

Obstacles to and prospects for reducing working hours

Till van Treeck

Institut für Sozioökonomie | Universität Duisburg-Essen

<https://www.uni-due.de/soziooekonomie/>

<https://www.ifsoblog.de>

UNIVERSITÄT
DUISBURG
ESSEN

Open-Minded

ifSO
institute for
socio-economics

Outline of the argument

- The rich world has long reached the social limits to growth (which were seen by key figures in post-Keynesian economics).
- Reducing working hours has a greater potential to increase people's life satisfaction than more economic growth.
- One of the obstacles to a reduction in working hours is the “rat race” for relative income. The rat race is exacerbated by high wage inequality, weak collective bargaining coverage and low quality of public services.
- Despite the rat race, public support for measures to reduce working hours, such as the 4-day week or a social service period, is high in Germany.

Agenda

- The social limits to growth: a central theme in post-Keynesian economic analysis?!
- The economic case for reducing work hours
- Some survey results for Germany
- Some policy implications of the social limits to growth

Agenda

- The social limits to growth: a central theme in post-Keynesian economic analysis?!
- The economic case for reducing work hours
- Some survey results for Germany
- Some policy implications of the social limits to growth

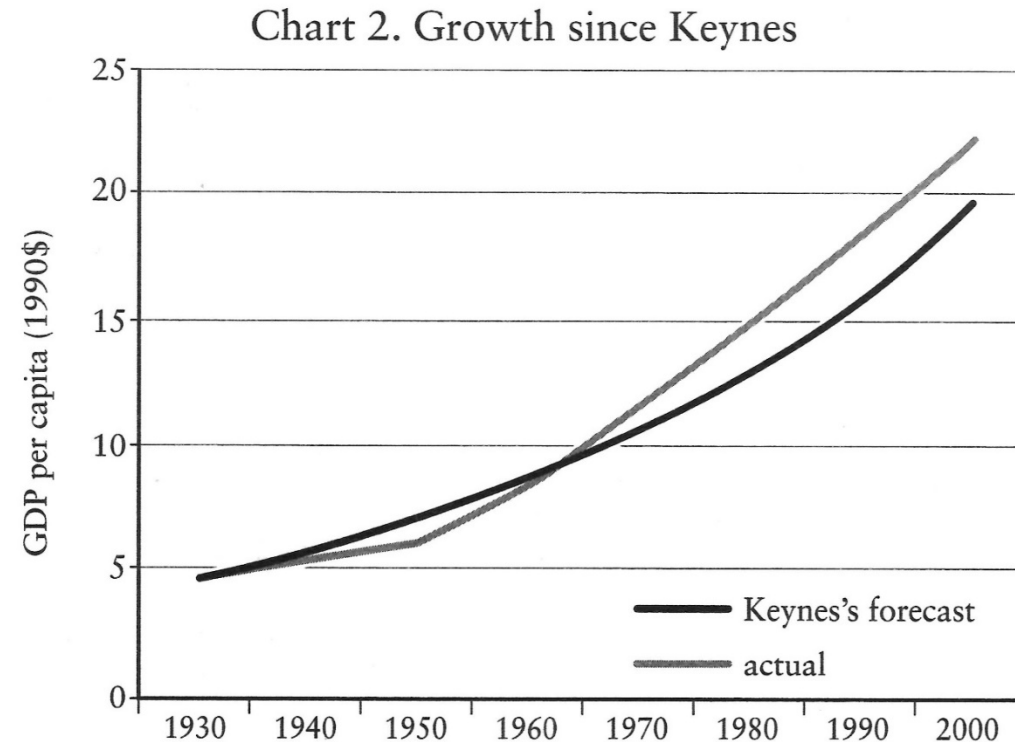
Post-Keynesians on the social limits to growth

- John M. Keynes: 3-day-workweek by 2030
- Joan Robinson: (Zero-sum) competition in consumption
- Roy Harrod: Economic satiety
- (Michal Kalecki: Limits to useful investment)
- (Nicholas Kaldor: progressive consumption tax)

Post-Keynesians on the social limits to growth

- John M. Keynes: 3-day-workweek by 2030
 - “the economic problem may be solved, or be at least within sight of solution, within a hundred years.”
 - “a point may soon be reached..., when these (absolute) needs are satisfied in the sense that we prefer to devote our further energies to non-economic purposes.”
 - “Needs of the second class, those which satisfy the desire for superiority, may indeed be insatiable; for the higher the general level, the higher still are they. (Keynes, 1930)

