

Are we working too hard?

As many Canadians enjoy their last long summer weekend away from work they will be asking themselves: Why are we working so hard, anyway? Why can't we be more like the Europeans with their seven weeks of vacation and holidays annually?

A very small number will wonder why don't we Canadians work as many hours as those industrious Americans? But for too many the question will be, how can I get more hours of work to meet my financial needs?

Hours of work is a tricky subject. On the one hand, as we get more prosperous we want more leisure time. But on the other hand, many of us want to work many hours to advance economically.

In Ontario, we may not have this balance right. On average, Ontario workers work about 3½ fewer weeks annually than their counterparts in the largest U.S. states. This difference translates to lower economic output in Ontario which, in turn, reduces after-tax disposable income by \$5,500 annually for the average family.

It also reduces federal, provincial, and local government revenues in Ontario by \$17 billion. Closing at least some of this difference — what we call the intensity gap — has the potential to contribute to higher prosperity in the province.

Much of the intensity gap — the difference in hours worked by workers in Ontario and its North American peer jurisdictions — reflects preferences for more vacations in Ontario.

Yet a significant percentage of the gap is because many Ontarians are working part-time, but would prefer to work full-time. The gap is also wider among more highly educated and higher-income Ontarians.

About half of this intensity gap is because we take more vacations than our U.S. counterparts, and much of this difference occurs during the summer.

It's not weather-related, since Americans living in the border states are more similar to their fellow citizens than to Ontarians. It seems to be a cultural norm in Canada to take more vacation time. And that's not about to change.

The other half is the result of shorter average workweeks in Ontario.

But that doesn't mean all workers have a shorter workweek than their U.S. counterparts. In fact, for two-thirds of workers, the Ontario-peer state difference in the hours they actually work in a week is negligible. The real difference is at the two extremes.

Nearly a quarter of the intensity gap is being borne by part-time workers who want more work hours.

Over the last 30 years, a greater percentage of the jobs created in our economy were part-time jobs. There has been a 50 per cent increase in the proportion of men working part-time, from 9.1 per cent to 13.6 per cent. Among women, the proportion has been unchanged around 28 per cent.

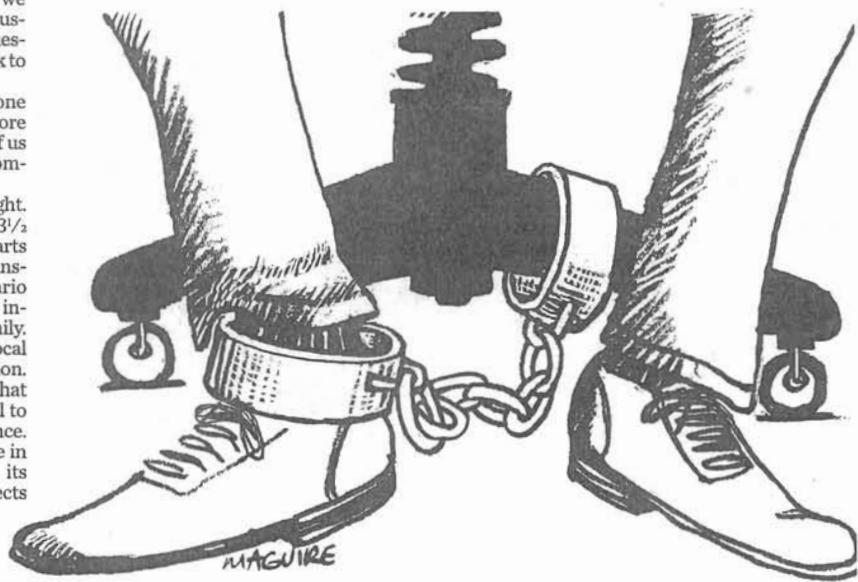
In Ontario, the reason most given for working part-time is that full-time work is unavailable. Involuntary part-time affects workers with less education and skills and this points to the importance of investing in education in Ontario and keeping our kids in school. It also points to the spinoff effects of Ontario's economy not fulfilling its full prosperity potential.

What's worrisome is that the gap attributable to part-time work has increased over time. Our higher unemployment and our lower competitiveness relative to the peer states mean fewer opportunities for full-time work — and this results in fewer hours worked overall.

Some have argued that the answer to involuntary part-time is for greater regulation to reduce the hours worked by some so that work can be shared by others.

Our research indicates that increasing regulation could have the opposite effect, creating

Some Ontarians might be, but many others are looking for more hours and that's affecting our economic output, write *Roger Martin and James Milway*



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more rigidity in the labour market and actually reducing job opportunities.

At the other end of the spectrum, we also find that the intensity gap is wider among Ontario's more productive and skilled workers.

Managers and professionals tend more to work long weeks both sides of the border.

But among the most highly educated and highest-income workers, fewer Ontarians work long workweeks and take more vacations compared with their peer state counterparts.

This is part of a recurring trend we see in our work. We match the peer states in the basics, but at higher levels we trail.

U.S. researchers have found that high-income, more highly educated workers are investing in long hours to strengthen skills, build personal networks, and establish their standing within organizations.

Our most productive workers do not seem as willing to invest in extra hours.

We also know that the potential for greater income for higher educational attainment in Ontario is lower than in the peer states.

Our economy does not reward greater skills as much as in the United States. Are we in a vicious circle?

Because our economy does not value higher-skilled workers and managers as much as in peer states, the incentive for them to work longer hours is reduced. Consequently our overall productivity is reduced, and so on.

We conclude that at least a quarter and perhaps a half of the intensity gap with our peer states is worrisome and we should move to close it by investing in skills and education.

Our public policy also needs to strengthen Ontario's productivity, which means a more robust economy and more full-time job opportunities for those workers who need them.

And, as we look ahead, employers need to find more creative ways to engage the talents and skills of our older workers.

With the baby-boom generation approaching retirement, there will be fewer workers available to build economic prosperity.

Mandatory retirement has now been banned in Ontario and other provinces; smart employers will need creative human resources policies to ensure that critical skills are not lost because of outdated approaches to retirement.

Many pundits think we should be looking to Europe for leadership in approaches to hours worked.

The average French worker, for example, spends about four fewer weeks annually on the job than the average Canadian. Isn't that what we should be striving for? We don't think so.

For starters, there's evidence that North Americans have more true leisure time when we're not doing paid work. Europeans are spending more of their "leisure time" doing household chores.

By doing more paid work, we can afford more labour-saving appliances (for example, 79 per cent of Canadian households have clothes dryers compared with 12 per cent in France) and reduce the time doing unpaid chores.

Second, there's no compelling research that shows the Europeans are any happier than Canadians or Americans.

Finally, current public policy developments and employer-employee bargaining in Germany and France are aimed at lengthening the workweek to deal with the challenges of their stagnating economies — France's prosperity, as measured by 2004 GDP per capita, trails Ontario by 18 per cent.

In summary, the debate isn't about whether we should be more like the long-working Americans or the leisure-loving Europeans; we need Ontario and Canadian solutions to the particular challenges we face in creating opportunities for all of us to choose the amount of work we deem appropriate for our individual situations.

Roger Martin is the dean of the Joseph Rotman School of Management and chairman of the Institute for Competitiveness & Prosperity. **James Milway** is the institute's executive director. The institute released its report on Ontario's intensity gap today.