LABOUR VERSUS LEISURE: Comparison of Germany and Spain shows how cultural tastes shape national rates of employment

Roughly a quarter of the difference between Germany and Spain’s employment rates is the result of different preferences for working in the two countries. That is the central finding of research by Simone Moriconi and Giovanni Peri, to be presented at the annual congress of the European Economic Association in Geneva in August 2016.

What’s more, their study shows, there is a component in people’s preferences between labour and leisure that is rooted in national cultures. The trait is shared by workers from the same country of origin (the country of their parents’ birth) and is transmitted from one generation to the next.

Employment rates vary across Europe, shaped by both the local economy and by people’s own preferences for working instead of being unemployed. This study finds that when an economic crisis leads to people being unemployed for longer, as well as when wages fall and people tend to end up with less satisfying jobs, people’s passion for working falls too.

The researchers conclude that the ‘employment gap’ – which is determined by different work cultures – can only be reduced through institutional and welfare reforms that increase employment prospects permanently and enhance the attractions of a paid job.

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A preference for labour over leisure accounts for roughly one quarter of the employment rate differential between countries such as Germany and Spain. That is one of the main findings of research conducted by Simone Moriconi and Giovanni Peri.

This overall result complements the generally broad consensus among economists, government officials and policy-makers that differences in employment performance across European countries are associated with the set of labour market institutions and policies established during the 1970s. These institutions are reducing wage flexibility and job turnover, and discouraging individual job search efforts.

Moriconi and Peri argue that both differences in institutions and the preference for labour relative to leisure matter. Such preferences have an individual-specific component, which responds to both general economic conditions and past work experience. Individuals become more leisure-oriented when economic crises increase unemployment spells and reduce employment prospects. Similarly, segregation into low pay jobs and unfavourable working conditions reduce job satisfaction and individuals’ passion about their work.

More importantly, their study shows that there is a component in labour-leisure preferences that is rooted in a country’s culture. This trait is shared by workers from the same country of origin (the country of their parents’ birth) and is transmitted from one generation to the next.

This is the reason for the greater ‘leisure orientation’ of some South and Central-East European cultures compared with most Nordic or continental European ones. The authors identify the impact of this cultural trait on the labour market outcomes of
immigrants and the children of immigrants who live and work in a European country different from their country of origin.

Moriconi and Peri point out that labour market institutions such as labour taxation, social insurance and union density have large negative consequences on employment outcomes. This confirms that the attention that European governments pay to reforming labour market is not misplaced, and raises important policy issues.

Preferences matter to the extent that the employment rate in Spain or Greece would continue to be four percentage points lower than that of Germany or the Netherlands even were these countries to achieve identical economic conditions and institutions. This employment gap, determined by different work culture, can be reduced only through institutional and welfare reforms that increase employment prospects permanently and enhance the attraction of a paid job.

Long-term commitment from national governments to guarantee improved working conditions, better health and safety services and a more favourable work-family balance will have long-lasting effects on individuals’ job satisfaction, labour market attachment and preferences. The very slow evolution of culture will guarantee that the positive effect of changes to preferences will persist across generations.

ENDS

‘Country-Specific Preferences and Employment Rates in Europe’
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