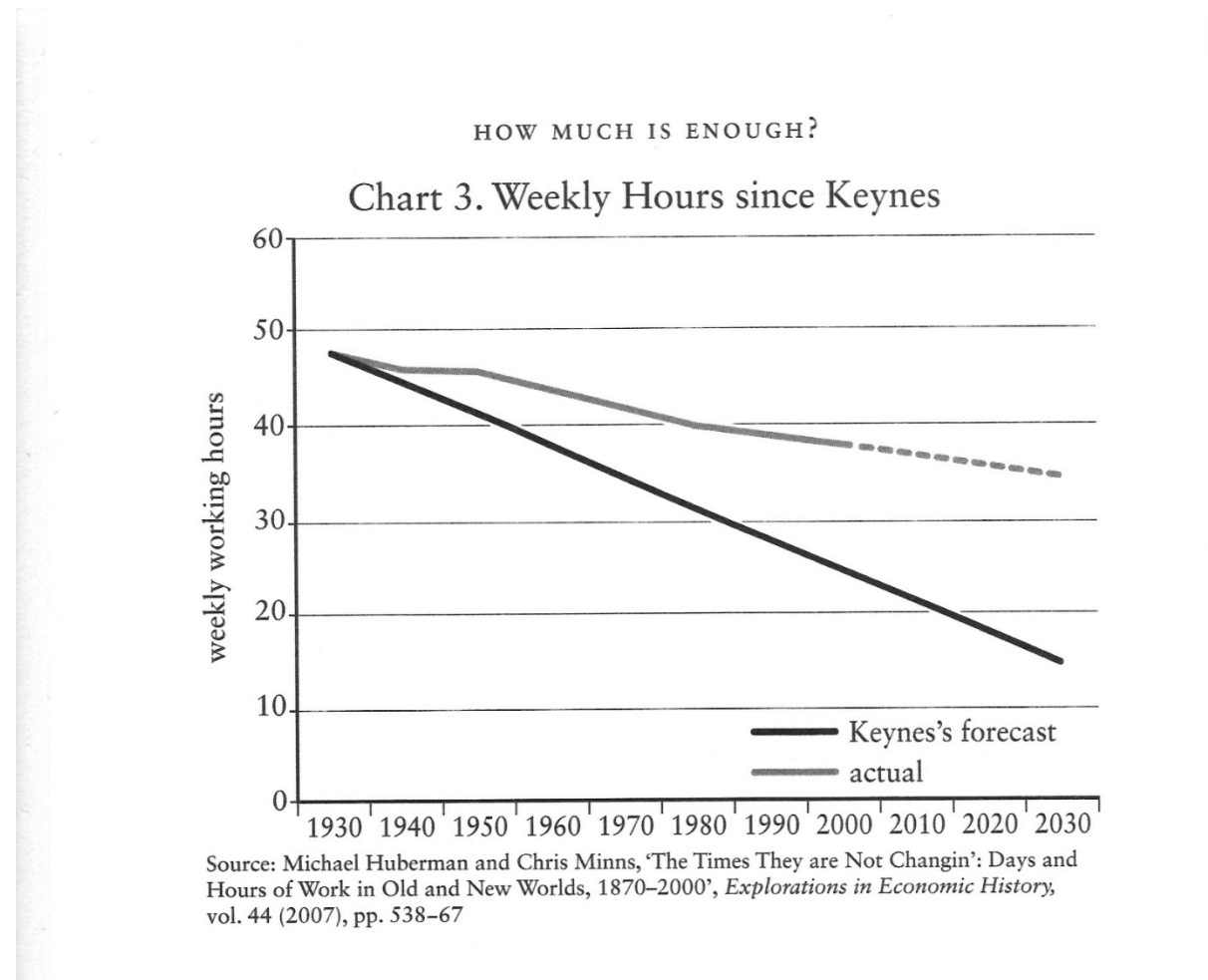
Keynes's forecast of economic growth was quite accurate ...



Source: Angus Maddison, *The World Economy: Historical Statistics* (OECD, 2005); Measuring Worth (available at www.measuringworth.com); Eurostat; accessed 16 January 2012⁵

Skidelsky R. & Skidelsky E. (2012): *How much is enough? The love of money, and the case for the good life*, Allen Lane.

...but working hours decreased far less than Keynes predicted.



Skidelsky R. & Skidelsky E. (2012): How much is enough? The love of money, and the case for the good life, Allen Lane.

Post-Keynesians on the social limits to growth

- Joan Robinson: (Zero-sum) competition in consumption
 - “There is a kind of competition in consumption, induced by the desire to impress the Joneses, which makes each family strive to keep up at least an appearance of being as well off as those that they mix with, so that outlay by one induces outlay by others.” (Robinson, 1956)

Post-Keynesians on the social limits to growth

- Roy Harrod: “The Possibility of Economic Satiety”
 - Democratic wealth: “can be raised only by more material things, capable of mass production, being made available”
 - Oligarchic wealth: purchases by the rich of personal services and service-intense consumption goods. It is “impossible for one man”, however high the average income per capita, “to engage in any one year the services of more than one man-year of the labour of others”, which puts a “severe limitation upon the range of possible satisfactions achievable” through a general increase of income (Harrod, 1958).
 - Harrod (1958): key reference for Hirsch (1976): “The Social Limits to Growth”

Post-Keynesians on the social limits to growth

- Modern post-Keynesians have analyzed conditions under which a “zero growth” economy
 - can be consistent with positive profits and financial and social stability (Hein and Jimenez, 2022, Cordonnier and Mazier, 2024)
 - and how it can be combined with a “convivial economy” to produce ecological sustainability and social well-being (Kemp-Benedict, 2024).

Agenda

- The social limits to growth: a central theme in post-Keynesian economic analysis?!
- **The economic case for reducing work hours**
- Some survey results for Germany
- Some policy implications of the social limits to growth

Keynes and the income effect

- Neoclassical utility maximization over consumption, C , and leisure, h_f :
 $U = U(C, h_f)$.
- If the hourly wage increases
 - the opportunity cost of leisure increases (substitution effect) → longer working hours
 - a given income target can be achieved with less work (income effect) → shorter working hours
- Keynes' famous thesis was that the income effect dominates and productivity growth will lead us to the "age of leisure and of abundance"

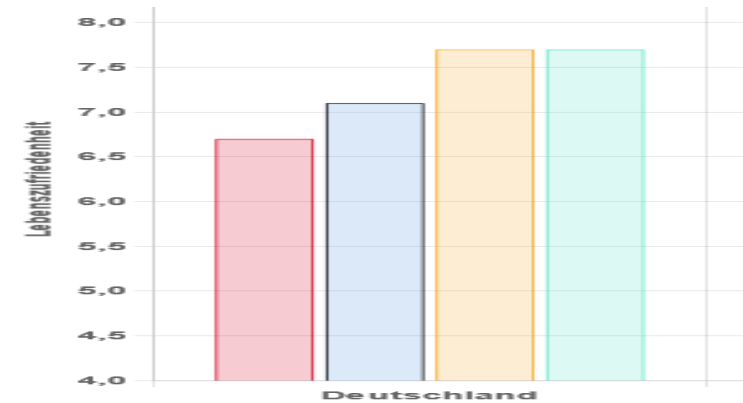
Why did Keynes overestimate the income effect?

