

Factors Affecting Labour and Leisure Time Decision: Evidence from Small and Medium Enterprises in Masvingo Urban

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Abstract

The paper establishes the factors considered when making labour-leisure time decisions among employees in the Small and Medium Enterprises. A qualitative study was conducted using two different interview guides, one for shop floor employees and the other one for managers who acted as key informants. Twenty two employees were interviewed and four key informants also took part in the study. Participants were selected using purposive sampling. Data were analysed using thematic analysis. It has emerged from the study that employees in SMES sector know the factors that affect labour-leisure time decisions but they do not affect their work and non-work activities decisions. Some participants also highlighted that wage rate; culture, substitution and income effect affect labour-leisure time decisions but in reality they do not consider these factors due to unemployment and low wage rate in the industry which forced them to attach more value on work than leisure. Participants also revealed that due to low wage rate they prefer to work during weekends and holidays because are guaranteed of an extra income than going for leisure. As recommendations, it is argued that employees value leisure time as it reduces work related stress and death from exhaustion and companies must intervene in some of these extreme cases whereby employees go for years without taking leave days by forcing them to utilize their leave days (forced leave).

Keywords: Labour; Leisure; Income; Substitution and wage

Introduction

The roles of work and leisure may be assessed from a number of different perspectives, and the analyses of the various dimensions may not lead to congruent results. According to neoclassical theory, individuals maximize utility subject to a budget constraint, and can freely choose their preferred working hours. Under perfectly competitive markets with rational agents and full information, actual and preferred hours worked should be the same. However, it is, in any case, a fact that the leisure time available is not purely a matter of preference. Theory and empirical evidence show, however, that individuals are not free to choose their working hours, resulting in a divergence between actual and preferred hours worked. Relevant literature offers some explanations for this misalignment; notably, long-term contracts, fixed wages [1], job insecurity, poor matching [2], government regulations and taxes [3] and asymmetric information regarding the productivity of employees Sousa-Poza and Ziegler, Landers, Rebitzer and Taylor [4,5] are some of the rigidities in real life situations. Most importantly, attitudes towards the importance of work call for similarly complex interpretations. In some countries, the importance of work stems from its unavailability. That is, a shortage of jobs and a low employment rate increase the value of work. For example, unemployment in Zimbabwe coerces people to attach more value to work and attach little value to leisure. Fuess indicates that labor market conditions should affect peoples' free time. A higher unemployment rate among a group of persons could mean more idleness, and thus, more time for leisure. It is against this background that a research be conducted to analyze factors affecting labour-leisure time decisions.

Background of the study

Over time, the researcher has observed that most small and medium enterprises usually employ one or two employees who work long unsocial hours including weekends and public holidays. Labour-leisure time decisions provides employees the chance to balance organizational work and family responsibilities so as to satisfy the competing claims of work and home by meeting their own needs as

well as those of their employers. A good Labour-leisure time decision forms an employee's work life balance. Vaal defines leisure as time spent free of obligation and necessity. Burda defines labor time as time spent by the individual at work in exchange of wages and Carlson defines work-life balance as the accomplishment of expected work and family roles negotiated between an employer and employees. A study by Fuess in Japan revealed that Japanese employees work long hours upto 60 h a week and this has led to a phenomenon called *karo-shi* (death from overwork), where corporate employees have been known to spontaneously drop dead of exhaustion. In a bid to address these labour-leisure time problems, many countries enacted legislation stipulating normal working hours, rest, vacations and maternity/paternity leave for female/male employees.

The Labour Act of China stipulates that labourers work for eight hours per day or 44 hours per week. Each employee gets one day off per week. Employees do not work on public holidays except to other special production. In addition, the family and Medical Leave Act of 1993 (United States of America) requires employers to provide employees job protected and unpaid leave for qualified medical and family reasons. FMLA was intended to balance work and leisure. The Act allows employees to take up to 12 weeks of unpaid leave during any 12 months period to honor work life balance practices. In contrast, a study by Garcia-Perez in USA among prime-age men and women revealed that prime-age men worked on average 37 h and did more

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at home (17 h per week), while women were employed for 26 h and worked at home for 31 h. The study concluded that, the differences in hours worked is as a result of the choices made by every single working-age person regarding work hours, home duties and leisure.

Zimbabwe is not spared from labour-leisure time conflicts among its workforce and as such the Labour Act (Chapter 28:01) give provisions which aims at balancing leisure and labour time. Section 14A of the Labour Act in Zimbabwe provides for vacation leave to employee who has completed first year of employment with an employer. Paid vacations leave accrue to an employee at a rate of 1/12 per year to a maximum of 90 days. Regardless of these provisions, workers in Masvingo still come to work on weekends, holidays and even when they are on leave and this give rise to symptoms of labour-leisure time conflicts ranging from worker exhaustion, work related stress and work related accidents. It is against this background that a research be conducted to assess factors that affect labour-leisure time decisions among Small and Medium Enterprises in Masvingo.

