

Executive Insights

Less Isn't Always More: Happiness, Health, Four-Day Weeks and the Quest for Better Productivity

The U.K. economy has a well-documented productivity problem. Eurostat data shows that the lag behind Denmark, the E.U. country with the shortest working week, is now 23.5%¹. Debate continues about the causes of the situation and how to fix it, as do discussions about excessive working hours, with employees of all demographics seeking better work-life balance in the name of health and well-being.

For many companies, managing millennials, now the largest generation at work, is one of the biggest challenges. The entrenched view is that millennials see themselves as an entitled generation and are harder to please than older cohorts — and therefore pose a threat to corporate productivity. Evidence and patterns seen by L.E.K. Consulting suggest the opposite. All cohorts wish to see impact resulting from their work, and millennials have raised this as a priority. Work that has an important impact is more productive almost by definition, and there is significant opportunity for businesses to harness this positive alignment.

The recent trend has been to try to increase workplace satisfaction levels — and therefore productivity — by giving staff much of what they've been asking for. The zeitgeist right now is the idea of the four-day working week.

But a well-established theory, the hedonic treadmill, backed up by multiple academic studies, suggests that the four-day week and other newer strategies for workplace management may need to be reappraised. It says that people return to a base level of happiness after positive (and negative) experiences — in other words, after a potential spike in staff satisfaction and engagement after initiating a four-day week or other “sweetener”, levels are likely to revert to where they were before, therefore threatening the company's productivity rather than adding to it.

This *Executive Insights* reviews these workplace dynamics and provides an overview of the steps companies — in particular, those in service industries — could take to improve their productivity, staff satisfaction and well-being. With a rigorous approach based on research and analysis, there is much that companies can do to avoid the effects of the hedonic treadmill.

Reducing working hours to boost worker happiness and productivity?

There is increasing interest in the idea of experimenting with a four-day week to make staff happier and improve their work-life balance.

Many of the U.K.'s four-day week initiatives followed a trial in 2018 by New Zealand financial services company Perpetual Guardian, which the company said contributed to a 24% increase in productivity. With “productivity” measured as output per hour, this level of increase means that total output in approximately 80% of the previous “full-time” hours worked is almost exactly the same as it was before — i.e., overall “production” is maintained.

Less Isn't Always More: Happiness, Health, Four-Day Weeks and the Quest for Better Productivity was written by **Peter Ward** and **Andrew Allum**, Partners at L.E.K. Consulting. Peter and Andrew are based in London.

For more information, please contact strategy@lek.com.

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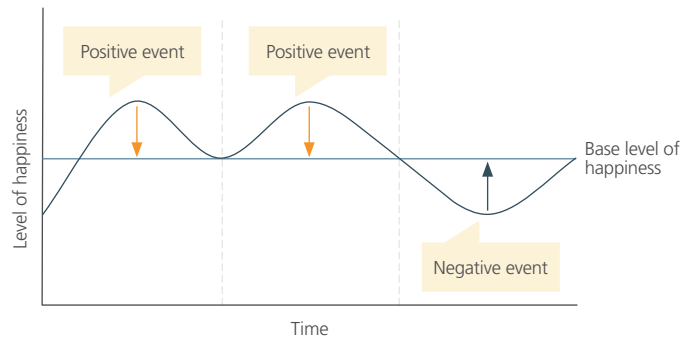
Tech-forward insurance broker Simply Business, recruitment firm MRL, and Elektra Lighting are just a few of the U.K. companies that have announced four-day week initiatives this year. While it is early days for most of these experiments, some companies have reported positive results. Pursuit Marketing in Glasgow, for example, dropped Fridays in 2016 and says it has seen a 30% increase in productivity as a result. Plus, the company reports a record low number of sick days, and it now has no need to pay recruiters to attract staff. In this case both overall production and cost efficiency improved, and the originally intended staff-facing benefits were achieved.

Whilst a tiny fraction of the U.K. workforce is on a four-day week, many believe the shorter week could be practical. According to YouGov research, three-quarters of workers say they could get their jobs done in four days². However, this radical concept can be complex to implement, runs counter to conventional working practices (including some clients' expectations), is disruptive at least initially, and takes careful thought and planning³.

Whether or not the four-day week catches on, it follows the train of thought that if you can increase people's happiness at work, they will be more productive. There is some evidence to suggest the link: research from the University of Warwick indicates that happiness can make people 12% more productive in employment⁴.

