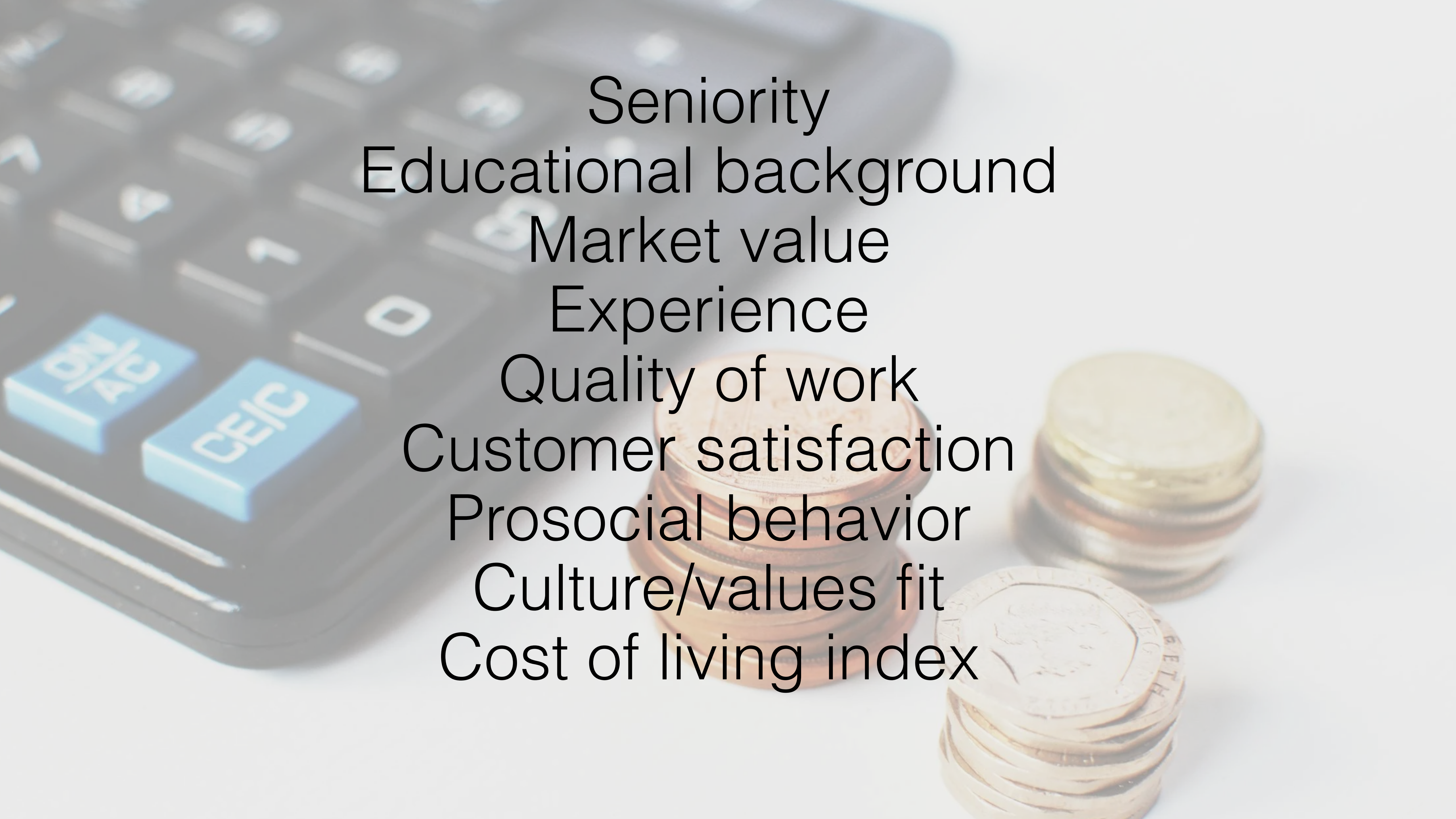
Don't pay employees  
as little as possible -  
pay them as fairly as  
possible

# Tip #2

Decide and communicate  
what **matters** for  
compensation and  
what doesn't





The background of the slide features a blurred image of a black calculator on the left and several stacks of gold-colored coins on the right. The calculator has blue buttons for 'ON/AC' and 'CE/C'. The coins are stacked in three distinct piles of varying heights. The text is centered over this background.

