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Claremont McKenna College

**Cross-Cultural
Examination of Vacation
Policy on Employee
Satisfaction and Happiness**

Submitted to

Professor Craig Bowman

By

Ketan Parekh

For

Senior Thesis

Fall 2022

December 5, 2021

**Cross-Cultural
Examination of Vacation
Policy on Employee
Satisfaction and Happiness**

Ketan Parekh

Claremont McKenna College

Professor Craig Bowman

December 5, 2022

Abstract

With the advent of technological advancement, entrepreneurship, and a higher emphasis on meritocracy, societies across the globe have experienced intense competition to outdo one another. This has pushed companies to place increased importance on worker productivity; large and small companies want to see their employees work harder, longer, and faster. With this increased demand for work, companies today are making sure they have suitable reward systems to ensure worker satisfaction and quality work production. However, what these reward systems look like and how they function contrast significantly across cultures, especially as it pertains to corporate leave policies. This thesis examines the cross-cultural differences in corporate leave policy, worker productivity, and satisfaction. Specifically, this thesis aims to explore the effect of culture in the workplace and how this might impact worker productivity, satisfaction, expectations, and happiness. This paper aims to fill gaps in the field by building on previous research and introducing a cross-cultural component to how varying vacation policies impact worker productivity and satisfaction. Additionally, this thesis will examine the impact of individualistic and collectivist cultures on work-life balance and worker expectations. Lastly, this paper will cover the psychological effect of vacation and how vacations can lead to increased productivity and satisfaction, along with reducing burnout. While a country's culture is difficult to change, the policy can be tailored to the culture. This thesis aims to answer the question of what policy is recommended based on the culture.

Keywords: Culture, Vacation Policy, Cultural Differences, Employee Satisfaction, Employee Happiness, Individualistic and Collectivist

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Chapter I: Introduction & Background

Many workers at some point in their career will feel burnout and in need of a vacation. The ability to take that vacation might vary considerably depending on where one works, however. In Europe, taking that one-week vacation likely is not too hard. After all, most of Europe provides unlimited paid time off and countless workers take advantage of their vacation time. In America, however, that vacation might not be as easy to take. Why is this the case, however? Many Americans have paid time off, but usually not unlimited paid time off. So why do Americans barely take any time off? Is it because Americans are workaholics? Is it because of fear that individuals will not get promoted if they do take time off? These are pertinent questions that individuals in different societies and communities face daily. While each company usually has its own corporate leave policy, these policies are often crafted to match the cultural makeup of the society in which the company resides. This paper will go in-depth on these differences and examine how they impact worker expectations, satisfaction, and overall happiness.

Additionally, this paper aims to provide executives with more insight into the importance of job satisfaction and how this could be achieved based on the cultural makeup of their society. In an increasingly global society in which numerous individuals of various cultures work together at the same company, it is becoming crucial to understand how each culture assesses happiness, job satisfaction, and productivity. Even the concept of burnout, a topic which would appear to be universally the same, features extreme variability. Since there are going to be differences based on the culture that an individual lives in or subscribes to, it is pertinent for companies to not only understand these differences but to find suitable policies that match the cultural makeup of their company. How can executives increase overall job satisfaction? Additionally, what types of corporate leave policies do the best job of promoting overall job satisfaction, happiness, and

productivity? Does this differ depending on where in the world one is working? These are all questions that this thesis aims to explore further.

Chapter II: Literature Review on Cross-Cultural Differences

Cross-Cultural Element

One of the critical aspects of this thesis is its cross-cultural element. This paper aims to build on previous research in the field and reemphasize the importance of culture. This chapter will focus on cross-cultural differences such as variations in preferences, beliefs, consumption, and perceived happiness, satisfaction, and productivity. Additionally, an individualistic and collectivist societal lens will be applied regarding cultural differences in working hours, job and life satisfaction, passion, and work-life balance.

The type of culture an individual lives in will impact the individual's expectations in the way that the individual perceives happiness, satisfaction, and productivity. Job satisfaction varies across occupations, and overtime work hours are generally associated with dissatisfaction. Golden and Wiens-Tuers (2006) and Clark and Senik (2006) address this relationship to some extent. However, Golden and Wiens-Tuers (2006) analyze only the U.S. data concerning extra working hours; Clark and Senik (2006) analyze only French and British data regarding wages but not working hours. This research did not address how the differences in working hours between Americans and Europeans affected their reported happiness. Thus, using the World Values Survey, Eurobarometer, and General Social Survey, researchers further explored the relationship between working hours and happiness in America as opposed to Europe (Okulicz-Kozaryn, 2010).