- In $U = U(C, hf)$, there is a fundamental asymmetry between (positional) consumption and (non-positional) leisure.
- In today's capitalist society, a relatively high level of consumption signals a high social status. The same is not true of a relatively high level of leisure. Without collective action, this may result in positional arms races for relative consumption, where individuals are forced to sacrifice leisure time.
- See Frank (1985)

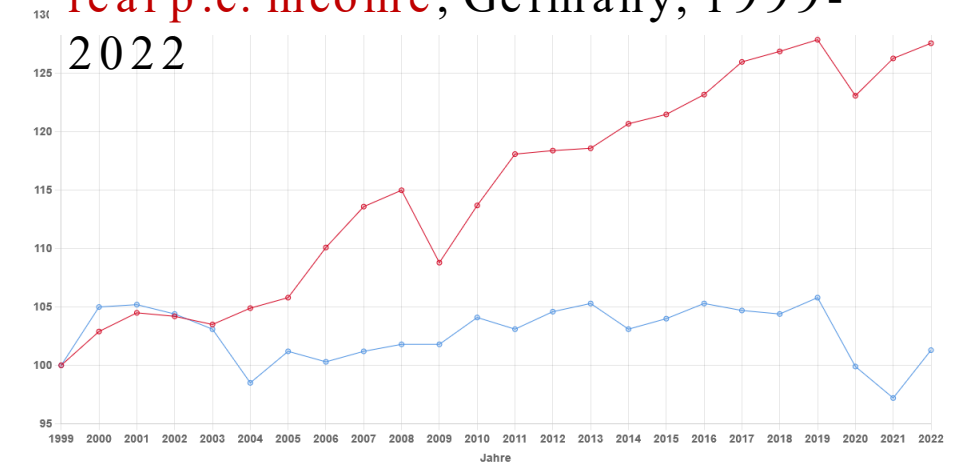
The Easterlin Paradox

- More income compared to others makes you happier.
- But: more income for everyone does not make you happier.
- Interpretation: Positional externalities dominate in rich societies.

Life satisfaction and relative income, Germany, 2016



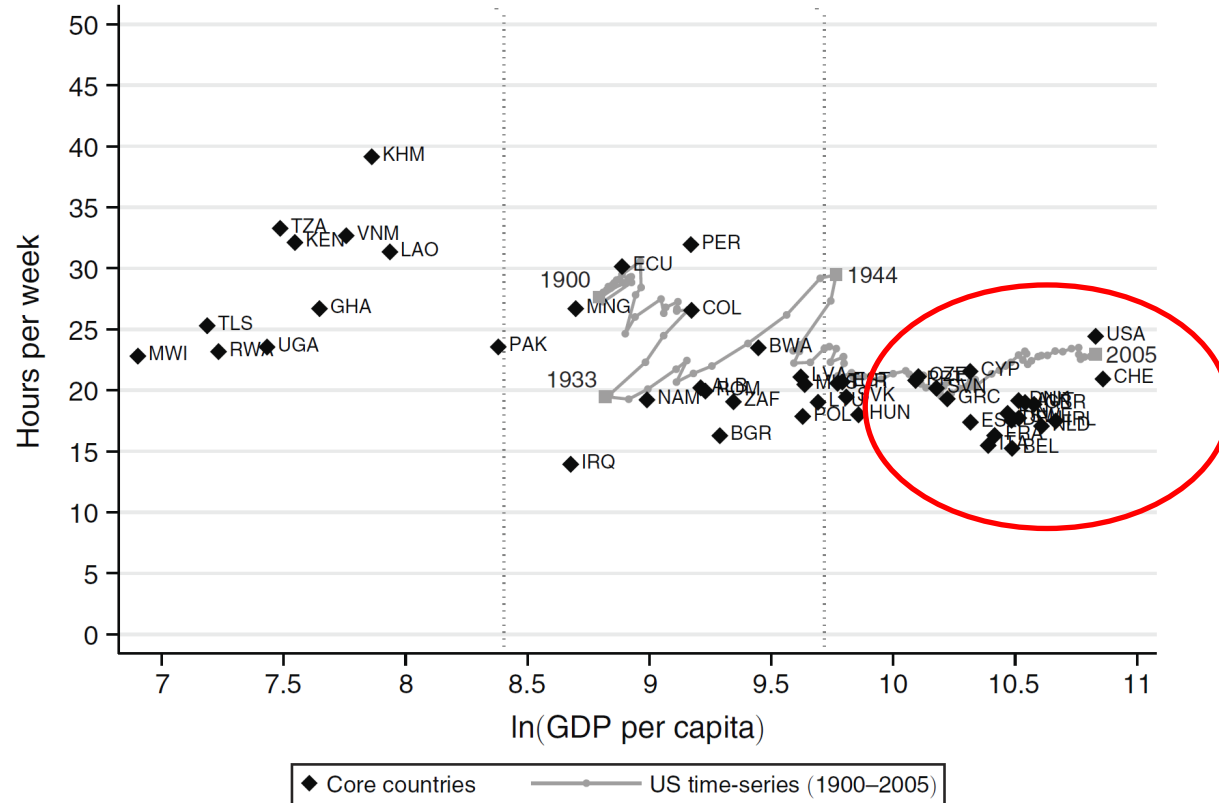
Average life satisfaction and average real p.c. income, Germany, 1999-2022



Lebenszufriedenheit und Pro-Kopf-BIP in Deutschland, 1999 bis 2022 von Julian Becker, CC BY 4.0. Quelle der Daten: Reales Pro-Kopf-BIP: AMECO-Datenbank der EU-Kommission; Lebenszufriedenheit: Bernd Raffl-Bühnen, SKI, Glücksalas 2023, München 2023.