Seniority  
Educational background  
Market value  
Experience  
Quality of work  
Customer satisfaction  
Prosocial behavior  
Culture/values fit  
Cost of living index

Tip #3  
Don't make  
compensation the  
main source of  
appreciation



Tip #4

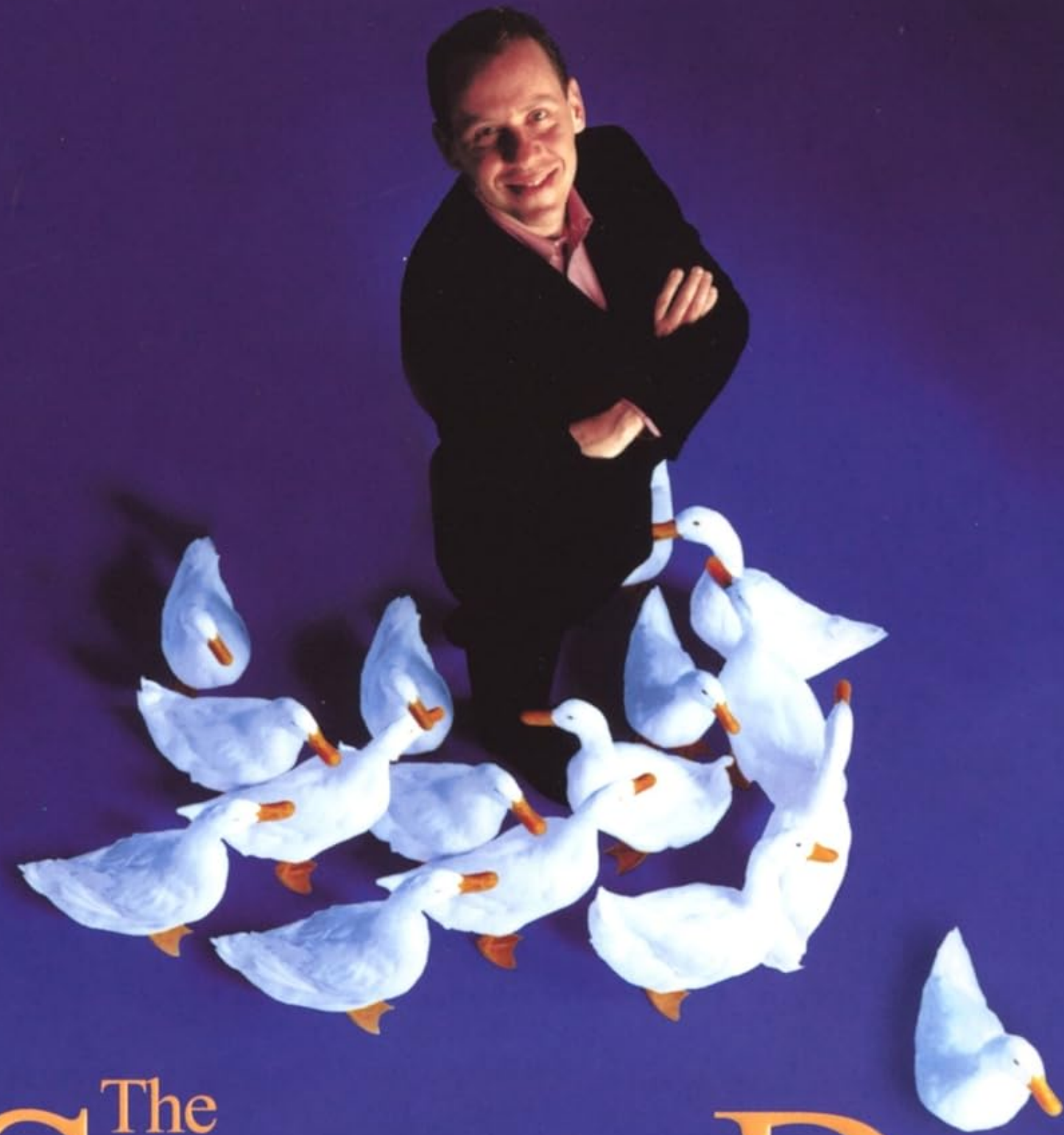
Let employees  
compare salaries





Ricardo Semler

Author of the bestselling *Maverick!*



# The Seven-Day Weekend

A Better Way to Work in the 21st Century

“The only source of power in an organization is information, and withholding, filtering, or retaining information only serves those who want to accumulate power through hoarding.

