Personality influences individual productivity and wages

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Why do some people earn more than others? Do they deserve it? We already know that workers with higher educational levels and more experience have higher salaries. Traditionally, economists have linked higher education levels to higher cognitive abilities and deeper human capital; these in turn make individuals more productive in the workplace. However, there is still a piece of the puzzle missing. Two workers with the same level of education, experience, gender and even IQ levels are still quite likely to earn substantially different wages.

Might then personality traits be responsible for these so-far unexplained differences in wages? For instance, studies have shown that more emotionally stable workers earn more money. But it is still unclear whether these individual earn more because this personality trait makes them actually more productive or because of other reasons unrelated to their productive efficiency such as being good at negotiating their salary or more likeable by their managers.

In this work, we examined whether personality traits are linked to workers' productivity. We used controlled conditions in order to rule out other channels through which personality can affect wages, such as occupational choices, the ability to bargain for a raise, how supervisors evaluate performance or more or less friendly relations with co-workers. This controlled environment is crucial to answer our question. For instance, we know that workers who are more agreeable earn lower wages. But given that more agreeable individuals tend to be more trusting, empathic and altruistic, they might also earn less because they are worse negotiators rather than because they are indeed less productive. In short, our experiment allows us to disentangle which personality traits affect individual wages via individual productivity and which do not.

We conducted an experiment with more than 350 university students and soon-to-be workers. Participants filled in a personality questionnaire and performed a simple and repetitive task consisting of adding as many strings of two-digit numbers as possible under a time limit of 20 minutes. They were monetarily rewarded (punished) for their correct (wrong) answers. Therefore, earnings in our study were due to mere productivity and not to negotiation skills or to the quality of the supervisor. Our task required concentration, focus, time management and math skills, all valuable skills in the labour market.

Our results show that the relationship between earnings and personality is, at least partially, driven by productivity. Consistent with observations using wage information, in our experiment more conscientious and stable participants earned more than their counterparts.

There were remarkable differences by gender. Women tend to be more neurotic than men (just for once, folk wisdom is right). However, it was openness to experience and not neuroticism the trait that hindered women's performance compared to men. Finally, more extroverted women were also less productive, while the opposite was true for men. This is probably because being an extrovert means different things for men and women and that each personality trait has different facets. For instance, extroverted men are usually also more ambitious and assertive whereas extroverted women tend to be more sociable and gregarious.

Why is it important to know what makes certain personalities more productive? First, as many of us have experienced, personality has become increasingly important in personnel recruitment. As a matter of fact, employers in the US and UK often cite personality and attitude as two of the most important factors in hiring. Thus, we need evidence that some personality might be relevant for human relations in the workplace while others matter for productivity.

Moreover, the effects that we did not observe in our experiment are interesting as well. For instance, while agreeableness has a robust negative effect on earnings in real life, it did not affect earnings in our study. In short, more agreeable individuals are no less productive than less agreeable ones but still, they are penalized in the workplace. To some extent, this might be due to the difficulty of monitoring individual efforts in team tasks (which we did not analyse in our experiment).

Agreeable individuals are also typically more cooperative and others might get credit for their work. But agreeable individuals also engage more often in "non-promotable tasks" that convey no reward but are crucial for the functioning of any organisation, such as booking a room, dealing with red tape, or attending (mostly useless) meetings on behalf of others.

The time agreeable individuals devote to these tasks is detrimental to their individual output, thus explaining their lower observed wages. Since our experiment suggests that these workers are not less productive than the rest, this implies that managers should factor non-promotable tasks more comprehensively in their evaluation of their employees.

Finally, public policies can impact personality. Interventions aimed at shaping personality at an early age are becoming very attractive to policy makers. Parents and educators in general can influence intelligence and cognitive skills during a relatively short period of time. But, once reached age 10, any childhood cognitive intervention is less likely to have a significant impact.

In contrast, personality is malleable for a longer period of time. To inform these policies properly, we need to understand better what are we achieving with them: are we creating more productive workers? Or just better wage negotiators? At the end of the day, it is good to know whether we are making a larger pie or just splitting it somehow differently.

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Notes:

- *This article is based on Personality traits and workplace productivity: Evidence from a laboratory experiment, in the Royal Economic Society's Economic Journal, May 2016*
- *The post gives the views of its authors, not the position of LSE Business Review or the London School of Economics.*
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