Despite Americans working 50% more than Germans, Italians, and the French (Prescott, 2004), Americans reported being happier working more. This is because Americans believe more

than Europeans that hard work is directly associated with success (Okulicz-Kozaryn, 2010). One explanation for this difference is that the tax rates in the United States are lower than in Europe. Thus, financially, working more hours pays off more in the United States (Michelacci & Piioan-Mas, 2007). Additionally, it was found that opportunities for social mobility are (or are perceived to be) higher in the United States than in Europe (Alesina et al., 2005). Essentially, Americans are under the perception that if they work longer it will pay off more, a perception many Europeans do not share. While these economic reasons are valid and certainly play a role, it is important not to dismiss the cultural aspect. Differences in cultural ideals lead to different actions and expectations. For example, Americans tend to put value into their status (American dream), whereas Europeans value leisure more (Frijters and Leigh, 2008; Benahold, 2004). This is most apparent when looking at hours worked and the number of vacation days taken. As mentioned before, the United States has the highest number of weeks of work per year and is second after Greece in the number of hours worked in the typical work week. The U.S. is also sixth in employment across its population, demonstrating the importance of “vacation time to U.S. exceptionalism” (Alesina et al., 2005, page 6).

Continuing this comparison between the United States and Europe, Germany and Italy feature the highest number of vacation weeks (7.8 and 7.9, respectively), whereas the U.S. sits at 3.9 (OECD Employment Outlook, 2004). A significant factor in this is the increase in mandatory vacation time in Europe relative to the United States. While there are statutory and contractually agreed upon laws in France and Germany to take twenty to twenty-five days off, the U.S. has no statutory minimum. What makes this data especially interesting is that up to World War I, hours worked per employee were lower in the United States than in most European countries--- including Germany and France (Huberman, 2004; Alesina et al., 2005). During this time,

working on Saturdays and taking long summer vacations were more common in Europe than in the United States, posing how cultures diverged as sharply as they did in the 1970s. The most dominant theory for this cultural change is the social multiplier effect (Blanchard, 2004; Alesina et al., 2005). The social multiplier effect is a social interaction in which an individual's behavior in a social network varies with the normative behavior of others in the network. This effect is also known as endogenous interaction (Yarnell et al., 2014). Applying the social multiplier effect to this situation, it has been observed that Europeans take a significant part of their secular increase in income in less work. Americans, meanwhile, have used this increased income in the form of more consumption (Blanchard, 2004; Alesina et al., 2005). More specifically, as hours worked in Europe started to decline, individuals' utility from leisure dramatically increased. The difference in consumption is further reinforced by the social multiplier effect, creating a desire for Europeans to vacation en masse (Alesina et al., 2005).

There are also variants of the social multiplier view, which posits that one person's leisure increases the returns of other people's leisure (Alesina et al., 2005). Applying this to Europe, everyone takes more extended vacations because doing so is simply more pleasurable. Logically, this makes sense; vacations are more enjoyable when an individual's friends and family are also off work. In addition, over time, Europe has developed an infrastructure that allows for a month-long vacation. Numerous studies have supported the theory that across individuals, there are positive complementarities in the enjoyment of leisure time.

It would be callous, however, to assume that these variations are simply the product of cultural differences. There are other possible factors at play. For example, there is a strong negative correlation between the number of hours worked and the percentage of the labor force covered by collective bargaining agreements (Alesina et al., 2005). Unlike Europe, no

regulations in the United States dictate anything about work hours for individuals older than sixteen. Additionally, the percentage of the labor force covered by collective bargaining agreements is much less than in Europe (Alesina et al., 2005). Another study found that Americans work more because wages are less compressed in the U.S. than in Europe; thus, the incentives to work harder and be promoted are more substantial (Bell & Freeman, 1994). While Europeans seem happier to work less, unions' role is another vital factor. Unions have increased happiness by helping societies find a lower-hour worked equilibrium (Alesina et al., 2005). While significant cultural differences exist between the United States and Europe, it is essential to remember that these differences cannot merely be attributed to “culture”. While this paper will highlight cultural differences and their possible effects, the assumption cannot be made that culture is the only variable in this complex relationship.

Life satisfaction is largely subjective and heavily varies based on culture. It was found that the three most important determinants of life satisfaction are personal characteristics (e.g., extraversion), culture (e.g., affluent societies with political rights), and, most importantly, social capital (the need to belong) (Putnam, 2001 & Myers, 2000). This “need to belong” is crucial as this belonging is satisfied in different ways in different cultures. For example, the correlation between education and life satisfaction is higher for low-income individuals and poorer nations (Diener et al., 1999). Additionally, individuals in poorer nations place increased importance on personal or household income as opposed to wealthier countries, highlighting that culture ultimately plays a large role in an individual’s expectations (Diener et al., 1999). More universal determinants of social capital are religion, friendship, and marriage; all three lead to increased life satisfaction as they provide some form of social capital (Putnam, 2001). For example, married individuals are happier than those who never married, divorced, or separated (Myers and

