Working hours mismatch and well-being: comparative evidence from Australian and German panel data

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Abstract

This study uses subjective measures of well-being to analyze how workers perceive working hours mismatch. Our particular interest is in the question of whether workers perceive hours of underemployment differently from hours of overemployment. Previous evidence on this issue is ambiguous. We call attention to the consequences of restrictive functional form assumptions and of the counterfactual level of well-being in the absence of hours mismatch that serves as a reference state for comparison purposes. Using data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey and the German Socio-Economic Panel (SOEP), this study estimates the relationship between working hours mismatch and well-being as bivariate smooth functions of desired hours and mismatch hours by tensor product p-splines. The results indicate that well-being is generally highest in the absence of hours mismatch. In Australia, workers tolerate some underemployment, as their well-being is stable until up to approximately ten hours of underemployment. However, the well-being function tends to be steeper for underemployment than overemployment once the ten-hour threshold is exceeded, pointing to a larger marginal loss from underemployment than from overemployment. In Germany, underemployment is clearly more detrimental for well-being than overemployment. German males with preferences for full-time hours hardly respond to overemployment.

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