Chapter 6: Choosing Hours of Work Might Actually Get a Little Easier For Some

One of the more technical topics in the typical Labor Economics course is the labor-leisure model of labor supply, presented in chapter six of Modern Labor Economics. One of the things that has contributed to students' difficulty in fully grasping the model is the seeming disconnect between their experience in the real world, where workers work whatever hours they are told to work, and the model’s assumption that the number of hours worked is a choice for the worker. Of course, in the short run and for any particular situation, the students' experience is probably the more accurate predictor of the reality. But as pointed out in a recent article in The Wall Street Journal, change does happen, and especially in some professions, we may see more flexibility for workers to choose their hours in the future.

Citing a 2002 study by the Family Work Institute, author Sue Shellenbarger reports that 18 percent of full-time wage and salary workers would prefer to work part-time. But the same survey notes that 44 percent of those workers' employers won’t allow them to do so. When this kind of disparity exists between workers' interests and employers' interests, one of the most common outcomes is high turnover. Given the often high costs of turnover, as discussed in chapter five, employers can be sufficiently impacted that they begin looking for new solutions.

One would expect two contributing factors to be good predictors of where change might occur: 1) relatively high skill demands, which would result in high turnover costs; and 2) a workforce that is both more likely to desire part-time work (possibly linked with high job stress) and able and willing to explore options by quitting when firms do not make that possible.

That brings us to: accounting and law. According to Shellenbarger, 48 percent of all law school graduates are women, as are 62 percent of college accounting graduates. These highly skilled, often younger women desire the option of part-time work after having children. Of course, the desire for part-time work is not restricted to women, but they have historically been more likely to be interested in it because of the demands of child-bearing and traditional family roles in child-rearing. Historically, that has been bad news for the women (see chapter 14 in Modern Labor Economics for some data on this). Finally, billable hours provide an easy way of measuring productivity in both professions.

As Shellenbarger points out, recent history in the legal and accounting professions hasn't always been that kind, either. One of the problems faced by part-timers has been "schedule creep," where the demands of the job resulted in hours being extended beyond what was scheduled, but pay only being rewarded for the scheduled hours. More broadly, those working part-time have usually had their careers set back, getting less attractive assignments and having less chance of promotion because they are viewed by many as being less dedicated to their jobs.

A number of firms are apparently beginning to see the error of their ways and do something about it. Faced with the costs of losing talented people, and seeing patterns in who they lost and why, firms are becoming 'part-time friendly' in ways almost unimaginable only a decade ago. They're getting some pretty high-level help: something called the Project for Attorney Retention at American University in Washington, D.C. does research on ways to improve work schedules.

Among the many cited, some firms are assigning an individual with responsibility for monitoring and administering more flexible work assignments, with "flexibility work arrangements coordinator" positions now found at PricewaterhouseCoopers, New York and Earnst & Young, New York, both "Big Four" accounting firms. Some are actually paying part-time workers more than full-time, with one firm paying 75 percent salary to 67 percent schedules, to deal with the schedule creep issue. Anecdotally, at least, the efforts appear to be paying off, with reports of increased numbers of part-time employees, and significant reductions in turnover rates, especially among female employees.
a. Should workers who voluntarily work part-time schedules be treated as well as those who work full-time? Doesn't their choice of hours indicate less of a commitment to the organization than those who work full time? Explain why it might NOT be unfair to full-time employees to have part-time workers paid at the same rate, equally eligible for promotions, given the most desirable job assignments, and so on.

b. Accounting and law both tend to have salaried positions rather than hourly wage positions. Does that make it less valid to try to analyze labor supply decisions in terms of the labor-leisure trade-off and the choice of some to work part-time rather than full-time schedules?