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The myth of the leisure-loving European

Average per capita income in the European Union is about 30 per cent lower than in the US. This gap is almost entirely due to Europeans working less than Americans: output per hour worked is about the same on both sides of the Atlantic.

But why do Europeans work so little? A widespread view is that this simply reflects their preferences. Europeans choose to work less than Americans because they value leisure time much more.

If correct, this would have profound policy implications. Europeans should not worry about the income gap with the US, because income is not a correct measure of welfare. Nor should they worry about the fact they work fewer hours, since that is their choice. They should, however, pity those poor Americans, who do not understand what is really valuable in life. Unfortunately, this Panglossian view of Europe's labour markets is not supported by careful reading of the data.

Let us get the facts straight. Hours worked are particularly low in the large countries of continental Europe: France, Germany, Italy and Spain. Using data from the Organisation for Economic Co-operation and Development, we can resolve the gap in average hours worked between these countries and the US into two components.

First, Europe has a lower employment rate: that is, the proportion of people of working age who work is smaller than in the US. This factor accounts for about two-thirds of the gap with the US. Second, the average worker in Europe works fewer hours: this component, accounting for the remaining third of the gap with the US, to some extent reflects the spread of part-time employment in Europe. Part-time employment accounts for about a quarter of the transatlantic differences in hours of work per employee in the four big continental EU countries; in the case of Germany, it accounts for almost half the difference.

Overall, the data suggest that the main reason Europeans work less than Americans is that many in Europe do not work at all. Yes, the average European worker has a shorter working week – and fewer working weeks in the year – than his American counterpart. But this is not the dominant factor.

If we consider how age and sex are reflected in employment patterns, we again find systematic differences between Europe and the US. In Europe, the proportion of women of working age who are in work is 10 per cent less than in the US, while the proportion of people aged over 55 in work is 19 per cent less. The difference in the unemployment rate is largely due to greater youth unemployment in Europe. And there is a far greater prevalence of part-time work among women, the young and old workers in Europe. Indeed, the decline in hours per worker

seen in some European countries in the 1990s – such as the Netherlands, Ireland and Germany – reflects an increase in the proportion of women working.

These facts suggest that Europe's peculiarities have much more to do with public policies than with free individual choices. The low participation rate among the elderly is simply a result of Europe's generous pension systems. And the low employment rates among young people and women reflect labour market institutions that protect insiders and increase their bargaining power but exclude others from work.

Even the lower average hours among working individuals do not prove that Europeans have a stronger preference for leisure over consumption: one hour of work in the EU is taxed at rates of about 50 per cent compared with about 30 per cent in the US, and buys far fewer consumption goods. Weaker incentives, not different preferences, largely explain why the working day is shorter in Europe. This again is linked to public policies, and to a large degree to redistributive policies that benefit the elderly. Public policies – the imposition by law of a 35-hour working week – also explain why France is the only EU country in which there has been a sizeable reduction in full-time employees' working hours in recent years.

The idea that Europeans work less because they are lazy or because they have chosen to enjoy life rather than to work is an illusion. Some Europeans have succeeded in staying at home and enjoying leisure, while others are footing the bill. And many Europeans would be willing to work for less pay than the insiders but are excluded from the labour market. This situation reflects the political influence of the unions and of the beneficiaries of public pensions systems, not the individual choice of the average European citizen.

In other words, politics, not psychology, explains the difference between Europe and the US. The sooner we realise that this is so the more likely we are to remove the distortions that keep many Europeans poor and out of work.

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