

Clocking in and Clocking out: Recent Trends in Working Hours

Introduction

The amount of time people spend at work is a key element in several economic and social challenges facing industrial countries, notably those associated with population ageing. OECD governments will need to bring more people into the labour force and keep them there in coming years as the ratio of older to younger people rises if they wish to maintain living standards and finance social protection. One way of doing that is to make working time more flexible. For example, part-time jobs can make it easier for mothers with young children to combine working and parenting. More flexible working hours can also help firms adjust to changing workloads.

How many people have a job and how much time they spend working also has an important effect on economic growth. Research into the causes of the strong revival in the productivity performance of the United States since the mid-1990s has confirmed the importance of technological progress, but also provided unexpected information about the role of working time. In fact, the sizeable US advantage in real gross domestic product (GDP) per capita, as compared with the most advanced European economies, has more to do with differences in who works and for how long than with higher output per hour worked.

This finding has many implications for policymakers. It had already become noticeable that a long-term decline in average annual working hours appeared to have stopped, and had possibly even been reversed, in the United States and a few other OECD member countries, amid perceptions of a growing “time squeeze” for families or an emerging “long-hours culture” in certain professions. But there had been few internationally comparable data to document the extent of any such trend and measure its implications for relative growth performance or work-life balance.

The effects of different working-time arrangements on employment, income and family life are key elements in the reassessment of the OECD Jobs Strategy due to be completed in 2006. This *Policy Brief* looks at trends in working-time arrangements, their effect on economic performance and what they mean for policymakers. ■

**Who works the longest
(and shortest) hours?**

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mean more jobs?**

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Who works the longest (and shortest) hours?

The number of hours people spend at work varies widely between countries (see Figure 1). The average number of hours worked per year in OECD countries is around 1 700, but the figures for individual countries range from 2 410 hours per year in Korea to just 1 340 in the Netherlands.

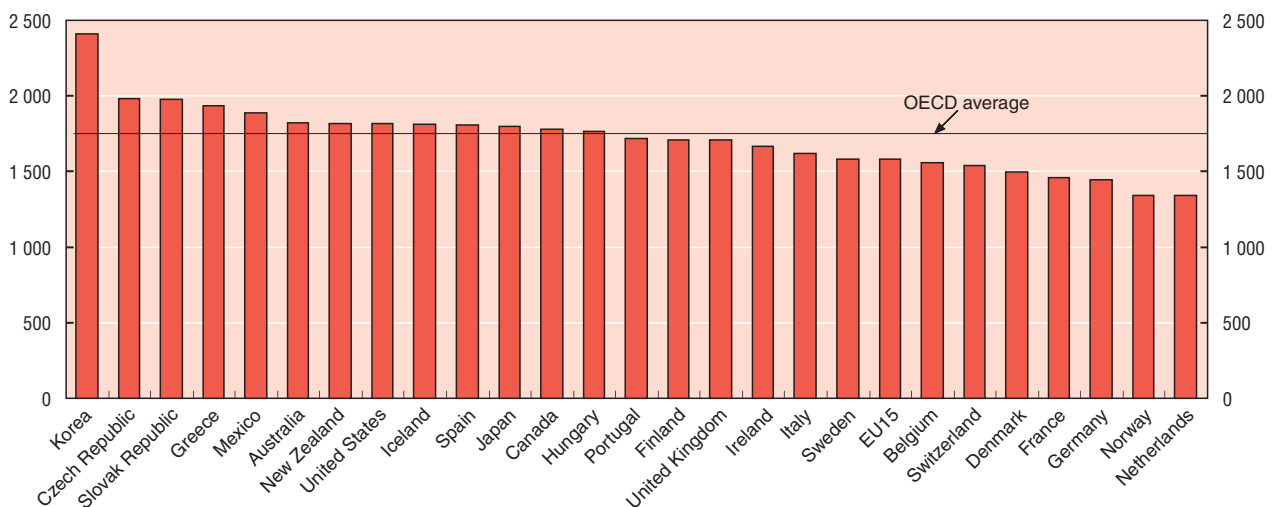
Some of these national differences appear to reflect differences in the general level of economic development. In particular, hours per worker are highest in those countries such as Korea, Greece, Mexico, and the Czech and Slovak Republics, where productivity, measured by output per hour worked, is lowest. But there is no automatic link between hours worked and productivity. There are also substantial differences in hours per worker between the United States and seven European countries with more or less the same levels of hourly productivity (Belgium, Denmark, France, Germany, Ireland, Italy, and the Netherlands). In 2002, the average worker in the United States put in 1 815 hours, substantially more than in the rest of the high-productivity countries, which ranged from 1 340 hours in the Netherlands to 1 668 hours in Ireland.