Literature Review

This research is guided by the Neo-classical theory of labor supply commonly known as backward bending curve. The theory posits that each individual disposes of a limited amount of time and chooses to allocate between paid work and leisure. Each individual selects the combination of hours of work and leisure that maximizes his or her utility (level of satisfaction). The opportunity costs for individuals who are working an additional hour are the wage rate. Individuals choose not to work if the value of leisure time exceeds the market wage. This can be illustrated using the backward bending labour supply curve.

Research Methodology

Backward bending labour supply curve

The backward bending labour supply curve shows that if real wages were to increase from W1 to W2, the substitution effect for an individual worker outweighs the income effect therefore, the worker would be willing to increase hours worked for pay from L1 to L2. However, if the real wage increased from W2 to W3, the number of hours offered to work for pay would fall from L2 to L3 since the strength of the income effect now exceeds that of the substitution effect, the utility to be gained from an extra hour of unpaid time is now greater than the utility to be gained from extra income that could be earned by working the extra hour (Figure 1).

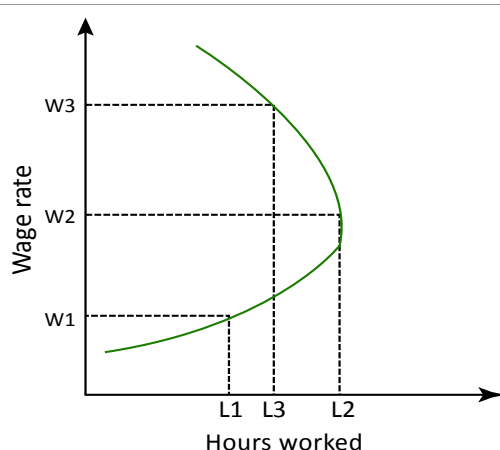


Figure 1: Backward bending labour supply curve.

Maryke argues that the backward-bending labour supply curve shows that as wage increase beyond a certain level, people tend to substitute leisure for paid work time and so higher wages lead to an increase in the labour supply up to some point. He further posits that labour-leisure tradeoff is the tradeoff faced by wage-earning human beings between the amounts of time spent engaged in wage-paying work and satisfaction-generating unpaid time, which allows participation in leisure activities. The key to the tradeoff is a comparison between the wage received from each hour of working and the amount of satisfaction generated by the use of unpaid time. Such a comparison generally means that a higher wage entices people to spend more time working for pay. However, the backward-bending labour supply curve occurs when an even higher wage actually entices people to work less and consume more leisure or unpaid time.

Factors that determines labour and leisure choices

The choice between work and leisure can be affected by a number of factors, including:

The substitution effect and income effect: It is worthwhile to note that when wage rate falls, two effects will result. Maryke propounds that, as wages increase, so does the opportunity cost of leisure. He further states that, as leisure becomes more costly, workers tend to substitute more work hours for fewer leisure hours in order to consume the relatively cheaper consumption goods, which is the substitution effect of a higher wage. However, an income effect is also associated with a higher wage. A higher wage leads to higher real incomes, provided that prices of consumption goods remain constant [6]. As real incomes rise, individuals will demand more leisure, which is considered a normal good. In other words, the higher an individual's income, the easier it is for that individual to take more time off from work and still maintain a high standard of living in terms of consumption goods. Fuess states that the substitution effect of higher wages tends to dominate the income effect at low wage levels, while the income effect of higher wages tends to dominate the substitution effect at high wage levels. The dominance of the income effect over the substitution effect at high wage levels is what accounts for the backward-bending shape of the individual's labor supply curve. Therefore, with the substitution effect, leisure is less expensive and the, so consume more leisure and work less. The opposite is true for income effect.

Changes in preferences: A change in attitudes toward work and leisure can shift the supply curve for labour. If people value leisure more highly, they work fewer hours at each wage, and the supply curve for labor will shift to the left. If they decide they want more goods and services, the supply curve is likely to shift to the right. Davis and Henrekson suggest that different workers will typically view this trade-off differently. In other words, some persons may like to devote a great deal of time and effort to their jobs, whereas other persons would prefer to devote most of their time to leisure. Garcio-Perez posits that the tradeoff between consumption and leisure is shown with the help of a utility function proper to each individual. These interpersonal differences in preferences imply that the indifference curves may look quite different for different workers. Interpersonal differences in the tastes for work are obviously important determinants of differences in labor supply in the population. Workers who like leisure a lot will tend to work few hours. And workers who do not attach a high value to their leisure time will tend to be workaholics. Similarly, Fuess states that, an increase in the net advantages of work will shift the supply curve to the right.