[Becker/van Treeck \(2024\)](#)

What happened to the income effect in rich countries?



- Average hours worked per person
 - are decreasing in GDP per capita for low and middle income countries (income effect)
 - flat for rich countries

FIGURE 2. AVERAGE HOURS PER ADULT: CORE COUNTRIES VERSUS US TIME-SERIES

Bick, Fuchs-Schündeln, Lagakos (2018)

What happened to the income effect in rich countries?

188

THE AMERICAN ECONOMIC REVIEW

JANUARY 2018

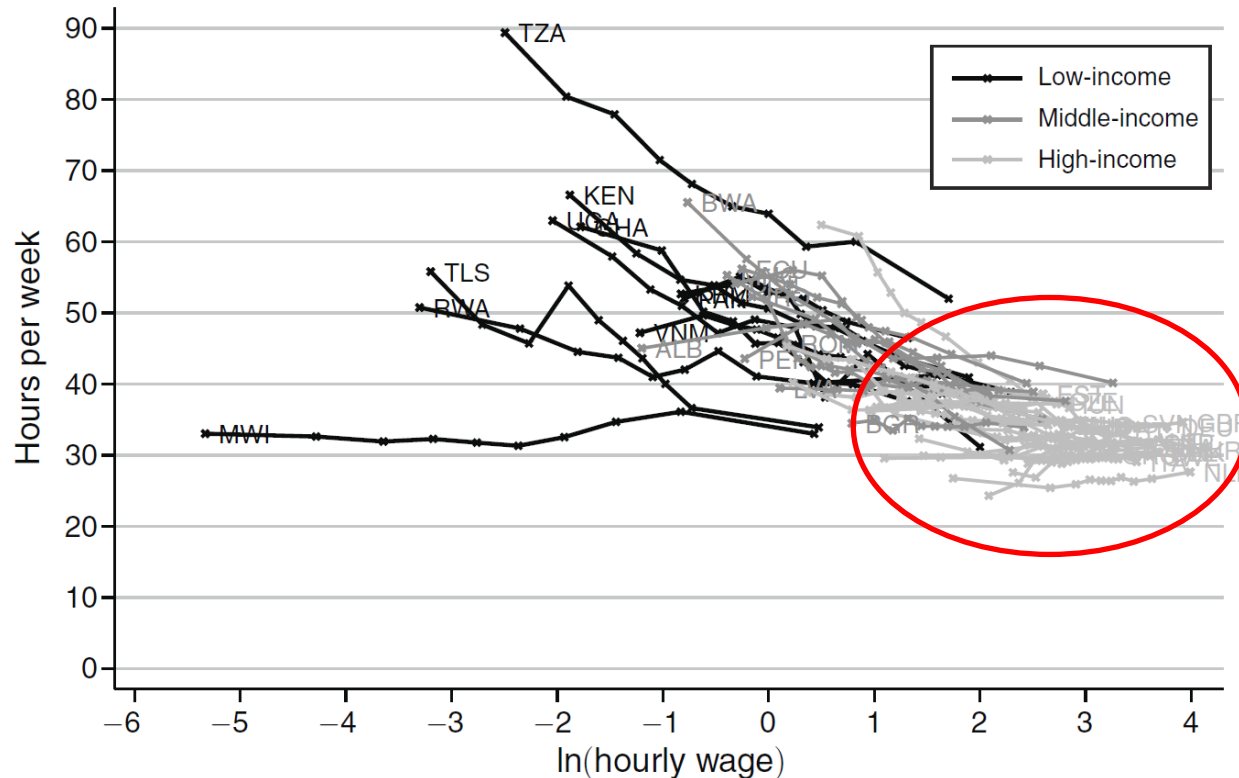
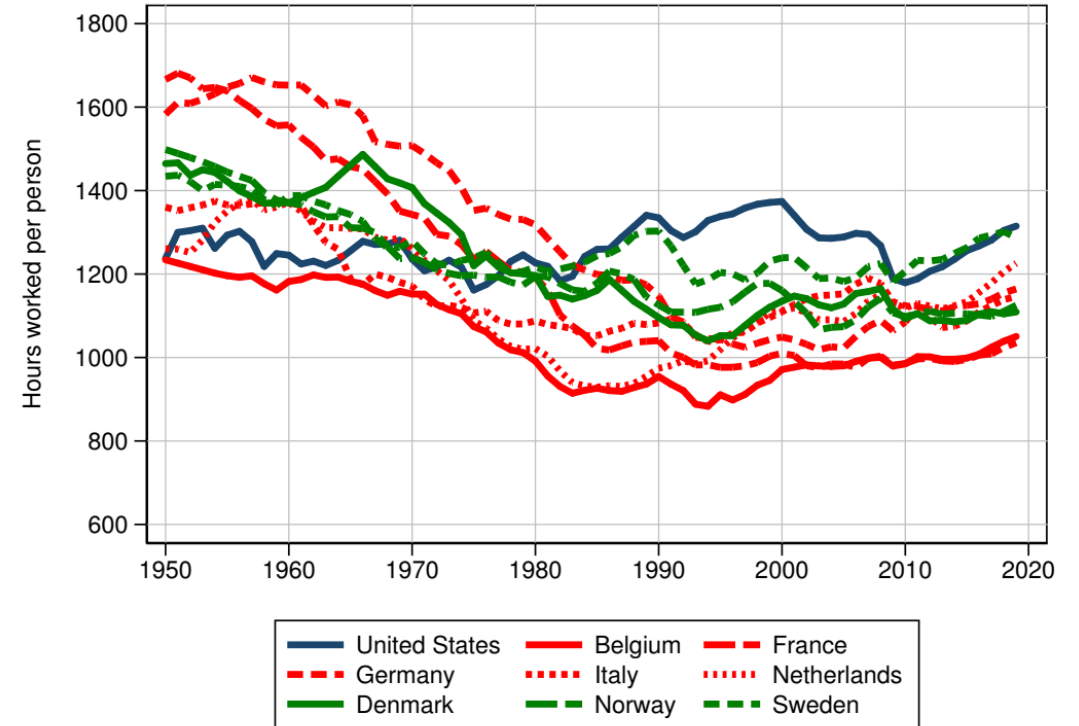
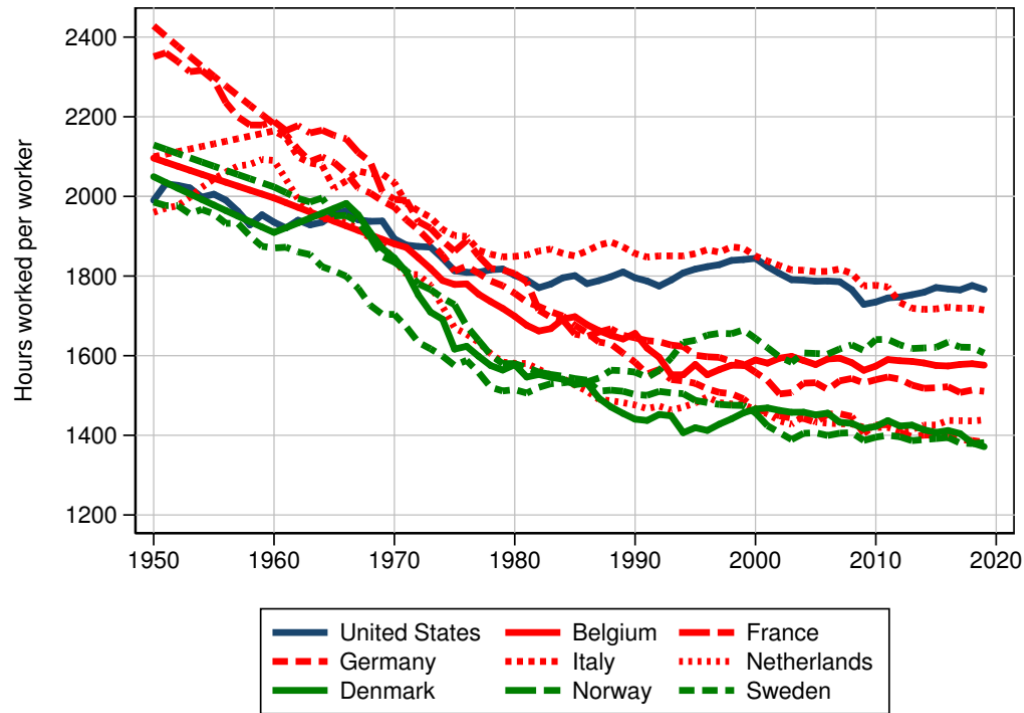