There are several reasons why the US work year is longer than its European counterpart. The typical worker in Europe enjoys significantly more paid holi-

days each year (6 to 8 weeks), than the typical worker in the United States, and the European work week tends to be shorter. Reduced hours for full-time workers, such as the 35-hour week in France, are part of the explanation, although the effect of these measures is often muted by frequent overtime hours. Full-time workers in France, for example, registered an average 38 hours per week in 2002. A second factor accounting for lower average weekly hours in Europe than in the United States is a higher incidence of part-time employment in some European countries: more than a third (34%) of the workforce in the Netherlands is part-time, compared with 13% in the United States.

More generally, researchers have pointed to several possible factors behind observed differences in working hours between the US and Europe. One possibility is cultural differences: American workers tend to be more willing to work longer hours in order to enjoy higher earnings levels, whereas their European counterparts tend to be more willing to sacrifice some potential earnings in order to have more leisure time. Another possibility is that the rewards to working longer hours are typically greater in the US than in Europe. In particular, higher taxes on earnings in Europe may tip the balance for many workers towards preferring a shorter work week and more vacation days, since a higher share of the potential earnings that would result from working more would, in any case, be paid in taxes. ■

Figure 1. Annual hours worked per worker, 2002



Source: OECD Employment Outlook 2004.

Do shorter working hours mean more jobs?

Does the length of the average work year in a country affect the overall level of employment? In other words, do shorter hours create more jobs? It is true that among OECD countries there is some tendency for employment rates to be higher in countries where hours per worker are lower. This would seem to bear out arguments that reductions in working time can increase employment and help to cure high unemployment.

However, this argument relies on the idea that there is a fixed volume of work which can be shared more or less broadly across the adult population – the so-called “lump of labour fallacy” – and many analysts argue that things are just not that simple. The main reason for scepticism towards this work-sharing thesis is that a number of countries, notably the United States, have managed to combine high hours per worker with a strong employment performance. Conversely, some of the European countries in which working-time reduction has gone furthest have been characterised by persistently high unemployment and/or high inactivity rates in the working-age population (*i.e.* among persons 15-64 years of age). If one looks only at countries with a comparable level of economic development, there is even less evidence for a systematic relationship between shorter hours and higher employment. Among the eight OECD countries with the highest level of labour productivity, the Netherlands, which has the lowest hours per worker, and the United States, which has the highest, both have approximately equal employment rates. Five of the six high-productivity countries with intermediate levels of hours per worker have substantially lower employment rates, although Denmark – with a higher employment rate than either the Netherlands or the United States – is a notable exception.

While there is no mechanical relationship between shorter working hours and higher employment, working-time flexibility can make an important contribution to achieving a good employment performance. This is especially true for groups other than prime-age men (*i.e.* men between the ages of 25 and 54, who tend to have high employment rates in all OECD countries). These groups include women, older workers and young people, all of whom frequently combine activities such as study or caring for other family members with paid work. Thus, an inadequate supply of part-time jobs can discourage mothers with young children

from joining the labour market. On the other hand, a dramatic increase in the female employment rate in the Netherlands, where 59% of women with jobs work part-time and employers have an obligation to try to accommodate employees wishing to switch between full and part-time schedules, illustrates the potential payoff from working-time flexibility.

This does not necessarily imply that a high incidence of part-time employment is a precondition for achieving high employment rates for women, since cultural preferences for part-time work vary, as do other factors influencing desired working hours such as the availability of child care. Indeed, the Nordic countries (Denmark, Finland, Iceland, Norway and Sweden) and the United States have achieved high female employment rates with much lower rates of part-time employment than the Netherlands. Furthermore, working-time flexibility is just one of a number of preconditions for good employment performance, as is made clear by the comprehensive nature of the policy recommendations contained in the OECD Jobs Strategy. Neither short nor long working hours as such are on the list of desirable reforms, only adequate flexibility for workers and their employers to choose the working-time arrangements that correspond best to their situations. ■

How do working-time arrangements affect incomes and family life?

