Does reducing working hours increase wages and accelerate labour productivity?

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Does Reducing Working Hours Increase Wages and Accelerate Labour Productivity?

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Automation seems just around the corner, but actual productivity growth is lower than in the 1990s. The robots will take our jobs but unemployment is at record lows. GDP growth continues, the stock market booms, but billions of capital sits in bank accounts rather than being invested in the real economy. Wages are stagnating but the economy is ever more productive. These are the paradoxes that define the contemporary economy. What’s clear is that we’re working long hours doing jobs that erode our mental health; jobs that don’t provide people with meaning or even satisfaction. The more the economy develops the more the people are impoverished. Work life balance has become a dream. All this is familiar but what is the solution? My research argues that the solution to the future of work is to reduce working hours. The chief obstacle to this is the perception that a reduction would lead to a decline in wages or income and a decrease in output. In my dissertation I test this hypothesis in the only time period where working hours were significantly reduced (after WW1). The data indicates that as working hours were reduced wages increased. Further, the reduction in working hours accelerated investment in production. It’s imprudent to draw universal conclusions from history but this seemingly counterintuitive idea has the potential to shift the global economy onto a new positive feedback loop. Moreover it has the potential to liberate people from mindnumbing employment and allow them to reach their potential.