FIGURE 5. HOURS BY WAGE DECILES FOR PAID EMPLOYEES

Bick, Fuchs-Schündeln, Lagakos (2018)

- Hours-wage slopes
 - negative for lower income countries (income effect)
 - flat in richest countries: high-income households competing for positional goods?

What happened to the income effect in rich countries?



Behringer, Gonzales-Granda, van Treeck (2024)

Varieties of the rat race

Table 2: Hours worked, wage bargaining and government transfers

	Dependent variable: Ln(Hours worked per worker)				
	(1)	(2)	(3)	(4)	(5)
Ln(GDP per hour worked)	-0.121*** (0.013)	-0.131*** (0.012)	-0.133*** (0.012)	-0.128*** (0.013)	-0.119*** (0.013)
GDP growth	0.084*** (0.031)	0.056* (0.034)	0.090*** (0.035)	0.050 (0.031)	0.056* (0.034)
Union density	-0.028 (0.019)	-0.028 (0.019)	-0.043** (0.017)	-0.011 (0.021)	0.008 (0.021)
Female employment rate	-0.232*** (0.027)	-0.296*** (0.029)	-0.298*** (0.030)	-0.265*** (0.030)	-0.252*** (0.032)
Labor income tax rate	-0.287*** (0.044)	-0.286*** (0.056)	-0.359*** (0.055)	-0.254*** (0.051)	-0.254*** (0.056)
Top 1% income share	0.246*** (0.067)	0.277*** (0.069)	0.297*** (0.068)	0.224*** (0.067)	0.178*** (0.066)
Centralization of wage bargaining	-0.048*** (0.015)				-0.041*** (0.015)
Social transfers in % of GDP		-0.159** (0.068)			
Social transfers in cash in % of GDP			0.008 (0.115)		0.070 (0.127)
Social transfers in kind in % of GDP				-0.473*** (0.122)	-0.476*** (0.135)
Constant	8.130*** (0.047)	8.226*** (0.046)	8.217*** (0.045)	8.199*** (0.048)	8.168*** (0.046)
Fixed effects	No	No	No	No	No
Observations	429	372	372	372	372
Countries	18	18	18	18	18
R-squared	0.749	0.804	0.793	0.825	0.828
RMSE	0.042	0.039	0.040	0.037	0.037

Note: The dependent variable is the natural logarithm of hours worked per worker. All regressions are estimated by GLS with a panel-wide AR(1) correction. Heteroskedasticity robust standard errors are reported in parentheses. All explanatory variables are lagged by one period. *, **, and *** denotes significance at 10%, 5%, and 1% levels, respectively.

- Hours worked per worker related to
 - Top-end income inequality (+)
 - Centralization of wage bargaining (-)
 - Social transfers in kind (-)
- Shorter working hours in coordinated market economies (CMEs) than in liberal market economies (LMEs).