Diener, 1995). While age does not strongly correlate with life satisfaction (Myers, 2000), older individuals have a closer fit between their ideals and self-perceptions than younger individuals (Diener et al., 1999). Additionally, there is evidence of a negative relationship between hours worked across countries and life satisfaction. Despite this, more research needs to be conducted until a definitive explanation can be reached, as there are currently varying explanations in the field. One example is the fact that satisfaction is a largely subjective term. What satisfies an individual is likely to vary heavily between cultures. An illustration of this would be to look at how various individuals in different cultures assess their satisfaction. It is important to remember that a U.S. worker who says they are happy with their job is likely comparing themselves to the individuals around them in the United States. Likewise, one might ask a French employee if they are satisfied, and their response might be no. Even though they enjoy their life in ways Americans can or do not, Americans assume that the French employee would be satisfied.

Individualistic vs. Collectivist Cultures

This paper has illustrated that the study of cultures reveals different variations and dimensions. Researchers have identified and discussed many cultural dimensions (e.g., Douglas, 2003; Klukhohn and Strodbeck, 1961; Kuhn and McParland, 1954; Parsons and Shills, 1951; Thompson and Wildavsky, 1986). Looking at different cultural dimensions allows researchers to compare cultures along various dimensions. Most studies, however, have examined four major cultural dimensions, including individualism-collectivism, power distance, uncertainty avoidance, and gender role differentiation or femininity–masculinity that were popularized by Hofstede (1980). For the sake of this paper, we will look at these differing societies through the lens of individualistic and collectivist cultures as it remains the most

extensively studied cultural dimension (Priestley and Taasoobshirazi, 2020).

In an individualistic culture, individuals' behavior is dictated by self-interest and personal preferences. Independence and self-sufficiency are imperative in these cultures (Priestley and Taasoobshirazi, 2020). In contrast, collectivist cultures focus on the group. Groups are of primary importance, while individuals come second. In these types of cultures, individuals attribute the contributions and roles of other individuals to their existence. This can lead to situations in which individuals will sacrifice self-interest to promote the collective interest (Priestley and Taasoobshirazi, 2020).

In line with the previous study conducted by Okulicz-Kozaryn (2010), which examined the relationship between U.S. Americans and Europeans, Valente and Berry (2015) examined the same relationship between U.S. and Latin Americans. Moreover, they built upon the previous study by following a similar methodology. One of the main reasons this study was conducted was to examine the differences between individualistic and collectivist societies. Valente and Berry (2015) define happiness in the sense of general life satisfaction as opposed to satisfaction with a job. The researchers highlight the dearth of prior evidence on the job-happiness relationship, which has a significant and positive association with life satisfaction in Latin America and the United States (Menezes-Filho et al., 2009; Valente and Berry, 2015). Having a job is an essential part of social participation and engagement, which are significant factors for individual happiness, whereas unemployment has a significant negative effect on life satisfaction (Clark and Oswald, 1994; Clark et al., 2008; Diener, 2012; Pouwels et al., 2008; Rudolf, 2013; Winkelmann and Winkelmann, 1998). Additionally, job insecurity negatively correlates with life satisfaction in Latin America and the United States (Graham and Behrman 2010). Despite this, little is known about the interaction between hours worked and happiness, which seems to vary

across cultures. Thus, the researchers sought to investigate whether Latin Americans and U.S. Americans are equally happy when working comparable hours (Valente and Berry, 2015). U.S. Americans work, on average, 49.3 hours per week; Latin Americans work 50.4 hours per week (Spector et al., 2004).

What this study found is highly insightful and aligns with the discussion of individualism and collectivism. The researchers concluded that when working comparable hours, individuals were not equally happy (Valente and Berry, 2015). While there are many common determinants of happiness, it was found that hours worked were not among those factors. Instead, differences in cultural values, precisely the distinction between collectivism (familism) and individualism, might ultimately be why married Latin American males are less happy than married U.S. American males when working longer hours (Valente and Berry, 2015). This result is even more interesting because these differences were not present among females or unmarried individuals (Valente and Berry, 2015). Looking for an explanation, the researchers were particularly drawn to classical social developmental theory by social psychologists who have studied cultural variations and the most researched dimension of culture—individualism and collectivism.

The researchers discuss the importance of this dimension between cultures. In an individualistic culture, the individual is the locus of responsibility and action; in other cultures, it is the collective that is more important (Valente and Berry, 2015). The United States is an individualistic society; individuals are expected to look out for their own interests and report being the happiest when doing so. In contrast, in collectivist societies, individuals at birth end up belonging to one or more collective “in-groups”, from which they prefer not to detach and are subsequently unhappiest when detached from these groups (Valente and Berry, 2015). In Latin America, the in-group frequently consists of the individual's extended family, including

grandparents, uncles, aunts, and cousins. It is expected in this collectivist culture to protect the interests of all the members of this group. In return, the individual will receive permanent loyalty that does not require verbalization (Valente and Berry, 2015). This difference is significant to note as there are different determinants of happiness based on culture. This idea has been the central axis of evolving theories of social development (Berry, 1973; Oyserman et al., 2002; Valente and Berry, 2015) and, in this case, is one of the key reasons why there are differing working hours and happiness relationships between the United States and Latin America (Valente and Berry, 2015).