Culture: Culture plays a pivotal role in the choice of labor and

leisure. Akerlof and Kranton [7] envisage corporate culture as the division of the workers into different groups as prescribed by their behavior and respective goals. Thus culture and lifestyles would determine the tradeoffs of leisure and labor time. Fuess supports that if people have started to live a more leisure-oriented lifestyle, we should observe more time spent in leisure activities for the latter observations. If a more leisure-oriented lifestyle has developed, other things equal, then more leisure time and less labor time. For example, Japanese employees work long hours. In spite of the Labour Law, it is not unusual for employees to work 60 h a week. This has led to a phenomenon called *karo-shi* (death from overwork), where corporate employees have been known to spontaneously drop dead of exhaustion. He further state that, the major reason for the extraordinary number of hours that Japanese work is a promotion culture that is still rooted in a seniority system.

Health status and age: Numerous studies have shown a direct correlation between working hours and health. A recent paper based on data from the Whitehall II study finds that 3-4 h of overtime work per day is associated with 1.60-fold increased risk of heart disease compared to employees with no overtime work. Older workers often gain more utility from leisure. Societies with a higher proportion of older people tend to have comparatively long leisure hours, since only a fraction of older cohorts are employed. Munostori et al. [8] put across the view that as we move from younger to older age groups, people's preference for work over leisure tends to increase, although it cannot be established whether this is the result of the different experiences and value systems of the earlier generations in the sample.

Direct taxes: Higher income tax rates may increase the utility of leisure and reduce the labour supply. Prescott [9] argues that the entire difference between the United States and Europe is due to taxes. Davis and Henrekson posit that high taxation increased working hours and reduce leisure time.

Wage rate: The wage rate can be the major determinant of labor-leisure decisions. On one hand, perhaps the well paid choose to work more because each additional hour worked is highly lucrative, thus earning more simply because they work more [10]. On the other hand, they may not work as much because they can earn enough to fulfill their needs in a shorter amount of time. Perhaps those earning low salaries must work more because that is the only way to earn an adequate income. It is also possible that those earning less work less because they do not see it as worthwhile to spend additional time working for low wages. An income rise increases leisure, reduces paid work, and leaves home production unchanged. Empirical work by Bloch and Gronau using United States and Israeli data suggests that leisure amongst couples is positively related to the husband's wage income, negatively related to the wife's wage income, and positively related to non-wage income.

Research methodology

The research adopted a case study research design in which qualitative technique was used. The case study was chosen because the researchers had insufficient funds to carry a census of all SMES in

Masvingo. Results of the findings will be used to infer to the population of all SMES in Zimbabwe.

Data collection instruments and sampling method

Two interview guides were administered on the sampled elements using purposive sampling technique. Twenty six interviews were conducted. Key informant interviews were also used to obtain in-depth data from the selected few.

Data entry

Table below depicts the responses on the factors affecting labour-leisure decisions. Data interpretations were based on the results that emerged from the analysis (Table 1).

Findings and Discussion

Factor 1 which focused on substitution and income effect showed an affirmative response rate of 73%. The same sentiments were echoed by Fuess who state that, the substitution effect of higher wages tends to dominate the income effect at low wage levels, while the income effect of higher wages tends to dominate the substitution effect at high wage levels. The dominance of the income effect over the substitution effect at high wage levels is what accounts for the backward-bending shape of the individual's labor supply curve. Therefore, with the substitution effect, leisure is less expensive, so workers will consume more leisure and work less (income effect). In relation to this theme, participant 10 had this to say;

Unemployment and low wage rate forced me to attach more value on work and attach little value on leisure. I am even better off at work during weekends and holidays because I am guaranteed of an extra income than going for leisure.

This trend is in line with Constant and Otterbach's sentiments that as real incomes rise, individuals will demand more leisure, which is considered a normal good. In other words, the higher an individual's income, the easier it is for that individual to take more time off from work and still maintain a high standard of living in terms of consumption goods.

23% of the respondents revealed that wage rate affect labour-leisure decisions. Sharing the same views is Blanchard [10] who posits that well paid choose to work more because each additional hour worked is highly lucrative, thus earning more simply because they work more. He further states that those earning low salaries must work more because that is the only way to earn an adequate income. In contrast Kahn and Lang postulate that higher wage rate induce workers to work less because they can earn enough to fulfill their needs in a shorter amount of time [1]. Participant 1 and 19 have this to say respectively:

I earn peanuts and i must work more because that is the only way to earn an adequate income. I earn less and I must work less because it is not wise to spend additional time working for low wages.