Behringer, Gonzales-Granda, van Treeck (2024)

Agenda

- The social limits to growth: a central theme in post-Keynesian economic analysis?!
- The economic case for reducing work hours
- **Some survey results for Germany**
- Some policy implications of the social limits to growth

Germans perceive income as more positional than leisure around median income/working time



Figure 1: Response Fractions by Survey Item

Behringer, Endres, van Treeck (2024)

Which world would you prefer to live in?

World A: Your monthly income is 3,000 euros; others receive 2,000 Euros.

World B: Your monthly income is 4,000 euros; others receive 6,000 Euros.

World A: Your weekly working time is 38 hours; others work 41 hours.

World B: Your weekly working time is 35 hours; others work 32 hours.

Germans, especially men (and women without children), work longer hours in occupations with more unequal hourly wage distribution

Working Hours and Hourly Wage Inequality at the Individual Level

	<i>Dependent variable:</i>					
	Actual		Contractual		Desired	
	(1)	(2)	(3)	(4)	(5)	(6)
Sd. Ln Hourly Wage	8.11*** (0.72)		3.20*** (0.35)		3.44*** (0.75)	
Gini		13.82*** (1.49)		5.65*** (0.82)		7.81*** (1.46)
Ln Hourly Wage	-7.87*** (0.19)	-7.85*** (0.19)	-2.22*** (0.15)	-2.22*** (0.15)	-1.77*** (0.10)	-1.77*** (0.10)
Sd. Ln Hourly Wage:Female	-1.53 (1.27)		-1.20 (1.07)		-1.37 (1.32)	
Sd. Ln Hourly Wage:Children	0.43 (0.31)		0.40* (0.21)		0.002 (0.37)	
Gini:Female		-6.26** (3.15)		-4.33 (2.81)		-5.56** (2.81)
Gini:Children		1.25* (0.68)		0.87* (0.46)		-0.69 (0.85)
Children:Female	-1.24*** (0.38)	-1.25*** (0.47)	-1.06*** (0.32)	-0.88** (0.39)	-2.02*** (0.45)	-2.23*** (0.45)
Sd. Ln Hourly Wage:Children:Female	-3.52*** (0.81)		-2.93*** (0.68)		-0.49 (0.96)	
Gini:Children:Female		-6.68*** (1.92)		-6.33*** (1.64)		-0.05 (1.82)
Socio-demographic controls	Yes	Yes	Yes	Yes	Yes	Yes
Individual FE	Yes	Yes	Yes	Yes	Yes	Yes
Time FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	185,786	185,786	185,786	185,786	185,786	185,786

Note: ***p<0.01
Time and individual fixed effects included, robust standard errors used, occupation cells based on ISCO-88 (1 digit). Sample: full-time & regular part-time employment.

We strich (2024)

Wage dispersion has a weaker effect on work hours for workers covered by a collective bargaining agreement

Working Hours and Hourly Wage Inequality at the Individual Level

	<i>Dependent variable:</i>					
	Actual		Contractual		Desired	
	(1)	(2)	(3)	(4)	(5)	(6)
Sd. Ln Hourly Wage	1.72** (0.82)		1.05** (0.46)		0.89 (0.63)	
Gini		1.87 (1.43)		0.83* (0.49)		1.35 (1.11)
Ln Hourly Wage	-9.69*** (0.25)	-9.69*** (0.25)	-3.04*** (0.08)	-3.04*** (0.08)	-1.93*** (0.09)	-1.93*** (0.09)
Sd. Ln Hourly Wage: Collective	-1.02*** (0.21)		-0.78*** (0.06)		-0.60*** (0.03)	
Gini:Collective		-2.01*** (0.42)		-1.51*** (0.10)		-1.19*** (0.02)
Socio-demographic controls	Yes	Yes	Yes	Yes	Yes	Yes
Individual FE	Yes	Yes	Yes	Yes	Yes	Yes
Time FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	32,659	32,659	32,659	32,659	32,659	32,659
R ²	0.18	0.18	0.04	0.04	0.01	0.01
Adjusted R ²	-0.64	-0.64	-0.91	-0.91	-0.98	-0.98

Note: *p<0.1 **p<0.05 ***p<0.01

Time and individual fixed effects included, robust standard errors used, occupation cells based on ISCO-88 (2 digits). Sample: full-time & regular part-time employment.

We strich (2024)

“Nevermind the rat race”: Many Germans across all wage groups would like to reduce work hours

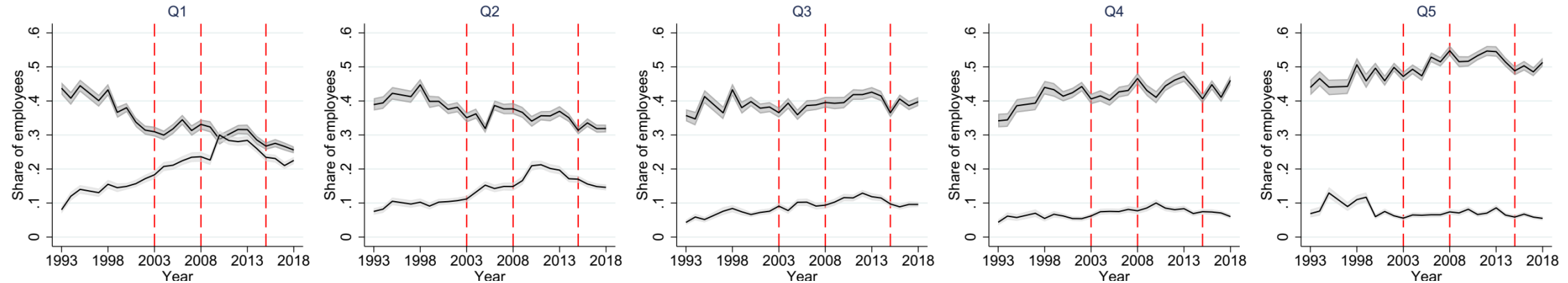


Figure shows the proportion of over- and underemployed ($|\text{desired} - \text{actual working hours}| > 4$ hours) persons in wage quintiles, based on the question: "If you could choose your working hours yourself, taking into account that your earnings would change in line with your working hours: How many hours a week would you then prefer to work?"

