



The immaterial sustenance of work and leisure: A new look at the work–leisure model



Arie Sherman^a, Tal Shavit^{b,*}

^a The Department of Economics and Management, Ruppin Academic Center, Israel

^b The School of Business Administration, The College of Management Academic Studies, Israel

ARTICLE INFO

Article history:

Received 14 February 2013

Received in revised form 2 June 2013

Accepted 3 June 2013

JEL classification:

C91

D60

E24

Keywords:

Leisure

Loss aversion

Reference point

Relative compensation

Work

ABSTRACT

We introduce a model of labor supply that considers the immaterial sustenance value of work per se. We suggest that people ask for compensation when increasing work hours but also when reducing work hours even when continuing to work part-time. Based on survey results, we show that the reference point (the worker's actual position) is important, and has an effect on the requested compensation when increasing or decreasing the number of hours worked. We find that the requested compensation is neither linear and nor symmetrical, and suggest that welfare policy should take the immaterial sustenance into account.

© 2013 Elsevier Inc. All rights reserved.

1. Introduction

Work is the focusing lens for so much of human experience. Work conjures up joy and despair, fulfillment and anesthesia, creativity and drudgery. . . Work is the inescapable starting point for all social inquiry.

– Robert Heilbroner (1985, p. 9)

Why do we work? Do people work for reasons other than the pecuniary reward? According to a mainstream, economic perspective there is a clear linkage between these questions: people work only for money; we do not derive utility from work per se, rather from leisure and consumption (e.g., Grogger and Karoly, 2005; Moffitt, 2002). Some economic and labor theories even suggest that work is a source of disutility (for a discussion of this point, see Spencer, 2009a,b).

The neoclassical approach does not take into account the notion that there are intrinsic motivations for working (Applebaum,

1992; Frey, 1997, 2008; Frey and Stutzer, 2002a; Layard, 2006; Russo, 2012; Schumacher, 1973; Scitovsky, 1976; Spencer, 2009a,b; Thomas, 1999).¹ In this paper we discuss the inherent consumption value of work per se. We suggest that people work because they wish to consume two kinds of products: one is material and represented by monetary wage, the other is immaterial and is represented by all the non-pecuniary aspects of work. We call the latter “immaterial sustenance” (IS), and use it in a model of labor supply. Naturally, IS levels are dependent on the type and quality of work that workers do (Frey and Stutzer, 2002b; Warr, 1999). The existence of IS implies that the alternative cost of leisure might be higher than the forgone earnings. Moreover, the unique properties of IS (i.e., unobservable and subjective “good”) have a crucial restriction: unlike monetary income from work which can either be saved or used for purchasing material products, IS cannot be saved and therefore, it is produced and consumed simultaneously.

Adopting the “work as good” thesis makes a twofold contribution to economic theory and welfare policy: first, people who get utility from work per se ask for a monetary compensation in

* Corresponding author at: The School of Business Administration, The College of Management Academic Studies, 7 Rabin Avenue, Rishon-LeZion, Israel. Tel.: +972 52 2920868; fax: +972 3 9634117.

E-mail address: shavitt@colman.ac.il (T. Shavit).

URL: <http://www.colman.ac.il/english/Pages/default.aspx> (T. Shavit).

¹ The original definition of intrinsic motivation is, “One is said to be intrinsically motivated to perform an activity when he receives no apparent reward except the activity itself” (Deci, 1971, p. 105).

order to stop working and becoming a welfare recipient. This phenomenon extends the findings of [Sherman and Shavit \(2009\)](#) who argued that welfare benefits asymmetrically affect the decision to move from welfare to work and from work to welfare based on the notion of loss aversion ([Tversky and Kahneman, 1991](#)). We argue that the decision to reduce working hours due to an increase in welfare payments consists of two contradictory incentives: the desire to consume more leisure, and the desire to consume the immaterial product of work. If the IS consumed during work time looms larger than the utility from leisure (which can be defined as the IS of leisure), then it is not theoretically obvious that one would voluntarily choose to stop working in order to benefit from social “generosity.” The notion that people ask for monetary compensation in order to stop working stands in contradiction to the standard economic prediction which expects that the maximum ratio for total unemployment benefits relative to net income in work should not exceed 70% ([Boone and Van Ours, 2006](#); [Minford et al., 1983](#)). We argue that the relative monetary compensation, which is the compensation relatively to the loss of salary, might be higher than 1, while people who get utility from work per se would prefer to continue working, rather than become welfare recipients.

The second contribution concerns the effects of the reference point on the intensive margin i.e., changing from working in a full-time position to working in a part-time position. We argue that the reference point (the actual position of the worker) implies that when people work part-time and change their position by increasing or reducing work hours, they ask for monetary compensation. The relation between part-time work and life satisfaction is well established in the literature ([Boo et al., 2010](#); [Booth and van Ours, 2008, 2009](#); [Visser, 2002](#)). However, most of the literature deal with gender differences and the way part-time work affects life satisfaction, whereas this paper is the first, to the best of our knowledge, to actually argue and show that even when working part-time people ask for compensation when reducing or increasing work hours. We demonstrate that work has intrinsic value for people, on a more general level than [Sherman and Shavit \(2009\)](#).

