

Minimum hours constraints and labour supply of older workers

People above 55 years of age are less active on labour market than people in the prime age group of 25-54 years. With the rapid aging of EU population, understanding the labour supply decisions of older workers gains in importance.

Older workers have relatively high preference for part-time employment. However, many of them are overemployed, that is, they work more hours than they would prefer to. Some of the overemployed workers decide to exit the labour market. The employees' inability to reduce their working hours is explained by restrictions imposed by the employers (a so-called minimum hours constraint).

The first aim of the project is to understand the main reasons why firms require employees to work full-time. On the one hand, this constraint may be related to technology and work organization prevailing in a given sector. On the other hand, lack of employers' consent to part-time work may reflect the organizational culture or insufficient management skills. The results will indicate whether public policies aiming at increased availability of part-time work might be detrimental to production processes. We will carry out an econometric analysis with the data from European Structure of Earnings Survey. As a complementary part of research, we will also conduct interviews with employers.

The second aim of the project is to quantify the effects of minimum hours constraints on total labour supply of older workers. Previous research (focusing mostly on US and UK) indicate that a shortage of part-time jobs results in some older workers exiting labour market. However, little is known about the scale of this effect. Furthermore, there is very little evidence on the impact of minimum hours constraint on the average number of hours worked. It may be expected that this effect is positive, that is, average number of hours would be lower in the absence of the constraint. We will conduct an econometric analysis that uses data from both the Labour Force Survey and the Structure of Earnings Survey for all EU countries.

The project will help to answer an important policy question: should the government intervene in labour market to provide older workers with more part-time job opportunities? Potential costs of such intervention include inefficiencies in production processes and a decrease in the average number of working hours. The potential benefits, in turn, consist of an increase in the number of older employees, and (not investigated in this project) welfare improvement due to a better work-life balance.