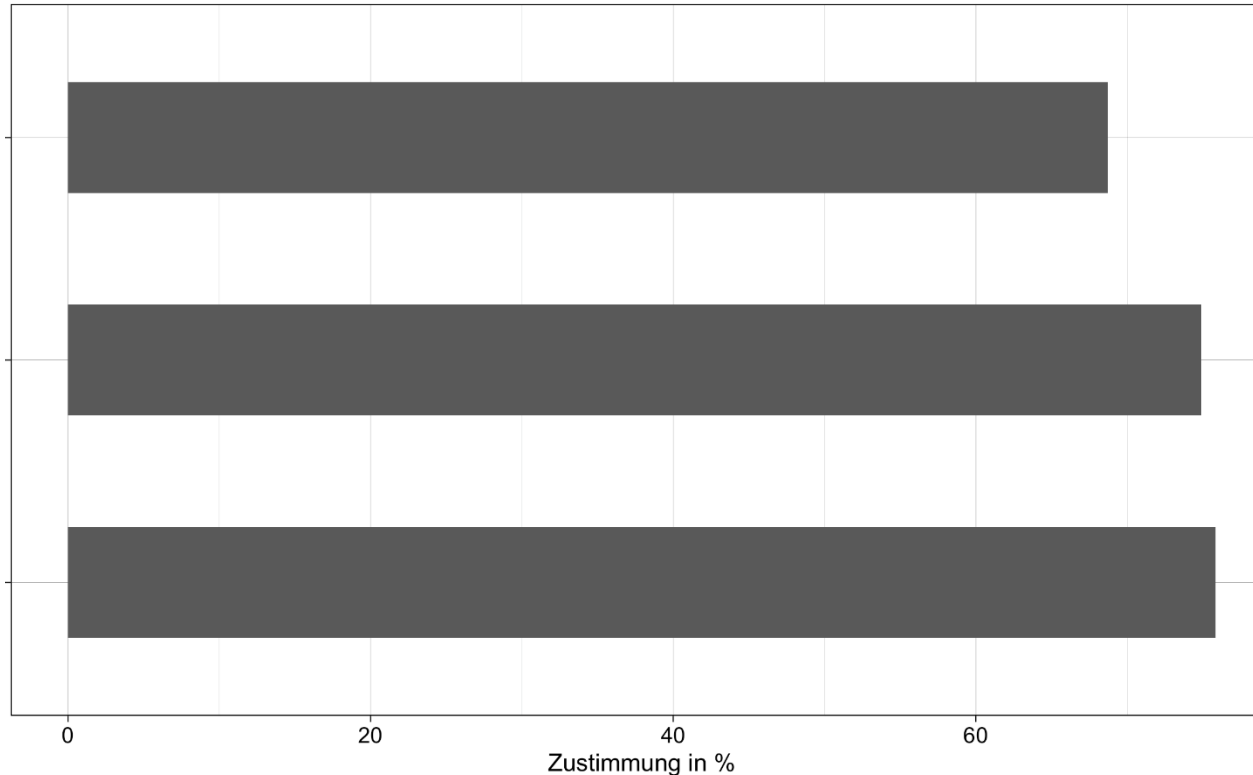
[Beckmannshagen/Schröder \(2022\)](#)

“Nevermind the rat race”: Strong approval of 4-day-workweek

Germany-wide WTR

company-wide WTR

individual WTR



Behringer/van Treeck/Westrich (2024)

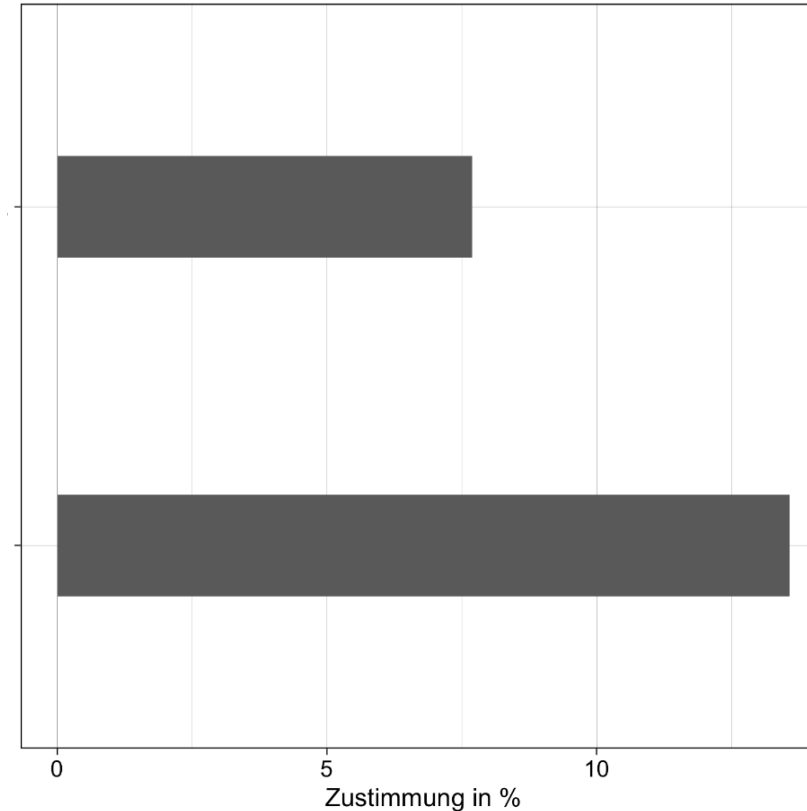
“Imagine if the working hours ... were gradually reduced by 20 percent. Salaries would not fall as a result, but would temporarily rise more slowly.

