

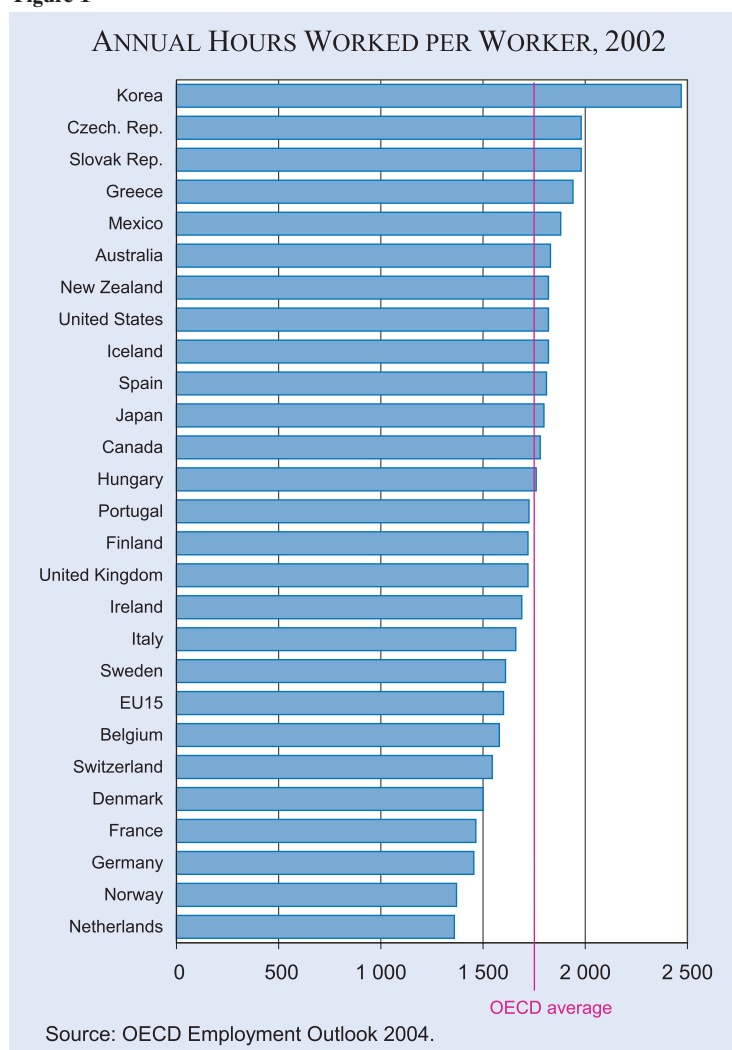
WORKING HOURS COMPARED

Recently, the number of hours people work has become an issue again, especially in Germany, where unemployment remains stubbornly high, also due to labour costs that have become uncompetitive, especially in comparison to its East European neighbours, many of which have become members of the EU and can compete in the internal market at wage rates one sixth or less of those in Germany. In the past, the long-term trend had been one of reducing the working time. Thus in Germany, it fell from 1,939 hours per full time employee in 1970 to 1,641 hours at the end of 1990 and to 1,636 hours in 2002. The decline in annual hours has stopped or even reversed in several OECD countries. In Germany, too, efforts now go in the direction of raising the working time, as longer hours at equal pay are one way of reducing labour costs.

How many people have a job and how much time they spend at work has an important effect on economic growth. Thus the OECD reports that analysis of the causes of the strong revival of productivity growth in the United States since the mid-1990s has not only confirmed the importance of technological progress, but has also revealed the role of working time. It was found that the sizeable US advantage in real gross domestic product per capita has more to do with differences in who works and for how long than with higher output per hour worked.¹

The number of hours worked varies widely between countries (Fig. 1). The average number of hours worked per year in OECD countries is around 1,700, but the figures range from 2,410 per year in Korea to just 1,340 in the Netherlands. Productivity differences

Figure 1



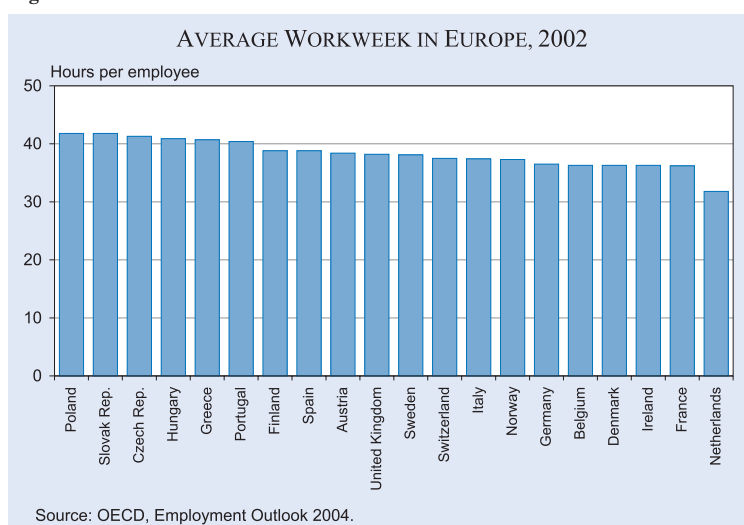
are one reason for national differences. Hours per worker are highest in those countries like Korea, Greece, Mexico and the Czech and Slovak Republics, where output per worker is lowest. But there are also substantial differences in hours worked between the United States and European countries with similar levels of productivity. Reasons are the greater number of paid holidays in Europe (6 to 8 weeks) and the higher incidence of part-time employment in some European countries. The shorter workweek in Europe is another major explanation (Fig. 2).

Researchers have pointed to several possible factors behind the observed differences in working hours between the United States and Europe:

- *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

¹ OECD Observer, October 2004.

Figure 2



some potential income in order to have more leisure time.

- *Different rewards.* The rewards to working longer hours are typically greater in the United States than in Europe due to lower taxes on earnings. In Europe, a higher share of the potential earnings that would result from working more would be paid in taxes, tipping the scale in favour of shorter hours and longer vacations.

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