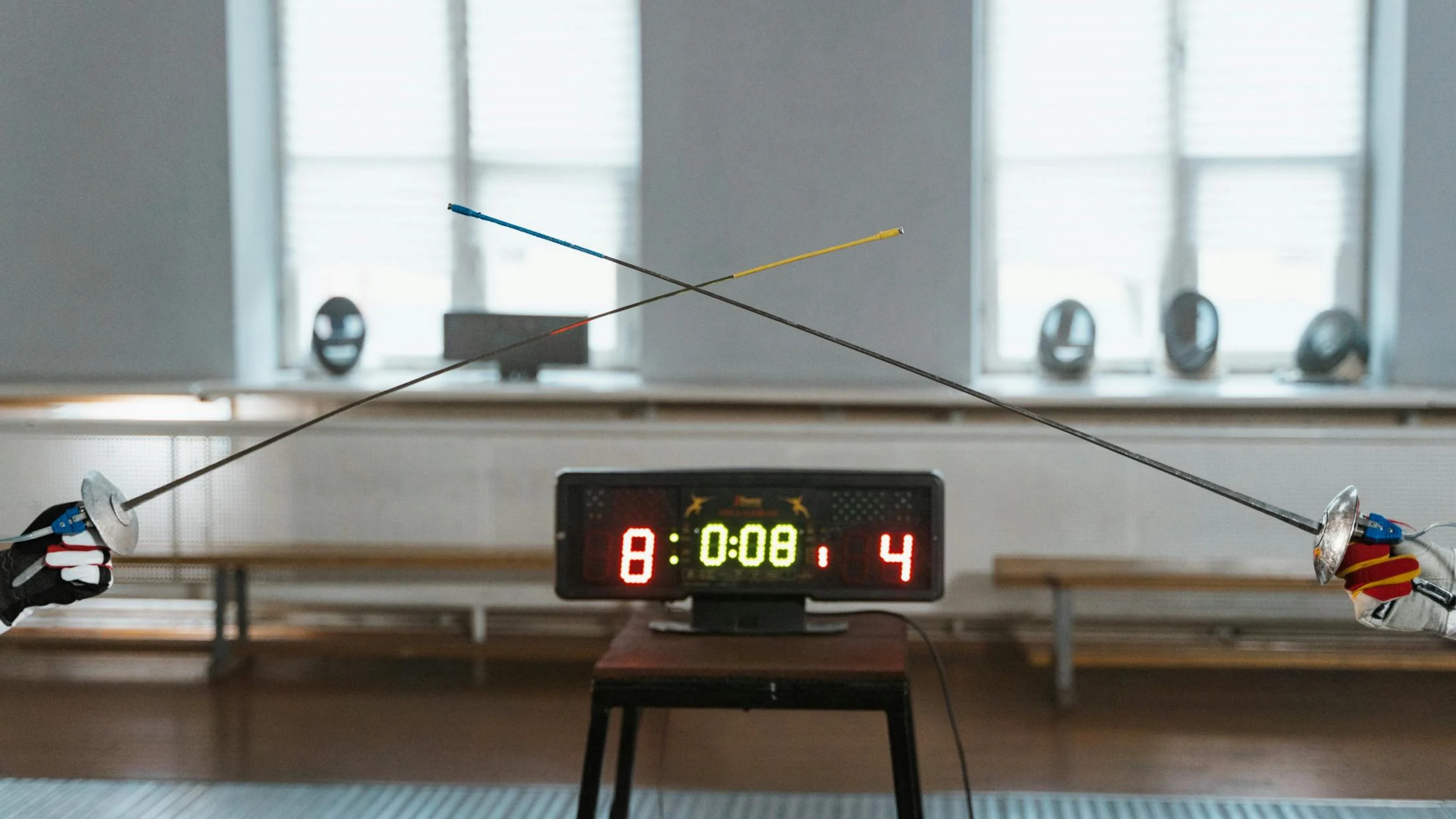
If discussion of salaries is taboo, what else is off limits?”

Tip #5  
Make employees  
happy at work



Compensation will  
never be perfectly fair







# More information



[woohooinc.com](http://woohooinc.com) / [positivesharing.com](http://positivesharing.com)



[linkedin.com/in/chiefhappinessofficer/](https://www.linkedin.com/in/chiefhappinessofficer/)



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H A P P I N E S S   A T   W O R K



**ANYONE**

can be happy at work

**Bookme**

[woohooinc.com/booking](http://woohooinc.com/booking)



# Thanks

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