To what extent do you agree with a reduction in working hours under these conditions?”

Bullshit jobs in Germany

"All in all, jobs like mine do more harm to society than good."

"It wouldn't make much difference to society if jobs like mine didn't exist."



Behringer/van Treeck/Westrich (2024)

Agenda

- The social limits to growth: a central theme in post-Keynesian economic analysis?!
- The economic case for reducing work hours
- Some survey results for Germany
- Some policy implications of the social limits to growth

What policies when the social limits to growth have been reached? Example: transportation

- Christian Lindner (Germany's Minister of Finance): "It is not Volker Wissing (Germany's Minister of Transport) who is not achieving the climate targets in transport, it is the citizens who are not achieving the climate targets because people want to be mobile."
- Carbon pricing and industrial policies to promote electric cars certainly not the only solution.
- Solutions from the social limits of growth perspective:
 - Tax cars by weight
 - Change the social environment (e.g. narrower roads, wide cycle lanes, better public transportation)

Ask big questions about how to change the social environment. Example: transportation

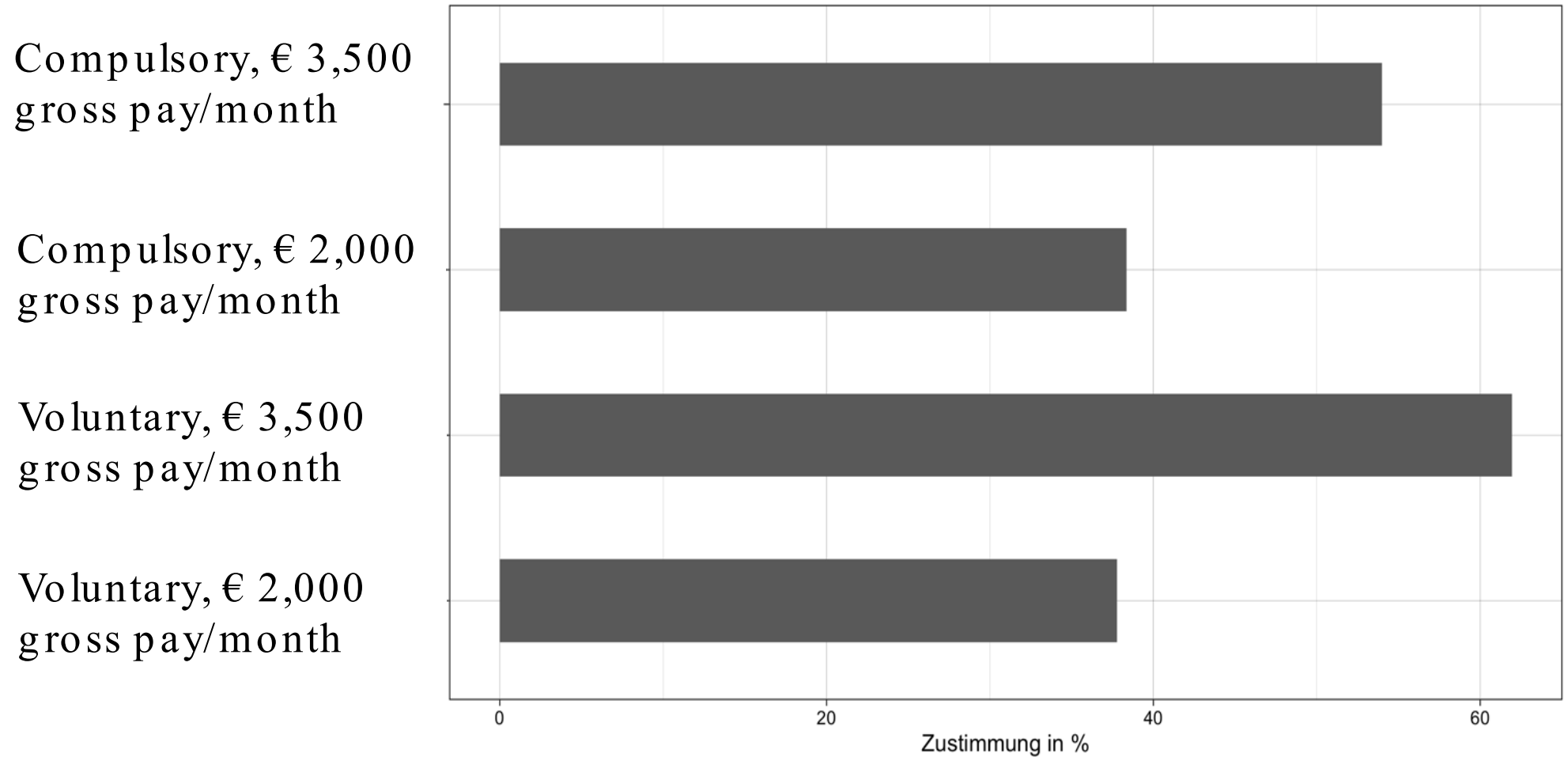
- Which world would you prefer to live in in ten years?
 - World A: 50 million cars, 2 million employees (3 billion working hours/year) in the automotive industry and poor public transport
 - World B: 10 million cars, 2 billion hours free for more important and meaningful work or more leisure and excellent public transport

Conclusion

- GDP growth in itself should not be a policy objective.
- Policies of working-time reduction as a focus of progressive supply-side economics with a view to well-being, gender equality, and ecological sustainability. Facilitating factors:
 - Strengthen universal public services (education, health, housing, transportation).
 - Strengthen collective bargaining coverage.
 - Reduce income inequality.

Thank you!

Approval of social service period



Behringer/van Treeck/Westrich (2024)