News Release

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WORK AND TAXES: ALLOCATION OF TIME IN OECD COUNTRIES

During the postwar period, hours worked have fallen on average by 20 percent in OECD countries. However, these changes have been far from uniform across countries. Understanding the sources of large trend changes in hours worked is an important policy concern.

"Work and Taxes: Allocation of Time in OECD Countries," by Andrea Raffo, economist at the Federal Reserve Bank of Kansas City; Lee Ohanian, professor of economics at the University of California, Los Angeles; and Richard Rogerson, professor of economics at Arizona State University, examines this topic. The article appears in the third quarter edition of the Bank's *Economic Review*.

The authors first present the main trends in total hours worked for a sample of 21 OECD countries during the period 1956-2004. They then investigate what policy or institutional differences help explain the described patterns, and explore what individual countries do with their time when they work less in the market.

The findings indicate that labor taxes account for a large share of the observed trends in hours worked: On average, a one-percentage-point increase in taxes is associated with a 0.4-percentage-point decrease in hours of work. Countries with high tax rates devote less time to market work, but more time to home activities, such as cooking and cleaning. Moreover, the reallocation of time from market work to home work is much stronger for females than for males.

The article is available on the Bank's Web site at www.KansasCityFed.org.

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