The data in this study was obtained using a questionnaire on preferences for work and leisure, which asked about scenarios of two types:

- (1) What is the minimum supplemental income allowance (“welfare”) you would request in order to decrease the amount of time you work?

The relative compensation in this case is the ratio between the requested supplemental income allowance and the part of the salary lost.

- (2) What is the minimum additional salary you would ask to forgo part of a supplemental income allowance, and work more hours?

The relative compensation in this case is the ratio between the required additional salary and the part of a supplemental income allowance lost.

We find that both when increasing work hours and when reducing work hours people ask for relative compensation greater than 1, which is neither linear nor symmetrical. The relative compensation when increasing work is significantly higher than the relative compensation when reducing work.

The remainder of this paper is organized as follows: in Section 2, we present the model; Section 3, present empirical data from current literature, mainly regarding the “economics of happiness” to support the hypothesis that work is not merely a means to material consumption but also as an end in itself. In Section 4, we present and discuss the empirical data from the experimental procedure, and Section 5 concludes.

2. The model

2.1. Immaterial sustenance of work and leisure

From anthropological and sociological perspectives, work is an essential precondition of human society. The desire to work is part of human nature. [Leviton and Johnson \(1982\)](#) wrote that we are driven by the “work instinct” while Hendrik de Man (1929, quoted in [Applebaum, 1992](#), pp. 476–491) claimed that people work due to both the “instinct of activity” and the “instinct to play.” According to modern social psychology perspectives, work is a crucial condition for successfully moving from adolescence to adulthood, and important for healthy development of ego and self-esteem ([Erikson, 1959](#); [Maslow, 1943](#)). To put it more explicitly, the lumberjack might not get direct satisfaction from felling trees, rather his subjective well-being is increased by consuming the latent products of his work ([Jahoda, 1981](#); [Warr, 1987](#)). A similar view was expressed by Karl Marx ([Spencer, 2009b](#)) who believed that work could potentially be life-enhancing, and considered the participation in work as the basis for a contented and fulfilled life.

[Jahoda \(1981\)](#) suggests that “Employment is psychologically supportive even when conditions are bad” (p. 188). This is consistent with other researchers who argue that even when work is bad it still provides some immaterial sustenance (e.g., [Csikszentmihalyi, 1990](#); [Grün et al., 2010](#); [Heilbroner, 1985](#); [Layard, 2004](#)).

We suggest that the marginal utility derived from increasing working time is subjectively determined according to internal and external progressions. Sociologists have suggested, “Through work, we join a community of individuals with common experiences, skills or goals” ([Leviton and Johnson, 1982](#), p. 30). The more intrinsic job satisfaction, the more IS a person produces during work.

We propose the following production function for the IS from work:

$$\begin{aligned} IS &= 0 \text{ if unemployed} \\ IS &= \delta H^\alpha \text{ if employed} \end{aligned} \quad (1)$$

For an unemployed person, the production of IS equals zero. However, for an employed person H represents the hours worked, δ = the variable part, and α = the properties of the marginal production. The magnitude of δ is subjectively determined based on the level of job satisfaction. Higher job satisfaction generates additional consumption of immaterial sustenance.

Note that workers can have a feeling of satisfaction from their work even if it is “bad” in objective terms ([Grün et al., 2010](#)). Workers’ preferences are adaptive and subjective reports of job satisfaction can be a fuzzy guide to worker well-being. But are there in fact jobs with such a low quality of IS that a person will voluntarily prefer to quit working and becoming unemployed? [Csikszentmihalyi \(1990\)](#) provides ample evidence that work can be enjoyable, and that it is often the most enjoyable part of life. He argues that act of work, even if it is hard and seen by others as unglamorous, repetitive and meaningless can be a platform for well being. [Layard \(2004, p. 1\)](#) argues, “Human happiness is more affected by whether or not one has a job than by what kind of job it is.”

Leisure often involves non-market labor, such as household work, childcare and more. For example, people might get satisfaction from taking care of their children and as a result the IS of leisure might be a perfect or even better substitute for the IS from work. [Altman \(2001, p. 202\)](#) wrote, “Nonmarket time is divided between sleep, rest, recreation and the production of nonmarket commodities including those services generated by housework. Leisure itself is only one component of nonmarket time.” This means that non-market time is actually divided between active leisure such as housework and passive leisure such as sleep and rest. Note that,

Download English Version:

<https://daneshyari.com/en/article/7370555>

Download Persian Version:

<https://daneshyari.com/article/7370555>

[Daneshyari.com](https://daneshyari.com)