

Who gains from work time flexibility?

A matching approach to assess the compensating wage differential of work time accounts

Miriam Beblo, Anja Heinze and Elke Wolf

Centre for European Economic Research (ZEW Mannheim)

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Abstract

Flexible work time arrangements have become more and more popular over the past decades. On one hand, flexible time schedules allow the firm to adjust quickly to demand fluctuations. On the other hand, the employee may benefit from an innovative work time arrangement in terms of more time sovereignty. The corresponding wage effects are ambiguous and not analyzed in detail, yet. The presupposition is that workers with more time sovereignty might be willing to forego earnings whereas employers with flextime who are supposed to adjust their working time by order of the employer have to be compensated by higher earnings. We analyze this compensating wage differential with data from the GSOEP 2002, which, for the first time, includes information on whether the employee has a work time account or not.

To control for selection on observable characteristics, we choose propensity score matching to compare wages of employees with and without work time accounts, conditional on their likelihood of having such an account. Preliminary results indicate that work time accountees receive higher wages than would be the case if their hours were not debited or credited, that is, the average treatment-on-the-treated effect (ATT) is positive. However, remarkable differences exist between public and the private sector employees. Within the private sector we find large wage premiums for work time accountees, whereas employees in the public sector seem to give up some of their pay for more time flexibility. We therefore argue, that "working in the public sector" can be interpreted as a proxy for having higher preferences for pleasant job attributes, such as safety and flexibility. By applying an exact matching on "working in the public sector" in a first step, followed by a propensity score matching within sectors, we are able to account for some part of the selection on unobservables. We still find a positive ATT.