This study also looked at other differences between individualistic and collectivist cultures and had some interesting findings. For example, it was found that self-esteem and freedom are better predictors of life satisfaction in individualistic cultures as opposed to collectivist ones (Diener and Diener, 1995; Valente and Berry, 2015). Given the focus on the self in an individualistic society, it makes sense that self-esteem and freedom are better predictors in individualistic as opposed to collectivist societies. Additionally, in individualistic societies emotions and moods are better predictors of life satisfaction, whereas social life is more predictive in collectivist societies (Suh et al., 2008; Valente and Berry, 2015). Connecting this back to working hours, happiness derives more from personal effort and achievement in individualistic societies. To achieve this, an individual will likely work longer hours. In collectivist societies, however, working longer hours implies less time to devote to family and familial obligations, thus leading to unhappiness (Valente and Berry, 2015). Thus, there are clear differences in work-related happiness, individualism, and familism in the U.S.- Latin case. In the United States, most families are nuclear (Strong and Cohen, 2017); in Latin America, the family is extended and can even extend past biologically related individuals to friends. Loyalty,

interdependence, cooperation, and familism dominate Latino culture (Falicov 2000; Galanti 2003; Santiago-Rivera et al. 2001), much like a typical collectivist society. Since family is such a strong theme in Latino culture (Falicov 2000; Galanti 2003; Santiago-Rivera et al. 2001), increases in working hours deny the ability of Latin American males to spend time with their families and friends. Additionally, it reduces the time that might otherwise be dedicated to religious services in a culture where religion is highly valued (Falicov, 2000; Santiago-Rivera et al., 2001; Triandis and Gelfand, 2012; Triandis, 2001).

Meanwhile, in the individualistic United States, individual values tend to outshine family, and additional stress is put on personal achievements. This is especially the case for males in a society emphasizing self-reliance and competition (Triandis et al., 1988; Valente and Berry, 2015). As previously mentioned, Americans perceive longer working hours as key to individual success, which explains the increased job satisfaction that comes with hard work (Okulicz-Kozaryn, 2011). This perception is further reinforced by a strong Protestant work ethic (Weber et al., 2003). Additionally, in the United States, working longer hours appears to provide more opportunities for social mobility (Okulicz-Kozaryn, 2011; Alesina et al., 2004). Social status in this case is not tied to an individual's family of birth or tradition; instead, social status is achieved through education, occupation, and income (Valente and Berry, 2015).

As evidenced, hours worked has differing effects on individuals based on the culture they subscribe to. One important distinction to make is how this paper defines life satisfaction. *Life satisfaction* is a topic that has been the subject of much empirical research. In recent years, there has been an increase in the literature examining the determinants of life satisfaction. Empirical research has typically divided life satisfaction into two different types: general well-being or overall happiness (Clark and Oswald, 1994; Diener et al., 1999; Dolan et al., 2008; Frey and

Stutzer, 2010; Oswald, 1997; Van Praag and Ferrer-i Carbonell, 2004; Veenhoven, 1991) and well-being at work or job satisfaction (Blanchflower and Oswald, 1999; Clark, 1996; Clark and Oswald, 1996; Robertson and Cooper, 2011). These two forms of life satisfaction are studied because both individual variations transcend culture and have a heightened awareness surrounding these cross-cultural differences (Valente and Berry, 2015).

Differences between individualistic and collectivist cultures have been shown to impact life satisfaction and can be highlighted in the context of passion. While passion might not seem relevant to the scope of this paper, passion is one of the critical measurements that executives might assess a potential employee on. These executives must understand the differences in how passion presents itself based on the differences between individualistic and collectivist societies and among individuals. A study by Li et al., (2020) looked at the effects of passion in predicting achievement from interest, enjoyment, and efficacy. The study aimed to get a holistic view by looking at 59 different societies (Li et al., 2020). The ability to identify both students and employees alike based on their future ability to achieve is a difficult challenge in a variety of fields. This leads to problematic situations in which passion is used to measure future success and motivation. American academic theories highlight the importance of passion for strong achievement; for example, each of the top 20 universities in the United States mentions the word “passion” and suggests it leads to students’ potential to succeed (Li et al., 2020). This is based on a Western independent model of motivation, which suggests that passionate individuals demonstrate strong interest and enjoyment in what they are doing. These individuals are subsequently viewed as those who can be considered future achievers. The issue is that those with less passion are thought to have less potential and are frequently passed over in admissions or employment (Li et al., 2020). While this might seem logical, this study aimed to explore, as

companies increasingly acquire talent from across the globe, if executives can expect to assume that passion is an equally strong predictor of achievement cross-culturally (Li et al., 2020).

