

Researcher: Money makes people happy, especially if they're paid by the hour

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(PhysOrg.com) -- Income has a greater impact on the happiness of people paid by the hour than people paid by salary.

Money makes people happy, and more so for workers paid by the hour than by salary, according to researchers at Stanford and the University of Toronto. The relationship between [money](#) and happiness is stronger for people paid by the hour because they are more often reminded of how much they earn, and this makes money more salient in their thinking.

"If you are paid by the hour or account for your time on a timesheet, you begin to see the world in terms of money and in terms of economic evaluation," said Jeffrey Pfeffer, the Thomas D. Dee II Professor of [Organizational Behavior](#) at the Stanford Graduate School of Business. "To the extent that time becomes like money and money becomes more salient, the linkage between how much you earn and your happiness increases."

Hourly paid employees know the exact worth of each hour of work. They think about their [income](#) regularly and begin comparing the value of their time to the amount of their happiness.

Pfeffer and Sanford DeVoe of the University of Toronto studied data from American and British surveys of income, hourly vs. salary pay status and general happiness. The surveys showed that pay determines the happiness of hourly workers more than it does for people paid by salary.

Money linked to wage awareness

The researchers ran their own experiments to demonstrate that even salaried people would rely more on income to evaluate their happiness if they were made aware of their implicit hourly wage. They asked people to assess their happiness, requiring a random set of the participants to first calculate their hourly earnings. They rated

statements such as "I am satisfied with my life" and answered questions such as "Have you been feeling unhappy and depressed?"

Salaried participants who made the calculations used their income to rate happiness about as much as did hourly paid participants.

"If they're thinking about their income, then all of a sudden, even people who are paid by [salary](#) become much more like hourly paid workers; they think of their time in terms of money, the connection between income and happiness goes up and they become economic evaluators of their use of time in their life," Pfeffer said.

The study shows that organizational practices such as paying people by the hour affect employees beyond the workplace, Pfeffer said. Workers begin to think differently about money, time and [happiness](#). "How organizations pay people has profound effects outside of that organizational context. If you're paid by the hour, you come to see your time in a certain way that doesn't change when you walk out of your employer's door."

The study was published Dec. 1, 2009, in the *Personality and Social Psychology Bulletin*.

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