While average hours worked may not have an automatic effect on employment, they do systematically affect incomes. Since output per hour is mainly determined by technological progress and other factors, such as the vigour of product market competition, that are largely independent of working-time choices, output and hence income is approximately proportional to total hours worked. It follows that differences between countries in both the number of people who have jobs and the number of hours they work on average have important consequences for overall economic performance, even if they have little direct effect on unemployment rates. In effect, society faces a trade-off between having more income and having more time available for activities other than paid work, including family life.

Longer working hours can be a plus for families if they reflect greater opportunities to participate in paid employment or contribute to higher living standards by increasing family income. However, families may also face a “time squeeze”, especially when young

children or elderly persons requiring care are present in the home. There is good reason to suppose that time pressures on families have become more severe as more women participate in the labour market. Data from the European Labour Force Survey indicate that the total hours that couples with one or more children under the age of six devote to paid employment have increased (see left panel of Figure 2). Between 1985 and 2002, the share of these families fitting the traditional breadwinner model (*i.e.* one full-time worker with partner not employed) fell from 53% to 35%, as more mothers joined the workforce. The increase in dual-earner families was split evenly between families with two full-time workers and those with one full-time and one part-time worker. A similar evolution was observed for families with somewhat older children (see right panel of Figure 2) and the proportion of couples with young children reporting that the two partners usually worked 60 or more hours per week between them increased from 35% to 47%. The rising number of one-parent families is a second trend that probably indicates increasing time pressure on families.

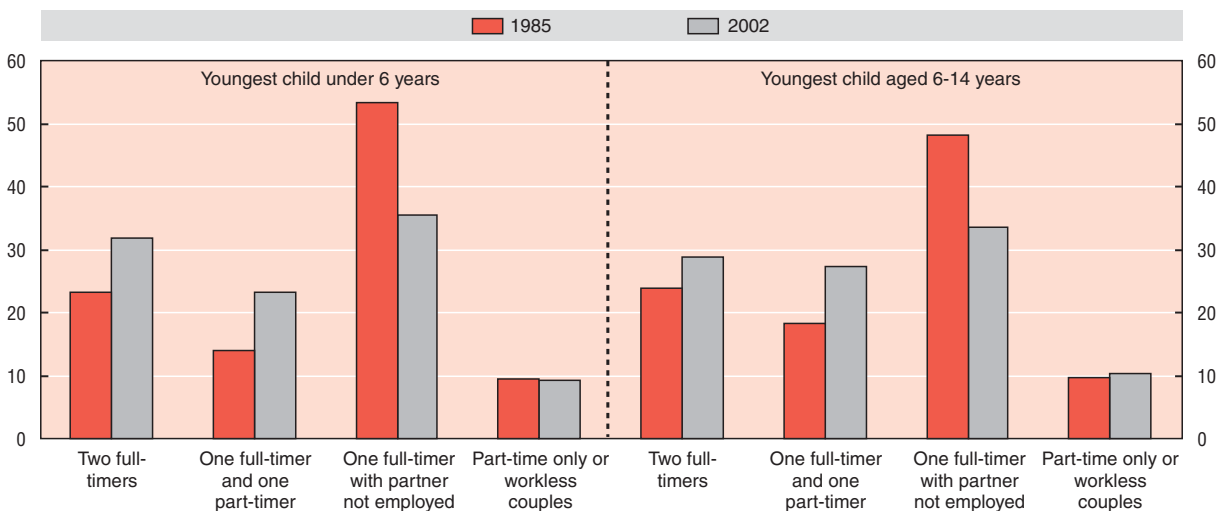
How bad is the time squeeze? It is very difficult to obtain a good measure of the extent of the problem. However, OECD analysis shows that long working hours are associated with greater perceived conflict between job and family responsibilities, particularly

when there are children in the home. The same is true for unpredictable working hours and work schedules that require being on the job outside normal working hours (*e.g.* nights or weekends). Thus, it is not just the number of hours worked, but also how they are scheduled which affects how difficult workers find it to reconcile job demands with their private lives. Furthermore, some forms of working-time flexibility that are attractive to employers, and hence may help to encourage greater hiring, may also make it more difficult for workers to balance professional and family responsibilities. Happily, some forms of working-time flexibility can be useful from a family perspective. For example, workers having a say in their working hours report less conflict between their work schedules and family life. ■

Which countries have the highest per capita hours today?