The significance and findings of this study are pertinent. Using three large-scale datasets representing adolescents from 59 different societies worldwide, the researchers found evidence of cultural variation in the relationship between passion and achievement (Li et al., 2020). Specifically, in individualistic cultures, it was found that passion better predicts achievement and can explain the variance in achievement outcomes. However, in collectivist cultures, it was found that passion is a much less powerful predictor. While passion still positively predicts achievement, other factors are better predictors in collectivist societies. For example, it was found that parental support predicts achievement over passion. In collectivist societies, achievement is often reached by connecting with one's family and meeting community expectations (Li et al., 2020). This result is significant as it highlights risks associated with emphasizing just one aspect of passion. Suppose executives and recruiters alike focus on the Western form of motivation. In that case, they will likely pass over talented individuals from different cultural backgrounds. Specifically, individuals who grew up in different cultural backgrounds, such as an interdependent model of motivation that was both typical and effective, might be overlooked (Li et al., 2020).

The researchers conducted this experiment by addressing a specific cultural difference: a society's emphasis on individualism (Li et al., 2020). Societies grounded in individualism, such as North America and Western Europe, encourage a sense of agency with the self and promote independence. The prevailing thought process is that if an individual focuses on their passion, they will be self-motivated to do well themselves (Li et al., 2020). Since passionate individuals typically reach higher levels of achievement, teachers, parents, and co-workers tend to highlight

the importance of hard work and developing their passions. This can be frequently observed in Western culture; children at an early age are encouraged to develop their interests from all the individuals surrounding them (Li et al., 2020).

Societies grounded in collectivism, which includes most societies outside of North America and Western Europe, are often “animated by cultural models of agency that encourage the construal of oneself as interdependent with close others and as a part of an encompassing social whole” (Li et al., 2020, page 2). Instead of just one’s thoughts being the cause for action, in collectivist societies, the thoughts of the individual but also the thoughts and feelings of others moves people to action. More specifically, in a collectivist context, individuals reflect and reinforce a more interdependent model of motivation rooted in being receptive to others, realizing expectations, and following cultural norms of why and how to achieve (Li et al., 2020).

Of particular interest was the finding that no cultural index besides individualism could explain the passion-achievement relationship across the globe, highlighting culture's strong presence and role. Thus, individuals and companies must know that motivation can take many forms, including those in interdependent cultures comprising over 75% of the world’s population (Li et al., 2020, Henrich et al., 2010). Along similar lines, a previous meta-analysis based on samples of students with European backgrounds and from predominately individualistic societies found a correlation between a specific form of independent motivation and achievement (Hansford and Hattie, 1982). In contrast, a study of individuals in collectivist contexts, such as Japan, Thailand, and Indonesia, found a weaker link between self-efficacy and achievement (Li et al., 2020, Hansford and Hattie, 1982). These studies highlight and emphasize the differing forms of motivation.

Another area in which life satisfaction has been measured across cultures is through the role of emotion. Specifically, do positive and negative emotions impact life satisfaction across different nations? This question was what Diener et al., (2008) attempted to explore. Using over eight thousand participants from 46 countries, the study aimed to examine the frequency of positive and negative emotions and their impact on life satisfaction. The researchers focused on attempting to answer three pertinent questions: 1) are life satisfaction judgments overall mainly related to the frequency of positive and negative emotions? 2) are there national differences in how strongly the frequencies of positive and negative emotions relate to judgments of life satisfaction? 3) does the cultural value of individualism/collectivism play a role in shaping these differences across nations? (Diener et al., 2008, page 64-65) This research is critical because the results can provide insight into some of the values that form positive and negative emotions, along with illustrating how those values form global judgments of the quality of one's life (Diener et al., 2008).

The research by Diener et al., (2008) builds upon many previous studies. For example, one study found that life satisfaction was discriminable from positive and negative affect (Lucas et al., 1996; Diener et al., 2008). Another study found that culture influences the type of experiences an individual ideally wants to feel (Tsai, Knutson, & Fung, 2006; Tsai, Miao, & Seppala, 2007; Diener et al., 2008). However, the issue with the previous literature on this topic is that only single aspects of subjective well-being are being measured. As mentioned previously, life satisfaction tends to be one of the few aspects of subjective well-being that has received considerable research. Due to this, there is a gap in previous research on the relationship between cognitive and affective aspects of subjective well-being, especially in terms of the cross-cultural context (Diener et al., 2003; Pavot and Diener, 2004). However, suppose executives are aiming

to increase overall positive emotion. In that case, it is pertinent that they understand what constitutes a “good life”, as this relationship is likely to vary heavily depending on national culture (Diener et al., 2008).

