

■ COMMENTARY

When home prices rise, people goof off at work

By Qian Wenlan

A HEALTHY property market generally reflects a strong, well-performing economy. But when markets become excessively bullish, there can be a number of negative economic consequences, leading to pressure on policy-makers to step in with cooling measures.

One effect that has not received much attention is the impact property price booms have on labour supply – in particular whether individuals put in less effort into their work and the repercussions this has for productivity.

In a new study at the National University of Singapore (NUS) Business School, we looked into what is known as shirking behaviour – when individuals get less engaged at work and become unproductive during their working hours.

What we found showed that a five per cent monthly increase in local property prices led to a corresponding eight per cent increase in shirking behaviour.

So why does this matter?

At an individual level, shirking may commonly be seen as having a relatively minor impact; a colleague not pulling their weight at work, for example. However, taken in aggregate across a national economy, the multiple effects of shirking can be huge.

A US survey conducted by Salary.com a few years ago found that 90 per cent of American employees wasted time during work hours, with close to 70 per cent spending at least one hour unproductively every day. The survey estimated that this costs the US economy several hundred billion dollars in lost productivity annually.

Shirking behaviour can be difficult to measure – in part because workers are naturally reluctant to confess to it and because few managers would admit to tolerating it. To overcome this challenge for our study, we looked at credit card transaction data as an indicator of non-work activity.

SHOPPING WHILE AT WORK

Using anonymised data provided by a leading Chinese bank for 200,000 credit card holders, we examined more than nine million transactions over a 22-month period that saw significant property booms. Taking the “transaction-type” information provided by the bank, we identified which transactions were non-work-related. Those transactions that occurred during work hours but were identified as being for non-work purposes were seen as being strongly indicative of shirking activity.

Working with colleagues at Nankai and Peking universities in China, we focused our study on three cities in China: Shanghai, Hangzhou and Xiamen – all of which saw record-setting land auctions during the period of our study. These so called “Land King” sales – where developers pay in-

flated prices for parcels of land – caused a ripple effect, pushing up property prices in the surrounding area.

Therefore, while our study was based on Chinese data, the findings and implications should easily translate to other cities and regions, including Singapore, that have experienced strong boom-and-bust cycles in their property markets.

When home prices spike, home owners benefit from a large windfall of property-based wealth, increasing both the appeal of leisure and the opportunity cost of effort. In other words, home owners who see their property wealth sharply increase find it less rewarding to exert effort in their jobs.

These behaviours were reflected in the findings from our credit card data, which showed a strong increase in shirking among home owners, but no such effect among those who rented their homes.

PEAK SPENDING HOURS

Overall, we found that after a rise in housing prices, some 60 per cent of home owner employees experienced an increase in their propensity to use work time to take care of their personal needs. For example, non-work-related credit card spending was especially rife in the early morning (9 to 10am) and before lunch (11am to 12pm).

The patterns we saw suggest that during property boom periods, home owning employees show up late for work, take an earlier lunch break, and leave work earlier at the end of the workday. They also shirk more frequently during the latter part of the work week when morale in general goes down.

We also found that shirking behaviour is more prominent among owners of multiple properties – reinforcing the link between property price booms and reduced workplace effort and productivity.

Moreover, employees with lower performance incentives – for example, workers near retirement or in organisations where there is a weak link between pay and performance – tended to be more inclined to shirk.

Although based on data from China, our findings provide strong evidence that a booming property market in any location influences individual work effort decisions, leading to significant labour and productivity implications for the aggregate economy.

They also provide important context for policy discussion on the regulation of home prices, as a fall in work effort can potentially result in lower labour productivity, with a direct bearing on economic growth.

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