The above sentiment contradicts Gronau's view that impact of

No	Factors affecting labour-leisure decisions	Participants
1	Substitution and income effect	P1,P2,P3,P5,P7,P8,P9,P10,P11,P12,P13,P14,P15,P16,P17,P18,P20,P21,P26
2	Wage rate	P1,P2,P3,P4,P6,P19
3	Culture	P4,P5,P6,P7,P8,P9,P10,P11,P12,P13,P14,P15,P16,P18,P19,P24,P25
4	Health and age	P1,P2,P3,P4,P5,P6,P7,P8,P9,P10,P11,P12,P26
5	Taxes	P4,P6,P19,P22,P23,P24,P25,P26

Table 1: Responses of participants.

wage on leisure and market work is indeterminate. He further posits that, an income rise increases leisure, reduces paid work, and leaves home production unchanged [11].

Factor 3 showed 65% of the participants are of the view that culture affects labour-leisure choices. Similarly, Akerlof and Kranton propound that culture and lifestyles determine the tradeoffs of leisure and labor time [7]. Sharing the same thinking is Fuess who argues that if people have started to live a more leisure-oriented lifestyle, they spent more time in leisure activities. If a more leisure-oriented lifestyle has developed, other things equal, then more leisure time and less labor time [12]. Participant 14 has this to say:

It's our culture as prescribed by the Holy bible that a man shall work for the family and only rest on the Sabbath day.

The above statement was also said by Fuess who states that long hour working culture determines whether to forego labor time and enjoy leisure or the other way round [13,14]. He further postulates that in spite of the Labour Law, it is not unusual for Japanese employees to work 60 h a week. This has led to a phenomenon called karo-shi (death from overwork), where corporate employees have been known to spontaneously drop dead of exhaustion.

50% of the participants state that health and age affect their leisure-labour choice. In support, a study by Virtanen et al. revealed that there is a direct correlation between the number of working hours and health. Sharing the same view is a paper based on data from the Whitehall II which showed that 3-4 h of overtime work per day is associated with 1.60-fold increased risk of heart disease (mainly risk of heart attack and angina pectoris also known as chest tightness) compared to employees with no overtime work. Older workers often gain more utility from leisure. They further argue that, societies with a higher proportion of older people tend to have comparatively long leisure hours, since only a fraction of older cohorts are employed. Participant 26 has this to say: I am growing older and as such I want more time with my grandchildren rather than being at work.

The above argument cements Munostori's view that as we move from younger to older age groups, people's preference for work over leisure tends to increase. The preference for work over leisure naturally comes with older age. It was suggested that health status and age convince the labor force to choose leisure and forego work or the other way round.

Factor 5 showed a 31% of respondents accepted that taxes affect their labour-leisure choices. Sharing the same view is Davis who states that higher income tax rates may increase the utility of leisure and reduce the labour supply. In addition, Prescott [9] argues that the differences between the United States and Europe can be explained by the tax rate if we assume a log-log utility function on consumption and leisure. Obviously, leisure is used here in the broad sense of the term, that is, any nonmarket (and not taxed) activity such as home production, work in the black economy, or indeed having fun. Seconding is Davis and Henrekson, they state that high taxation increased working hours and reduce leisure time [11].

Conclusion

The study sought to unravel the factors that affect labour-leisure choices of SMES employees. The study was informed by the Neo-classical theory of labour supply commonly known as backward bending supply of labour curve. It has emerged from the findings that employees are driven by a number of factors to choose between leisure

and labour time. Participants highlighted that their choice of labour-leisure time is determined by substitution and income effect, wage rate, culture, health and age and taxes. The study has also revealed that some employees forgo their leisure because of harsh economic conditions and lower wage rate. Some participants highlighted that they come to work even on weekends and holidays because they want to earn an extra income to supplement their peanuts earnings. In general, the majority of employees substitute their leisure for labour time due to lower wage rate, high taxes and harsh economic conditions.

Recommendations

Management of SMES must review their human resource policies if they wish to take full advantage of their personnel. Leisure time is important since it allows employees to refresh their minds and this goes a long way in reducing work related stress. Management of SMES must also adjust their pay rates or use performance based pay so that employees will save for leisure. Refreshed employees are more committed and productive than stressed workers. Employees must also be made to realize that leisure time is important as it reduces work related stress, overwork death and exhaustion.

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