This article attempts to make a hypothesis as to our motives as human beings. It uses this as the foundation for the experiment to measure life satisfaction and subjective well-being. The researchers posit that if the “master motive of all human striving is of a purely hedonistic nature, the maximization of pleasure and the minimization of displeasure should be the universal experiential foundation of life satisfaction and subjective well-being” (Diener et al., 2008). Based on previous research, however, the authors posit that this likely is not the case in all cultures and that subjective well-being is tied to the individual's values. This finding aligns with previous studies this paper has mentioned, highlighting the differences between individualistic and collectivist cultures. Thus, as other studies have found, criteria for life satisfaction judgments vary across nations and these differences tend to be among nations that are related to dominant cultural values (Oishi, Diener, Lucas, & Suh, 1999; Diener et al., 2008).

Returning to the original relationship, the researchers examined whether “national culture influences how emotional experiences are differentially valued in terms of what constitutes a good life and what kind of experiences contribute to the life satisfaction of individuals in different nations” (Diener et al., 2008, Page 67). If life satisfaction differs across nations regarding positive and negative emotions, which national or cultural characteristics shape this? Consistent with the theme of this paper, the researchers hypothesized that the individualism and collectivism relationship likely plays a prominent role (Diener et al., 2008). In line with this hypothesis, Diener and Diener (1995) found that individualism was the strongest predictor of subjective well-being when looking at the national level (Hofstede, 2001; Diener et al., 2008).

Furthermore, the individualism and collectivism relationship has thus far been the most predictive cultural variable when it comes to factors that influence life satisfaction, such as self-esteem (Diener and Diener, 1995; Diener et al., 2008). Moreover, given a comprehensive data set, many other studies have pinpointed individualism as the most significant factor in the variance of an individual's life satisfaction (Diener et al., 2008; Georgas et al., 2004; Hofstede, 2001; Schimmack et al., 2005).

Given these results, the researchers hypothesized that emotion was more likely to be salient for individuals from individualistic nations (Diener et al., 2008). Moreover, it was predicted that these individuals potentially perceive their own emotions as more “diagnostic foundations for self-judgment” compared to those in collectivist nations (Diener et al., 2008). This hypothesis is in line with the results found by Suh et al., (1998) and Radhakristnan et al., (2002), in which it was shown that emotions and life satisfaction correlate more strongly in individualist than in collectivist nations. Lastly, Diener et al., (2008) hypothesized that the relationship mentioned above would be present in negative emotions; the researchers do not make any hypotheses surrounding positive emotions. This hypothesis stems from a previous study by Elliot et al., (2001) which hypothesized that all individuals desire to feel seen as valuable members of society. Moreover, they hypothesized that, in individualistic nations, this would be exacerbated as an increased importance is placed on standing out and feeling good, thereby suggesting that these individuals aim to promote positive experiences and avoid negative ones (Diener et al., 2008). Based on this, Diener et al., (2008) predicted that for individuals in individualistic societies, life satisfaction would be associated with avoiding and minimizing negative experiences as it does not align with the cultural ideal of what such a society should represent. In contrast, in collectivist societies where interpersonal relationships are crucial,

Diener et al., (2008) predict that negative emotions would be experiences of secondary importance. The researchers note that in collectivist societies, the undertaking of negative feelings might be a requisition to being part of a larger collective group. Thus, it was expected that the results would illustrate a strong negative correlation between negative emotions and satisfaction in life in individuals in individualistic as opposed to collectivist cultures (Diener et al., 2008).

Using a multilevel analysis, the researchers found that the experience of positive emotions is more strongly related to life satisfaction than the absence of negative emotions, a result that was not hypothesized (Diener et al., 2008). This finding fits well within the foundations of positive psychology, as reviewed in many studies (Seligman, Steen, Park, & Peterson, 2005). Positive psychology posits that positive experiences are important and essential in improving overall happiness and life (Seligman & Csikszentmihalyi, 2000; Seligman, Parks, & Steen, 2005). Of more interest, however, was the finding that cultural dimensions of individualism moderated this relationship. Again, differences were observed when framing the question through an individualistic versus collectivist lens. It was found that negative emotional experiences were more negatively related to life satisfaction in individualistic as opposed to collectivist cultures. However, positive emotional experiences were observed to significantly affect life satisfaction in nations that stress self-expression as opposed to nations that emphasize survival (Diener et al., 2008). These findings are significant as they illustrate how emotion varies cross-culturally and that the values in one's society impact the emotional aspect of what constitutes a "good life" (Diener et al., 2008). While positive and negative emotions might be universal, cultural differences play a prominent role in how critical emotional experiences are to the quality of life (Diener et al., 2008).