Employment satisfaction has been a major focus for many organisations in the past few years as they have grappled with how to attract and retain millennials, people born roughly between 1981 and 2000, who are now the largest population in the workforce. The prevailing thinking of many employers is that millennials have been brought up with a sense of entitlement and are harder to manage than older generations because they want more in the workplace, from feedback, responsibility, training and promotion, to flexible working, remuneration and evidence of their real-world impact.

Figure 1
The hedonic treadmill



Source: Diener (1984); Business Insider; Psychology Today; Brickman et al. (1971); L.E.K. research

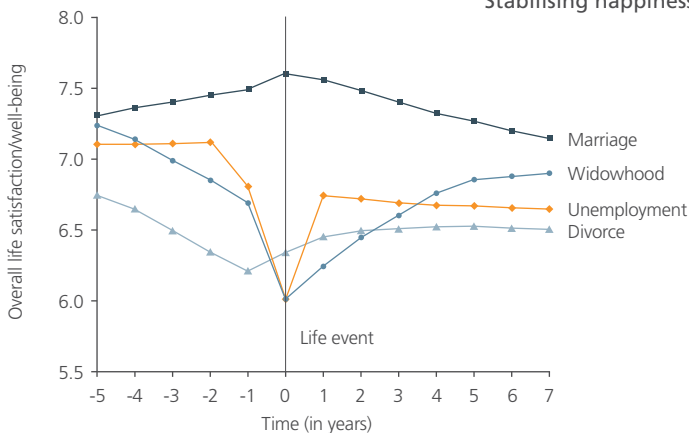
Caution required

Whatever job satisfaction and happiness initiatives companies offer their people, they should be careful that their well-intentioned plans aren't detrimental to their productivity and overall production. According to Ian Brinkley, chief economist at the Chartered Institute of Personnel and Development, there isn't "particularly strong evidence" that correlates a reduction in hours worked with better productivity. If France's well-established 35-hour week is looked to as a proxy, it doesn't provide comfort — an International Monetary Fund working paper showed that the reduced week hasn't increased worker happiness⁵.

The hedonic treadmill theory, originally developed in 1971, bears out this experience. It says that people have a base level of happiness to which they return after spikes and dips in feeling after major positive and negative life experiences⁶ (see Figure 1).

This effect has been found to apply across a wide range of positive and negative major life events (see Figure 2).

Figure 2
Stabilising happiness levels after major life events



There are varying degrees of adaptation across different events:

- **Married individuals** on average experienced a happiness boost around the time of their wedding, but returned to their baseline happiness levels after two to three years of marriage
- ◆ **Unemployment** had a more lasting impact, and well-being remained consistently below base levels even after five years
- **Widows and widowers** returned very close to their previous life satisfaction levels, but the adaptation took seven years

Source: Lucas (2005); Lucas, Clark, Georgellis & Diener (2003 & 2004)

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Further academic studies have highlighted the application of this concept to people voluntarily starting new employment — after an initial honeymoon period of increased happiness, people's job satisfaction converges with how they felt about their previous job⁷.

Applied to the four-day week, the ability to work from home, or even free drinks on Fridays, this means that after an initial boost in happiness — which may last months following the introduction of the initiative — employees will revert to their base level of happiness, absent of careful planning, monitoring and follow-up action.

What should employers do?

With a rigorous approach based on analysis and review, there is much that companies can do to increase, maintain and continue to improve employee happiness, engagement and productivity, and avoid the effects of the hedonic treadmill. Each workplace is unique, but there are five critical dimensions that companies should think about:

- Gradual change
- Continuous improvements to working processes
- Ongoing communication to ensure awareness and appreciation of change
- The need to show wide impact within or beyond the organisation
- Creating an environment of good stress

Gradual change

If it is decided to cut down the number of days worked, companies should consider a gradual reduction in working hours. An incremental approach should also be taken with the addition of new “bank holidays” to the working calendar. In some organisations, another option will be to reduce the frequency and duration of meetings to increase efficiency. Again, this should be done by degrees.

Continuous improvements to working processes

One of the highest-impact ways to increase workforce engagement and productivity is to empower employees to come up with solutions themselves. From the grassroots of the organisation upwards, staff should be encouraged to identify bottlenecks to getting things done and other ideas for process improvement. Making it a continuous programme, rather than a one-off initiative, has obvious benefits for both sides. Another option is to consider introducing lean ways of working, such as finalising projects in sprints and providing rewards for meeting those goals.

All change programmes should be carefully monitored for their impact on staff happiness and productivity, and employee satisfaction should be incorporated into existing performance metrics.

