



Spatial Economics Research Centre

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Want to live somewhere nice? Be ready to work longer

Posted by Teresa Schlueter, LSE and SERC

Everyone knows that both wages and the cost of living vary a great deal across the UK. There's a [lively debate about](#) this, not least rows about [ben cuts](#) and the 'bedroom tax'. Many commentators think workers on low or moderate incomes living in high price areas face an affordability problem. Others argue that these areas are more desirable places to live, workers might face lower real wages - but get better amenities in return.

These debates miss some important questions. For example, what's the effect of real wage differences on the hours people work? To get by, poor workers in high-price areas might have to work longer hours than similar workers in cheaper places. Alternatively, high-income people in high-price areas might trade off cash for leisure time. Understanding these choices helps policymakers understand just how 'liveable' some cities are.

In a [recently published SERC Discussion Paper](#) I study the effects of differences in the regional real wage on labour supply. I use information on individual workers who move across different labour market areas, which allows me to see how working hours change when people change address.

Regional differences in working hours are quite substantial: in North West Devon the average is 31 hours per week, whereas people in Rugby work about 4 hours more per week. Similarly, the share of part-time workers in the workforce ranges from 23.4 % in Newbury to 44.7 % in North West Devon.

I then test the connection between real wages and working time, using a [real wage index](#) calculated by Steve Gibbons, Henry Overman and Guilherme Resende. I find that workers who move to lower real wage areas increase their working time: a 1000 Pound change in the annual real wage puts about 10 minutes on the working week.

I also find that workers in nicer places put in more hours, not less. Attributes that make an area a nicer place to live (e.g. sunshine duration) increase working hours whereas attributes that make an area a less nice place to live (e.g. a lot of rain fall) decrease working hours.

As you would expect, these links matter more for lower skilled workers (who are likely to earn less). A low skilled worker who moves to an area with a higher real wage increases his working hours by about 0.5 % more than a high skilled worker. Low skilled workers work up to one hour longer per week than high skilled workers when moving from the highest to the lowest real wage labour market.

All of which suggests affordability is the key consideration for people living in high-cost cities. High-skilled workers pay for amenities in monetary terms only, low skilled workers who have generally lower incomes also "pay" by reducing their leisure time.

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