

<b>Institution: University of Aberdeen</b>
<b>Unit of Assessment: Economics and Econometrics UoA18</b>
<b>Title of case study:</b> Socioeconomic Status and Labour Market Experiences: Effects on Quality of Life, Well-Being and Individual Health.
<p><b>1. Summary of the impact</b></p> <p>Research carried out at the University of Aberdeen into the factors that influence the job satisfaction, health and well-being of employees has directly informed national and international policy reviews and reports. In the UK, recommendations from the research were incorporated into the Hutton Review of Fair Pay in the Public Sector; internationally, they were included in several EU Commission policy reviews and business press reports. The research was also presented direct to policy makers at EU forums and achieved considerable secondary reach through media coverage.</p>
<p><b>2. Underpinning research</b></p> <p>The health and well-being of employees are important factors both in the smooth functioning of workplaces and the economy at large, and in terms of social harmony and cohesion. In November 2010, Prime Minister David Cameron proposed that the government should no longer use just economic indicators to assess the UK's progress, but that it should also take people's sense of well-being into consideration. Socio-economic status and labour market experiences both have substantial influence on employees' job satisfaction, health and well-being, affecting their performance and, in some cases, even their ability to work.</p> <p>It is on these areas that Ioannis Theodossiou, Professor of Economics at the Centre for European Labour Market Research at the University of Aberdeen since 1998, together with Konstantinos Pouliakas, a PhD student (2003-2007) and Research Fellow (2007-2011) at the University of Aberdeen, has focused a substantial body of research. This consisted in three EU Commission-funded projects investigating the effects of different aspects of pay, job structure and health and safety on well-being at work.</p> <p>The first research project, <i>Socio-economic and occupational effects on the health inequality of the older workforce</i> (SOCIOOLD), examined from November 2002 how inequalities in socio-economic and occupational status affect the physical and mental health of older people in the workforce, as well as their ability to participate in the labour market and thus to provide for themselves in retirement. It also looked at how policy initiatives might be developed to enhance the effectiveness of welfare services for the older workforce. One thousand people aged 50 to 65 were questioned in each of six countries - France, UK, Greece, Finland, Denmark and The Netherlands. The three-year study revealed that short term contracts and unemployment have a detrimental effect on health and life expectancy.</p> <p>Also starting in 2002, the second project, <i>Societal and economic effects on quality of life and well-being: preference identification and priority setting in response to changes in labour market status</i> (EPICURUS), examined job satisfaction and quality of life. One thousand people aged 18 to 65 were questioned in the six countries already mentioned plus Spain, on working patterns and changes to them, and inequalities in socio-economic status affecting the quality of life of individuals. It explored the effects of different pay incentives - including bonuses, piece-rates, options and profit sharing - on the job satisfaction of workers.</p> <p>EPICURUS established that considering the organisational environment and the nature of the job is crucial when designing pay policies to enhance the well-being of the workforce while full time employment is best for quality of life and well-being. It also found there is a much stronger case for linking pay to performance at senior levels of public organisations than for the rest of the workforce.</p>

From 2007 to 2010, the third research project, HEALTHatWORK, reviewed existing data from national surveys conducted in 15 countries into safety and health at work and its effects on quality of work and life, job satisfaction and reduction of lost time at work in an era of aging populations, feminised labour markets and increasing numbers of small and medium sized employers. Additional surveys about illness and injury at work were carried out in the Netherlands, UK and Poland.

The study concluded that that while competitive markets require employees to have all the information available to employers about workplace risks, this often does not occur, particularly in relation to accident prone occupations and the likely severity of potential incidents. It also found that the social class distribution of occupational accidents and illnesses is skewed, and that individuals who suffer work-related accidents or ill-health face a higher probability of unemployment, experience early exit from the labour market or face increased difficulties in finding a suitable job. A significant proportion of the European labour force remains idle following an accident or ill health.

### 3. References to the research

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2. Pouliakas K and Theodossiou I (2010). Differences in the Perceived Quality of High and Low-paid Jobs in Europe. *The International Labour Review, Journal of the International Labour Organization (ILO)*, 149, 1, 1-29. DOI: [10.1111/j.1564-913X.2010.00073.x](https://doi.org/10.1111/j.1564-913X.2010.00073.x)
3. Pouliakas K (2010) Pay enough, don't pay too much or don't pay at all? The impact of bonus intensity on job satisfaction, *Kyklos*, 63, 4, 597–626. DOI: 10.1111/j.1467-6435.2010.00490.x <http://onlinelibrary.wiley.com/doi/10.1111/j.1467-6435.2010.00490.x/abstract>
4. Pouliakas K and Theodossiou I (2012). Rewarding Carrots & Crippling Sticks: Eliciting Employee Preferences for the Optimal Incentive Design. *Journal of Economic Psychology*, 33, 1247–1265. DOI: [10.1016/j.joep.2012.08.006](https://doi.org/10.1016/j.joep.2012.08.006)
5. Drakopoulos S and Theodossiou I (In Press). Worker's Risk Underestimation and Occupational Health and Safety Regulation. *European Journal of Law and Economics*, (online published 2012). <http://link.springer.com/article/10.1007/s10657-012-9379-3>
6. Pouliakas and Theodossiou (2010). An Inquiry Into the Theory, Causes and Consequences of Monitoring Indicators of Health and Safety At Work. *MPRA*, 2010. <http://mpa.ub.uni-muenchen.de/20336/>  
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Pouliakas K and Theodossiou I (2013). The Economics of Health and Safety at Work: An Interdisciplinary Review of the Theory and Policy. *Journal of Economic Surveys*, 27, 1, 167-208. DOI: [10.1111/j.1467-6419.2011.00699.x](https://doi.org/10.1111/j.1467-6419.2011.00699.x)

#### Grants:

SOCIOLD, 5th Framework Programme, 2002-2006. Socio-economic and Occupational Effects of the Health Inequality of the Older Workforce, Key Action n6: The Ageing Population and Disabilities (QLK6-CT-2002-02292) c£1,000,000, Coordinator: Ioannis Theodossiou. [www.abdn.ac.uk/sociold](http://www.abdn.ac.uk/sociold)

EPICURUS, 5th Framework Programme, 2002-2006, Societal and Economic Effects on Quality of Life and Well-being: Preference Identification and Priority Setting in Response to Changes in Labour Market Status. Improving Human Potential (HPSE-CT-2002-00143), c£1,200,000,

(Coordinator: Ioannis Theodossiou), [www.abdn.ac.uk/epicurus](http://www.abdn.ac.uk/epicurus)

HEALTHatWORK 7th Framework Programme, 2008-2011 An Inquiry into the Health and Safety at Work; a European Union Perspective. HEALTH-2007-4.2-3, Grant agreement no.: 200716, c£788,000.00, (Coordinator: Ioannis Theodossiou.), [www.abdn.ac.uk/haw](http://www.abdn.ac.uk/haw)

#### 4. Details of the impact

Research conducted by Theodossiou and Pouliakas has impacted on national and international policy through feeding into influential policy papers and reviews. Extra impacts have been achieved through public engagement and media activities.

In the UK, the EPICURUS research led by Theodossiou was cited in the *Hutton Review of Fair Pay in the Public Sector* (2011). The review was commissioned by the Prime Minister and the Chancellor in June 2010 to produce recommendations on promoting pay fairness in the public sector by dealing with disparities between the lowest and the highest paid. It recommended that the pay of senior public servants should be directly linked to their performance and that the level of pay should be explained clearly to the public, saying that 'there is a much stronger case for linking pay to performance at the senior levels of public organisations, as opposed to the rest of the workforce' in view of the fact that 'performance pay is associated with greater job satisfaction when individuals are performing autonomous jobs and are employed on permanent contracts'. The later assertion is an empirical finding from Pouliakas and Theodossiou (2009) ([5.1].

The Government announced in the 2011 Budget that it accepted the recommendations in the final Hutton report as a basis for consultation with public sector workers, trades unions and others and promised that proposals will be set out that are affordable, sustainable and fair to both the public sector and the taxpayer [5.2].

Internationally, EPICURUS was cited in the first chapter of the 2011 *Employment and Social Developments in Europe* review [5.3], an annual comprehensive analysis of the challenges facing the EU in terms of employment and social policy. This review feeds into the European Semester, the EU's annual timetable for drawing together information, identifying challenges, setting strategy and issuing policy advice.

The research related to the HEALTHatWORK study was cited in *Socio-economic costs of accidents at work and work-related ill health*, a major report for the Directorate-General for Employment, social affairs and inclusion, published by the European Commission in November 2011 [5.4]. The report aimed to provide employers, workers' organisations and representatives, policy makers, managers and occupational safety and health authorities with an overview of the economic aspects of occupational health and safety. It assessed the considerable financial consequences of accidents at work and work-related ill-health and argued that employees' ability to work and their productivity could be hampered following an incident at work. It concluded that investing in measures to prevent accidents and ill health benefits employers.

The report quotes research from the HEALTHatWORK (in Theodossiou and Pouliakas (2010)), noting that 'individuals that experience accidents or ill-health related to work may face a higher probability of unemployment, experience early exit from the labour market or face increased difficulties to re-enter into a suitable job. Studies point to the fact that this provokes the effect that a significant portion of the European labour force remains idle following the occurrence of an accident or case of ill health, as individuals do not feel capable of performing the work that they performed prior to the incident' [5.4].

In terms of public engagement, Theodossiou was invited by the Commission to present the research at EU forums such as *Investing in well-being at work - Addressing psychosocial risks in times of change* in Brussels in November 2010. The audience included policymakers from the European Commission and individual member countries .

**Impact case study (REF3b)**

The research has also attracted considerable interest from the media, and during 2010 and 2011 Pouliakas was interviewed for articles in *The Scotsman* (circulation 28,500), the Portuguese newspaper *Diario Economico* (circulation 220,000), and the Russian magazines *Elite Trader* and *Finance*, and *Investment Business* weekly. Pouliakas was also interviewed by the BBC radio programme *Business Scotland* in February 2011.

The research results were published on the projects' websites contemporaneously, and although visits to the sites have not been measured, Theodossiou is still receiving emails inquiring about the research.

**5. Sources to corroborate the impact**

1. *Hutton Review of Fair Pay* in the Public Sector, March 2011. (page 47).  
[http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/indreview\\_willhutton\\_fairpay.htm](http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/indreview_willhutton_fairpay.htm)
2. Shepherd and Weddburn (law firm) article on the Hutton Report.  
<http://www.shepwedd.co.uk/knowledge/?a=895>
3. The first chapter of the *Employment and Social Development in Europe* 2011 annual report, the main publication of the DG Employment of the European Commission (which has replaced the *Employment in Europe* reports);(page 64).  
<http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1137&furtherNews=yes>  
<http://bookshop.europa.eu/en/employment-and-social-developments-in-europe-2011-pbKEBD11001/?CatalogCategoryID=WpIKABst.SMAAAEjGJEY4e5L>
4. Report of DG EMPL of the EU Commission (2011) 'Socio-economic costs of accidents at work and work-related ill health' Nov 2011. Benosh\_final report\_DEF - European Commission - Europa, (page 36).  
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**Articles:**

5. *The Scotsman*, Sat 26 Feb 2011,
6. *Diario Economico* newspaper (Portuguese) 2 Feb 2010 p.16, (Title of article: Bónus de baixo valor desmotivam trabalhadores),
7. The Russian magazine *Elite trader*,  
<http://elitetrader.ru/index.php?newsid=89241>,
8. *Investment Business Weekly* March 20 2011  
[http://www.verticalnews.com/premium\\_newsletters/Investment-Business-Weekly/2011-03-20/85567IBW.html](http://www.verticalnews.com/premium_newsletters/Investment-Business-Weekly/2011-03-20/85567IBW.html)

**Radio interview**

9. Pouliakas in the BBC radio *Business Scotland* programme Feb 2011 (Are bonuses bad for you?  
Douglas Fraser | 09:56 UK time, Sunday, 20 February 2011)  
[http://www.bbc.co.uk/blogs/reporters/douglasfraser/2011/02/are\\_bonuses\\_bad\\_for\\_you.html](http://www.bbc.co.uk/blogs/reporters/douglasfraser/2011/02/are_bonuses_bad_for_you.html)