Ongoing communication to ensure awareness and appreciation of change

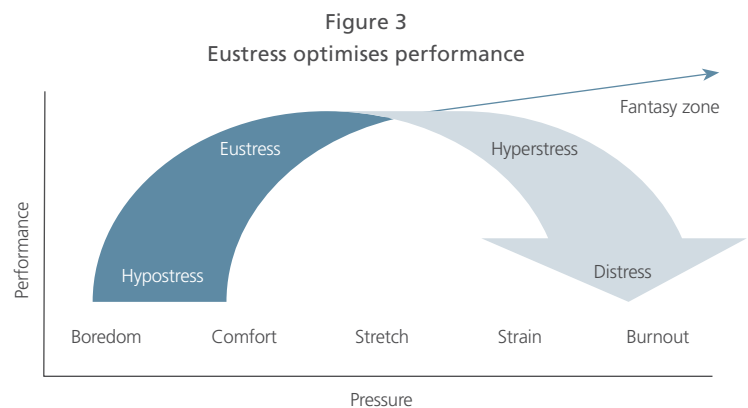
Companies cannot assume that employees will continue to be grateful for change much beyond the initial implementation — the hedonic treadmill says that they will quickly get used to it, irrespective of the absolute level of working conditions. Furthermore, old-school management teams asserting that modern working conditions have vastly improved and therefore workers should be appreciative are mistaken. The continuous change process needs to be communicated clearly and regularly, showing both where the company has come from and where it is going, to demonstrate the path of improvement. However, care is required to ensure that this isn't simply the re-announcement of existing initiatives, with all the associated cynicism that this would produce.

Impact within and beyond the organisation

People have always been more engaged at work when they've seen the value of what they do beyond their pay cheque and job security. A sense of helping to build the organisation or something else worthwhile and having a positive influence on the outside world are natural parts of people's satisfaction with their lives. But the millennial generation has brought a fresh sense of urgency about wanting work to have societal and environmental impact, even in the most junior roles. This is a good thing, but it requires organisations to rethink their missions and responsibilities, how they communicate their value to their workforces, and each individual's role in contributing to the greater good.

Creating an environment of good stress

Companies also need to ensure they are geared for the right level of stress. Clearly, too much impairs performance (and those who promote a view that increased pressure always results in better performance are misguided beyond the very short term), but too little stress has a negative impact on engagement. What organisations should be striving for is eustress — a positive stress or “race ready” excitement and energy that comes from motivating and inspiring situations like promotion, giving a presentation or pitching for business. Employees need a regular dose of eustress to keep them at peak performance (see Figure 3).



Source: L.E.K. analysis and research

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Without careful planning, less really can be less

In the highly competitive service industries, attracting and retaining high-calibre people while maintaining high standards of client service is vital. The needs and wants of the millennial generation have forced companies to up their people happiness strategies whilst striving to increase productivity as a fundamental management priority.

Management teams need to be aware of the hedonic treadmill when developing their strategies for staff happiness and productivity improvement. There are many initiatives to consider, but the hallmarks of the right approach include a rigorous analysis of the problems faced and what solutions could achieve, their introduction on an incremental basis, and regular measurement of impact. Failing to take this kind of approach, augmented by structured, continuous effort to maintain momentum, may result in staff engagement programmes being detrimental to company productivity, however well intended they are.

Endnotes

- ¹ Eurostat Database, full-time employee hours Q4 2018. OECD database GDP per hour worked 2018 expressed as an index (U.K. 100)
- ² [The Meaning of Work report](#)
- ³ [L.E.K. City A.M. article](#)
- ⁴ [The University of Warwick press release](#)
- ⁵ [International Monetary Fund](#)
- ⁶ Brickman, P. & Campbell, D.T. (1971). *Hedonic relativism and planning the good society*. In M.H. Appley (Ed.), *Adaptation level theory: A symposium* (pp. 287-302). New York: Academic Press
- ⁷ [ScienceDirect](#)

About the Authors



Peter Ward is a Partner in L.E.K.'s London office. He joined L.E.K. in 2000 and focuses on corporate strategy development, complemented by substantial experience in buy- and sell-side commercial due diligence, commercial bid support and litigation support. Peter has deep sector expertise in regulated industries, principally financial services, including advice on regulatory submissions. Peter holds a

Master of Mathematics (first class honours) from Oxford University.



Andrew Allum is a Partner in L.E.K.'s London office. He joined the firm in 1992 and specialises in surface transport and business services, with a focus on human capital sectors such as training, education and recruitment. Andrew has more than 25 years' experience in the rail industry, advising a variety of operators, infrastructure managers, suppliers and investors. He holds a BSc (first class) in Physics from

Imperial College and an MSc in Computing from Oxford University.

About L.E.K. Consulting

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