The Dynamics of Satisfaction with Working Hours in Australia: The Usefulness of Panel Data in Evaluating the Case for Policy Intervention

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Key findings
We use the Household, Income and Labour Dynamics in Australia (HILDA) Survey and show:

- Overwork is more prevalent than underwork in Australia.
- If all workers were to work their preferred hours, both males and females would collectively work 5.7% less than they currently do.
- Workers who seek more hours are more likely to report resolving this desire within a year (36%) than workers stating a preference to work fewer hours (30%).
- Workers resolve mismatches between their actual and preferred hours at a 10-20% higher rate when they switch employers.
- Reports of over-work are more prevalent, severe and persistent than under-work.
- Given that most mismatches between actual and preferred mismatches resolve over time, there is no case for policy intervention on this issue.

What we knew

- Policy intervention may be warranted when markets fail or when markets deliver grossly unequal outcomes
- As government intervention is costly, policy intervention makes sense for problems which are widespread, severe and persistent
- The prevalence and severity of working hour dissatisfaction is easily measured in surveys
  - Overemployment is more prevalent, yet public concerns about working hour dissatisfaction usually focus on underemployment.
- A challenge in examining the persistence of dissatisfaction with working hours is that surveys of past preferences are often unreliable

What we do

- We use the HILDA panel data to document the prevalence, severity and persistence of self-reported under- and over-employment in Australia from 2001-2011 (and, in unpublished work, we extend this analysis through 2017)
  - Panel data allows for the tracking of individual’s working hour preferences over time without being subject to recall bias
- Transitions between states of satisfaction/dissatisfaction are recorded for women and men, full- and part-time workers, and those that stay or switch jobs
What we know now

- Overwork remains more prevalent than underwork in Australia.
- If all workers were to work their preferred hours, both males and females would collectively work 5.7% less.
  - Men have larger mismatches between preferred and actual hours, but the differences disappear when full-time and part-time status is taken into account.
- Workers that report a desire for fewer hours most commonly continue to report that desire one year later.
  - However, workers that report a desire for more hours most commonly resolve their dissatisfaction in the next year.
- Workers resolve mismatches between their actual and preferred hours at a 10-20% higher rate when they switch employers.

What this means for policy

- Working hour dissatisfaction is a transient state for many Australians, suggesting the labour market is sufficiently flexible in allowing workers to adjust work hours.
- Targeting working hour dissatisfaction could result in a decrease in labour supply given the greater prevalence, severity and persistence of over-work.
- The increased rate of mismatch resolution for job switchers suggests that any policies that reduce labour market flexibility are likely to exacerbate problems of over-work or under-work.
- Policies that increase labour market flexibility and worker mobility will have a positive effect on worker satisfaction with jobs and hours.

Where to now?

- Studies that improve our understanding of preferences for job characteristics (including working hours) could shed light on why some people maintain their working arrangements despite expressing dissatisfaction with their hours.
- See Fabian and Breunig (2019), who address this question for persistent over-workers.

More information

- Get the full working paper or the published version.
- We would welcome the opportunity to present our research to your team and to discuss potential joint research projects on related or similar topics.
- Contact us at robert.breunig@anu.edu.au.

References