Based on the results of the Diener et al., (2008) study, the conclusion can be reached that the experience of positive emotions is critical in promoting life satisfaction. Since the Diener et al., (2008) study also consisted of 46 different countries that included both Western and non-Western countries, the conclusion can also be made that cross-culturally, the experience of positive experiences, as opposed to the avoidance of negative experiences, is a more important determinant in overall life satisfaction. Diener et al., (2008) suggest that their results highlight the importance of varying cultural values and characteristics. Their results illustrate that emotional experience has differed heavily across nations regarding how it affects one's satisfaction with life (Diener et al., 2008). These cultural differences are significant because they illustrate that the maximization of pleasure and the minimization of displeasure varies heavily across cultures---affecting the effectiveness of various vacation policies. Specifically, in individualistic nations, pleasant experiences are emphasized more than in collectivist nations (Diener et al., 2008). Thus, if vacation policies are intended to maximize pleasure and minimize displeasure amongst workers, executives must understand that cross-cultural differences in maximizing pleasure and minimizing displeasure differ across cultures.

Another critical aspect of research on cross-cultural life satisfaction is examining income and overall well-being. In a study by Diener et al., (2010), in which the researchers aimed to look at how income affects various types of well-being, they also sought to analyze the relationship between money and well-being on a universal scale by looking at how consistent this relationship was across different cultural groups. The researchers posited that if differences were found in their experiment, their results confirm that the context and culture an individual lives in influences that individual's relationship between income and well-being. An example of this difference in a relationship is when looking at very wealthy nations in contrast to poor ones. For

example, how much does income matter to well-being in developing nations when those individuals might not even be receiving basic necessities? The researchers found numerous variations; however, the pertinent finding in this paper was that social psychological well-being is an essential correlate of feelings cross-culturally and worldwide (Diener et al., 2010). This result is extremely significant because it highlights that cross-culturally, quality of life is determined by much more than just money and that an individual's psychological well-being is just as important, if not even more important, than material wealth (Diener et al., 2010). This result connects back to the paper's main topic as it highlights the need for an individual's quality of life, which vacation is designed to improve. Furthermore, this study highlights that executives should be focusing on improving the social and psychological well-being of their employees, as opposed to using economic factors such as salary to boost positive emotions---which, as mentioned earlier in the Diener et al., 2008 study, is an integral part of an individual's life satisfaction. The next section of this paper will explore vacation and its effect on workers.

Chapter III: Vacation Policies

Historical Information & Background on Vacation Laws

This paper has synthesized and highlighted cultural variations between different cultures and has examined both the causes and effects of such variations. Furthermore, this paper has highlighted the importance of understanding cross-cultural dimensions, as culture has been shown to affect life and job satisfaction, happiness, productivity, and even emotions. Taking previous research one step further, this paper aims to look at the current setup of corporate leave policies and examine their effect on workers. This paper will explore the ups and downsides of various types of vacation policies and will also cover the psychological importance of vacation and how that might also differ

within cultures. The paper aims to construct an early framework for executives to understand better what type of policy might be most effective for their employees based on their cultural backgrounds. Moreover, this paper hopes to assist executives in making decisions regarding corporate leave policies that allow for the maximization of their workers in an increasingly global economy.

There has been a dearth of research on the psychological importance of vacation and different vacation policies. One of the reasons vacations are an area of interest for researchers is because significant variations exist within the current laws in place globally. These variations reflect cultural differences and highlight cross-cultural differences in workers' values and the effect of hours worked on their satisfaction, happiness, emotions, and productivity. In a study by Altonji and Oldham (2003) published in the Federal Reserve Bank of Chicago, the impact of vacation laws and annual work hours was analyzed to see how it affected individuals worldwide. One of the key differences between various nations and cultures can be observed in the vacation laws and annual work hours that are set in place. When looking at the United States and Europe, for example, significant differences exist that have changed over time. European countries, for instance, have laws that mandate minimum paid vacations and holidays. Such a policy does not exist in the United States. In fact, over time, the number of mandated workdays has increased and has exceeded the levels taken by the average worker in the United States (Altonji & Oldham, 2003). Moreover, over time, annual work hours in Europe have decreased relative to hours in the United States (Altonji & Oldham, 2003). The researchers aimed to explain why this might be the case while also trying to determine if there was a causal relationship between vacation laws and annual work hours.

