

Abstract – Working Unequal

Momentum 2015 - Track 8 „Verteilungsfragen im Kapitalismus“

The struggle over the length of the work day was already a central topic in Marx' Capital Volume I and when Keynes published his visionary essay „Economic Possibilities of our Grandchildren“ in 1930, he predicted that productivity growth would not only translate into higher incomes but also working time reductions. While his predictions about increases in productivity were correct, consumption demand has increased much stronger than he had assumed.

Since the 1950s, annual hours per worker have gradually declined and the total number of hours performed by all workers has remained comparably stable. Also, the distribution of hours has become more unequal (Jacobs et al. 2005; Lee et al. 2007). While the hours of full-time workers have increased in some countries and especially in the US (Prescott et al. 2004; Rogerson, 2006) especially female part-time work has increased in European countries (Alesina et al. 2006; Bosch et al. 2001; Lee et al., 2007; Tijdens, 2002). But beyond the differentiation between full-time and part-time work, there is little empirical assessment of the distribution of working hours, especially across time and countries. Further, there is little empirical work that explicitly relates the distribution of working hours to the personal or functional distribution of income.

This paper will fill this gap by using micro level data from the European Survey on Income and Living Conditions (EU-SILC) for the period 2007-2013. Following Salverda et al. (2015), we compute working time Gini coefficients and other measures of working time inequality, which will be analyzed in relation to income inequality. To gain a better understanding of what drives the distribution of working hours, working time inequality will be decomposed into various components.

Rising income inequality has made shorter working hours increasingly unpopular for households with expanding consumption demand aiming to ‚keep up with the Joneses‘, similarly, an increase in socioeconomic distance to richer people may increase labor supply. Positional considerations of individual labor supply and non-material consideration can in fact help to explain the correlations between average working hours and earnings inequality, as well as between working hour inequality and earnings' inequality.

Salverda et al. (2015) point out, that especially in flexible labor markets, which allow for various regimes of working hours, the inequality in working hours contributes to the observed income inequality, as especially the tails of the income distribution may be affected by increasingly diversified regimes in working hours. Bell et al. (2001) argue, that longer working hours lead to job promotions and reduce the likelihood of job losses in recessions and inversely, shorter working hours are often associated with lower hourly wage earnings, as emphasized by the feminist economics literature, for example on the ‚part time wage penalty‘. The distribution of working hours is therefore closely related to personal distribution of income, so working time policies have distributional effects.

- Alesina, A. F., Glaeser, E. L., & Sacerdote, B. (2006). Work and Leisure in the United States and Europe: Why So Different ? In M. Gertler & K. Rogoff (Eds.), *NBER Macroeconomics Annual* (Vol. 20).
- Bell, L., & Freeman, R. B. (2001). The incentive for working hard: explaining hours worked differences in the US and Germany. *Labour Economics*, 8(2), 181–202.
- Bosch, G., & Lehndorff, S. (2001). Working-time reduction and employment: experiences in Europe and economic policy recommendations. *Cambridge Journal of Economics*, 25, 209–243.
- Jacobs, J. A., & Gerson, K. (2005). *The Time Divide. Work, Family, and Gender Inequality*. Harvard University Press.
- Keynes, John Maynard. 1963. "Economic Possibilities for Our Grandchildren." Pp. 358–73 in *Essays in Persuasion*. New York: W.W.Norton & Co.
- Lee, S., McCann, D., & Messenger, J. C. (2007). *Workin Time Around the World. Trends in working hours, laws and policies in a global comparative perspective*. London: Routledge.
- Marx, Karl and Friedrich Engels. 1968. Werke, Band 23, "Das Kapital", Bd. I, Dritter Abschnitt. Berlin/DDR: Dietz Verlag.
- Prescott, E. C., Mcgrattan, E. R., & Rogerson, R. (2004). Why Do Americans Work So Much More Than Europeans ? Changes in Hours Worked , 1950-2000. *Federal Reserve Bank of Minneapolis Quarterly Review*, 28(1), 1–13.
- Rogerson, R. (2006). Understanding differences in hours worked. *Review of Economic Dynamics*, 9(3), 365–409.
- Salverda, W., & Checchi, D. (2015). Labor Market Institutions and the Dispersion of Wage Earnings. In *Handbook of Income Disribution* (1st ed., Vol. 2B, pp. 1535–1727).
- Tijdens, K. G. (2002). Gender Roles and Labor Use Strategies: Women's Part-Time Work in the European Union. *Feminist Economics*, 8(1), 71–99.