Differences in work patterns between countries, and their effect on a country’s economy, are not just a matter of how many hours per week those with jobs spend at work, however. The number of people of working age in the population compared with the number of children and those above retirement age is

Figure 2. Work situation of couple families with a child under 15, 1985 and 2002
Percentage share of couple families



Source: OECD Employment Outlook 2004.

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also important. And then there is the question of how many people of working age are outside the labour force, such as people staying home to look after children or other family members, or are unemployed because, although they want a job, they cannot find one.

The concept of “hours worked per capita” takes into account all these elements and thus provides a more comprehensive measure of working time and its effect on the overall economy for making international comparisons. Hours worked per capita are calculated by totalling the hours worked for pay in the economy (including the work hours of self-employed persons) and dividing this by population size. This measure reflects the combined impact of employment rates, the age structure of the population and average hours actually worked by people with jobs.

The latest data indicate large differences between countries in hours worked per capita (see Figure 3). In 2002, hours worked per capita ranged from 1 100 hours for the year in Korea to 611 hours in France. One can see broad regional patterns, which show above average total hours per capita in Japan, Korea and non-EU English-speaking countries. Hours are also relatively high in the formerly centrally planned economies in Central and Eastern Europe, as well as in Iceland and Switzerland. By contrast, labour utilisation tends to be well below the OECD-wide average in

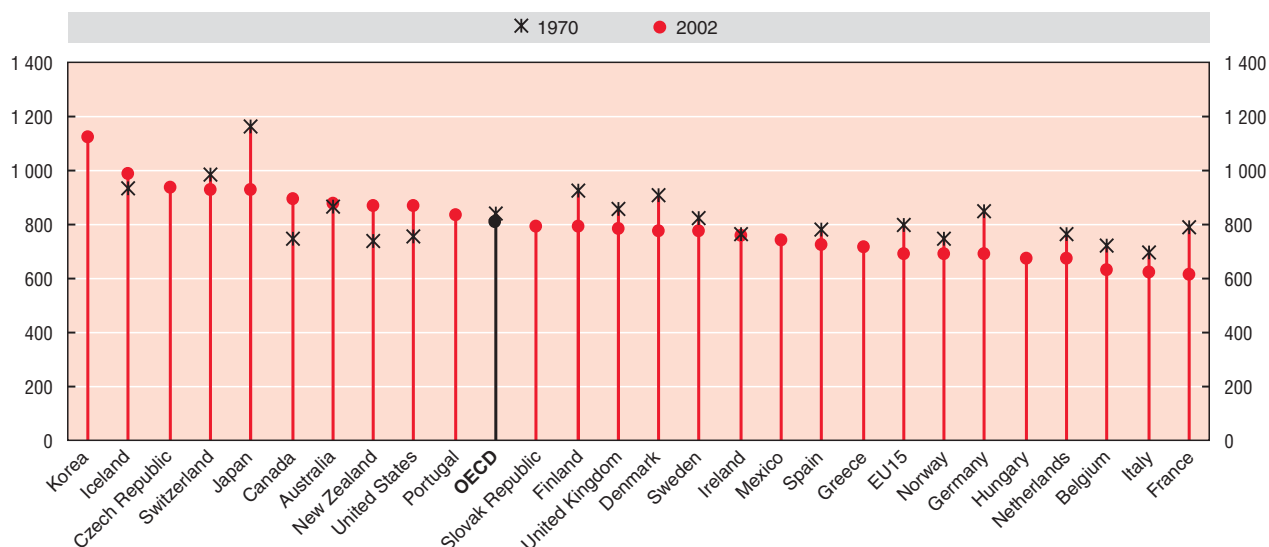
many of the EU-15 countries. International differences in hours per worker and aggregate employment rates contributed about equally to the differences in per capita hours between countries in 2002, while differences in the age structure of the population played only a minor role.

The relative position of some countries in the working-time stakes is quite different depending on whether working hours are measured on a per worker or a per capita basis. For example, Switzerland comes fourth out of 26 countries in terms of hours per capita (see Figure 3) although the actual hours spent working by individuals are well below the OECD average (see Figure 1). This apparent paradox is explained by the fact that a relatively high proportion of people of working age in Switzerland have a job, while low employment rates explain why per capita hours are relatively low in Greece and Mexico, even though hours per worker are high. ■

How have working hours evolved in recent decades?

Since 1970, total hours worked per capita have evolved very differently in different OECD countries (see Figure 3). After making an adjustment to remove

Figure 3. Annual hours worked per capita, 1970 and 2002



Source: OECD Employment Outlook 2004.

temporary effects of business-cycle conditions on per capita hours, it turns out that hours worked fell during 1970-2002 in 14 of the 19 OECD countries for which data are available, although the average decline was just 1.5% and that the entire decline occurred during the 1970s. The fall was quite sharp in several countries, including a decline of nearly 24% in France, and of more than 15% in Finland, Germany, Japan and Spain. At the other extreme, during the same period per capita hours rose by 20% in the United States and by more than 15% in Canada and New Zealand.

These differences in the trend evolution of per capita hours across OECD countries naturally raise the question whether this reflects countries being at different stages along a more or less common development trajectory; or countries following distinct national development paths, which reflect different policies and/or social values concerning the relative priority accorded to paid work versus other activities. In fact, both possibilities appear to be at work within the OECD area. For example, the rapid fall in per capita hours in Japan represents a trend from what had been very high working hours towards more typical levels for a high-income country. This could be considered a natural consequence of the dramatic convergence of Japanese productivity levels towards those in North America and Western Europe during the 1960s and 1970s. But this interpretation does not apply if one compares the United States with the seven EU countries that have achieved similar levels of output per hour worked. Here there is a divergence of working-hours developments at a similar level of economic development: hours per capita have grown strongly in the United States even as they fell in these European countries, sometimes sharply. ■

What are the main lessons for policymaking?

A first lesson for policymaking is that working time is at the nexus of a number of policy concerns, including achieving strong economic growth, an inclusive labour market that supports high employment rates and working conditions that allow employees to achieve a balance between work and the rest of their lives. This means that policymakers should avoid focussing narrowly on how work hours affect a single policy objective and be alert to potential trade-offs. For example, the flip-side of the growth advantage

associated with an increase in per capita hours of work is the “time crunch” faced by working parents and the possibility that a “long-hours” culture is undermining the work-life balance in certain professions. Similarly, flexibility in working hours may be detrimental to family life if it takes the form of non-standard work schedules dictated by the logic of just-in-time staffing for the “24/7” economy, rather than an increased chance for workers to select the work schedule that best reconciles their work with their family life.

Several guideposts can be useful for making progress. First, workers and employers should have considerable discretion to negotiate working-time arrangements in a decentralised manner. The workforce is very diverse, as are work sites, and a one-size-fits-all approach to working hours is not desirable. While there is much to recommend a decentralised approach to setting work schedules, it does not follow that general rules are not needed to structure this process or to enforce certain minimum standards (e.g. limits on maximum hours related to health and safety concerns). A second strategy for making progress is for the government to take an active role in fostering “family-friendly” employment practices. In particular, policies to encourage higher employment or working-time flexibility should be complemented by measures to help families to reconcile work and family life. These may include measures to improve access to, or the affordability, of child care or to expand entitlements to parental leave. The OECD Jobs Strategy already recommends that governments take measures aimed at increasing working-time flexibility. One issue to be considered in its reassessment is whether greater attention also needs to be devoted to assuring that working-time schedules are compatible with workers’ family responsibilities. ■

For further information

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For further reading

- **OECD Employment Outlook**, 2004,
ISBN: 92-64-10812-2, € 65 \$81.
- **Babies and Bosses: Reconciling Work and Family Life, Volume 1 – Australia, Denmark and the Netherlands**,
OECD 2002,
ISBN: 92-64-19843-1, € 29 \$29.
- **OECD Productivity Database**, 2004,
Available at: www.oecd.org/statistics/productivity.
- **The Sources of Economic Growth in OECD Countries**, OECD 2003,
ISBN: 92-64-19945-4, € 40 \$40.
- **Implementing the OECD Jobs Strategy: Assessing Performance and Policy**, OECD 1999,
ISBN 92-640-17104-5, € 25.00, \$25.00.

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