Allen (1969) is one of the first researchers that examined the historical aspects of paid vacation time in Europe and the United States. Allen states that before the 1940s, managers pushed vacations to increase productivity, reduce turnover, and attract workers during tight labor markets such as the

1920s, in which vacation policies began to become more commonplace (Altonji & Oldham, 2003). Managers were so focused on improving their employee's productivity that it was often commonplace to find firms requiring employees to take a vacation with the prohibition of short-term employment or deferring their vacation time. Some companies went so far as to build camps where employees could go during their vacation time (Allen, 1969). As mentioned before, it is impossible to attribute all the variations presented in this paper to the concept of culture. A quick examination of labor force trends and union participation rates would confirm this. For example, economic conditions such as the Great Depression and significant world events like World War I and II heavily influenced how vacation leave was approached. For instance, before World War I, the percentage of salaried workers receiving paid vacations was around 33 percent (Allen, 1969). By 1935, this number rose to 80 percent. An interesting contrast to this, however, is the fact that vacations spread much slower to wage workers. At the end of World War I, only five percent of the manufacturing firms had permanent vacation plans for hourly wage earners. This highlighted that managers put vacations in place to increase productivity as they believed productivity benefits would be less effective at firms with high turnover rates (Allen, 1969). In the 1920s, a significant shift occurred as vacation plans rapidly increased. The cause for this was more personnel policies and benefits; however, the real distinction was that managers of the time believed that vacations could also bring productivity benefits to blue-collar workers, just like they did for managerial and supervisory workers (Allen, 1969). After the Great Depression and the rapid increase in unions between 1935 and 1940, vacation coverage for hourly workers was nearly 50 percent. However, the most interesting aspect of this finding is that unions were not focused on increasing paid vacation time; instead, recognition and higher wages are what they sought to change. Moreover, the most unionized industries during this decade featured the shortest paid vacations, and vacation plans were still being pushed forwards by

managers as a means of boosting productivity, as opposed to unions and individuals looking for more vacation time (Allen, 1969). Another pertinent finding was that during World War II, companies in the war materials industry were encouraged to provide vacation bonuses in place of time off, however, employers were concerned that this approach would significantly lower productivity (Allen, 1969). While after World War II, paid vacation became a more standard part of the employment package in the United States, employers were still pushing for vacation time. This phenomenon contrasted with what was happening in Europe at the time (Allen, 1969).

In Europe, it was the unions and employees who played an instrumental role in the spreading of vacation time policies. Vacation time was so crucial for unions and workers alike that it became an issue as necessary as the eight-hour workday and the 48-hour week, both key issues that arose at the beginning of the twentieth century (Allen, 1969). Studies by Allen (1968), Blyton (1985), and Green & Potepan (1988) highlight how pressure from not only unions and employees but also the government led to the popularity of paid vacation time in Europe. This is where some cultural differences started to show. By the 1930s, Europe passed vacation laws mandating that employees take a minimum number of vacation days. While the United States also provided one to two weeks of vacation, like Europe, it was not required by law (Allen, 1969; Altonji & Oldham, 2003). Instead, vacation time was given by employers or negotiated through collective bargaining agreements, a decision that would ultimately change the course of workers' hours, especially after World War II. In each consecutive decade following the war, trends in vacation time between the United States and Europe began to diverge. While in Europe, mandated vacation increased on average one week per decade, the United States and the United Kingdom remained stagnant as vacation time was still determined through employer policy or labor union agreements (Altonji & Oldham, 2003).

This divergence trend between the United States and Europe would continue throughout the 1980s. Workers received a minimum of five weeks of mandated paid vacation each year in countries such as Finland, France, Luxembourg, Spain, and Sweden (Green & Potepan, 1988; Altonji & Oldham, 2003). While vacation time in Europe increased decade after decade, the increase in vacation time taken by Americans started to reduce after the 1970s (Altonji & Oldham, 2003). This is best illustrated when looking at estimates of annual work hours in the U.S. According to the Organization for Economic Cooperation and Development, in the United States, the period between 1979 and the late 1990s featured a slight increase in annual hours worked (OECD). These variations suggest that work hours are in large part mediated by vacation policy. However, whether vacation time had a causal effect on annual hours worked is what these researchers ultimately aimed to uncover (Altonji & Oldham, 2003).

Using a regression analysis of the relationship between vacation laws and annual work hours, the researchers found that vacation laws do lead to a reduction in annual hours worked (Altonji & Oldham, 2003). Given this result, the policies governing paid and unpaid leave are important factors in companies setting their hours. In the United States, the firm usually determines vacation policy, regardless of worker preferences. However, in other countries, the adoption of laws that mandate minimum vacation leave is the dominant method. The researchers note, however, that their results are only preliminary and that an expansion upon their study in which a longitudinal method is used including more countries, could help understand how the exact timing of these laws affects hours worked (Altonji & Oldham, 2003).

Psychological Importance of Vacation

This paper has provided an initial background on the history of vacation policies and how they have varied cross-culturally over time. The next section of this paper will focus on the psychological importance of vacation. Specifically, what are some of the positive effects of vacation? