



Job satisfaction, working conditions and aspirations

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ABSTRACT

People's evaluation of objective working conditions (job satisfaction) may be only partially explained by the objective working conditions faced by workers. Individuals are constantly drawing comparisons from their environment, from the past or from their expectations of the future. Workers look both upward and downward when making comparisons and aspirations about working conditions. They fix both lower aspiration bounds (that are, minimum acceptable working conditions) and upper aspiration bounds (representing the best working conditions they can obtain on the labour market). Reality lies between the upper and the lower bounds. Distance between aspiration bounds and reality might create biases in the evaluations of job satisfaction. In this paper, we propose a new approach towards studying the following issues: (i) we analyse the existence and the impact of aspiration biases on workers levels of job satisfaction; and, (i) we analyse whether workers adapt to conditions shedding light on the relationship existing between aspiration biases and working conditions actually experienced in the job place. These issues are empirically studied using the 2005 European Working Condition Survey (EWCS). We find that aspiration biases exist. On average, divergence between individual working conditions and the upper aspiration bounds has stronger effect in reducing job satisfaction than the distance between the lower aspiration bounds and reality in increasing job satisfaction. Finally, aspiration biases seem to be positively affected by good working conditions and negatively affected by bad working conditions.

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1. Introduction

In recent years economists have taken an increasing interest in the analysis of the subjective well-being of individuals (Easterlin, 2001; Frey & Stutzer, 2002 for a review; Clark & Oswald, 1994, 1996). Next to the economic literature, there are more than 3000 studies which have been carried out over the last 30 years by psychologists and sociologists (Veenhoven, 1994, 1997; Warr, 1999). Many economic studies use micro-data to understand the determinants of answers to questions about satisfaction with life (or aspects of it like work): identifying the factors that raise or depress satisfaction is central to the understanding of well-being. But, the science in this area is relatively young and much needs to be done to establish the key empirical regularities, to understand when they are found, and why, in some cases, they do not hold (Anand & Clark, 2006).

Interest in individual well-being and in understanding the determinants of job satisfaction may emerge from the following observations. First, satisfaction may be thought of as an indicator of utility and the study of its determinant may

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contribute to the development of substantive theories of utility. Second, job satisfaction may be seen as an indicator of quality of work and the latter is often pointed out as the key condition for boosting employment and productivity in Europe (European Commission, 2003 and European Commission, 2007; Kok, 2003). Third, according to Sen (1977, 1979, 1999), it is the opportunity to live a good life, rather than the accumulation of resources, which matters most for well-being, along with the opportunities that result from the capabilities (i.e. a set of alternatives) that people have. Thus, studying satisfaction may provide help in understanding what makes a good life for a human being and to build up from this towards a theory of social good. Fourth, the above arguments are policy relevant. In particular, following the second argument, policies should focus on the determinants of job satisfaction in order to improve satisfaction and, therefore, employment and productivity.

People's evaluation of objective working conditions (job satisfaction) may be only partially explained by the objective working conditions faced by the workers. Individuals differ in personality, as well as emotions and cognitive process (Diener, Suh, Lucas, & Smith, 1999; Schwarz & Strack, 1999). They can be optimist or pessimist (Groot & Maassen van den Brink, 2007). They are constantly drawing comparisons from their environment, from the past or from their expectations of the future. They have different *aspiration levels* (Stutzer, 2004). Thus, two workers with jobs of identical objective characteristics may show radically different levels of job satisfaction. For one, the job may entail a decrease in status or a source of frustration if she/he expected to have a better valued job, whereas for the other, who perhaps had very low aspirations owing to a lower level of education or other reasons, the same job may be related with perceptions of good quality.

In general, individual satisfaction depends on the existing gap between aspirations and achievement (Fernandez-Macia & Munoz de Bustillo Llorente, 2005; Inglehart, 1990; Michalos, 1991). There are two main processes that form workers' aspirations and create the relativity in people's evaluation (Stutzer, 2004).

First, people make social comparisons that drive their positional concerns for working conditions. It is not only the objective working condition that matters, but also one's position relative to other workers.¹ In other words, individuals are constantly drawing comparisons from environment, from the past or from their expectations of the future and they formulate some aspirations about working conditions. These aspirations might create biases in people evaluations of working conditions (levels of job satisfaction). Some authors assume that people look upward when making comparisons and aspirations thus tend to be above the reality (i.e. Stutzer, 2004). In our view, this is not true: individuals look both upward and downwards when making comparisons and aspirations. Looking downward, individuals fix lower aspiration bounds representing minimum acceptable working conditions. Looking upward, workers fix upper aspiration bounds representing the best working conditions they can obtain on the labour market. Reality lies between the lower and the upper aspiration bounds.² The larger the distances between reality and lower aspiration bounds, the more satisfied workers will feel (positive aspiration biases): their evaluations of quality of work will be revised upward. Instead, the larger the distances between reality and upper aspiration bounds, the more unsatisfied workers will feel (negative aspiration biases): their levels of job satisfaction will be revised downward. The main contribution of this paper is in analysing the impact of both positive and negative aspiration biases on job satisfaction separately.

Second, people adapt to the contexts they live in (Clark, Diener, Georgellis, & Lucas, 2008; Easterlin, 2001; Sen, 1999; Stutzer, 2004). For example, individuals experiencing bad situations (i.e. bad working conditions) may get used to such contexts and, therefore, they could adjust their perceptions about the reality they live in (i.e. they could revise downward the lower aspiration bounds). Instead, good working conditions may provide satisfaction, but they could also imply upward revisions of the aspiration bounds. These observations imply that the working conditions effectively experienced by individuals could have an impact upon aspiration biases in complex way. In this paper, we study the impact of working conditions on aspiration biases.

Resuming, we contribute to the literature by proposing a new approach to how the following issues are studied. First, we analyse the existence and the impact of both positive and negative aspiration biases on workers levels of job satisfaction. Second, we analyse whether workers adapt to conditions, which sheds light on the existing relationship between aspiration biases and working conditions actually experienced in the job place.

The issues discussed above are empirically studied using the 2005 European Working Condition Survey (EWCS), a cross-sectional dataset providing unique and very detailed information on quality of work in Europe (i.e. working time, work organization, pay, work-related health risks and health outcomes, and access to training). Unfortunately, the survey does not contain data on people's aspirations. Therefore, we consider aspiration biases about working conditions as unobservable, and we assume explicit distributions for these as being unobservable. We estimate a two-tiered stochastic frontier model (Groot & Oosterbeek, 1994; Polachek & Yoon, 1987; Groot & Maassen van den Brink, 2007).³ In this model, differences between observed levels of job satisfaction and realistic perceptions of quality of work (that are, the objective evaluations of working conditions) can be due to two sources of variation. First, self-reported worker levels of satisfaction might be subject

¹ From a theoretical point of view, we may refer to a model of relative concerns that assumes an individual i with working conditions z_i has utility (or happiness) of the form $U(z_i, z_{-i})$ where z_{-i} represents the working conditions of others. In particular, we can suppose relative concerns arise because it is a fundamental psychological mechanism to evaluate objects and opportunities by means of relative comparisons. Thus, envies and pride may affect utility and happiness. See Hopkins (2008) for a deep discussion.

² The individuals accept to work only if working conditions are at least acceptable; therefore, reality is above the lower aspiration bound by definition.

³ Note that the contribution of Groot and Maassen van den Brink (2007) is an important reference for our work. Using 1995 UK data, the authors analyze whether self-reported measures of life satisfaction are biased by optimistic or pessimistic dispositions of respondents. They view life satisfaction as stochastic and estimate a two-tiered quality of life stochastic frontier model to account for upward and downwards biases in self-reported quality of life questions. The results suggest that the realistic values of life satisfaction are closer to the pessimistic values than to the optimistic ones.

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