Economic Growth and Happiness

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“A time series over 20-30 years in South Africa also shows a small decline of happiness in spite of modest economic growth.”

The 'Easterlin Paradox' holds that economic growth in nations does not buy greater happiness for the average citizen. This thesis was advanced in the 1970s on the basis of the then available data on happiness in nations. Later data have disproved most of the empirical claims behind the thesis, but Easterlin still maintains that there is no long-term correlation between economic growth and happiness.

This last claim was tested using the time trend data available in the World Database of Happiness, which involve 1531 data points in 67 nations that yield 199 time-series ranging from 10 to more than 40 years. The analysis reveals a positive correlation between GDP growth and rise of in happiness in nations. Both GDP and happiness have gone up in most nations, and average happiness has risen more in nations where the economy has grown the most; $r = +0.21$ $p <$ 05. On average a 1% growth in income per capita per year was followed by a rise in average happiness on scale 0-10 of 0.00335; thus a gain in happiness of a full point would take 60 years with an annual economic growth of 5%.

The data on time-series over 10 to 20 years are presented in the figure below. South Africa (ZA) appears twice in this scattergram, since two time-series of responses to two different survey questions about happiness have been used. Both denote a slight drop in happiness, the one on the left below the regression line over a period over which the economy did not grow and the one in the middle under the regression line over a period of modest economic growth. A time series over 20-30 years in South Africa also shows a small decline of happiness in spite of modest economic growth.

Why did economic growth not materialize in greater happiness in South Africa? Not because economic growth as such does not add to happiness, since it typically does in most other countries. The reason is probably that the gains of economic growth have been counterbalanced by the specific problems South Africa has encountered during the last decade, such as the regime change after Apartheid and mass immigration from the North. Economic growth is still a key to greater happiness for a greater number of South Africans.

1) Ruut Veenhoven & Floris Vergunst (2013) The Easterlin Illusion: Economic growth does add to happiness, Erasmus University Rotterdam, Netherlands, Erasmus Happiness Economics Research Organization, EHERO working paper 2013/1.

Globally, workplace bullying is a growing phenomenon which affects millions of employees. Bullying is caused by power struggles in ineffective working environments. The impact on both the employer and employee is significant and there is a negative impact on the employment relationship. It may lead to reduced job performance and productivity, individual health problems, job dissatisfaction and intentions to quit.

Recent research in an information technology company indicates that although the perception of the majority of the respondents is that they have never been bullied, the frequency analysis of the negative actions revealed that bullying is indeed prevalent in the company and thus poses a threat to both the company and employees. Bullying did not just affect the victim but also the observers/witnesses thereof. The research indicated that the perpetrators of bullying are mostly managers, followed by colleagues and then customers. The findings also suggest that victims are bullied in work groups based on the victims' perceptions which would further support the fact that managers are more often than not the perpetrators.

Our research suggested that it may well be the young work-force that is prone to bullying. The majority of bullying behaviour is related to the job itself and refers to more subtle forms of abuse including high frequencies of negative acts such as “someone withholding information that affects your performance”, “having your views and opinions ignored”, “being ordered to do below your level of competence” and “having key areas of responsibility removed or re-placed with more trivial or un-pleasant tasks”.

Organisations will not flourish and become employers of choice if bullying occurs. Employers will find better resources, people will choose to stay as they will endure less stress and have more fun, which will ultimately result in reduced turnover, enhanced loyalty, increased performance and increased attractiveness to potential investors and clients. South African companies need to become aware of the impact of bullying behaviour not only on the company but also on individuals. In the competitive environment where companies need to thrive, it is important to keep employees motivated, protected and committed and thus satisfied which will again lead to lower levels of intention to quit.

A once-off study is not sufficient to understand bullying at work. Ongoing research to monitor and manage the incidence and awareness of this construct is recommended and to determine the impact of workplace bullying on both the company and individuals in the South African context. Further research can add value to the negative aspects of labour relations management to create awareness of bullying, and also to obtain optimal data integrity with regards to benchmarking, analysis and training towards positive and pro-active labour relations.

“Economic growth and rising happiness in nations Correlation in 114 series over 10 to 20 year periods”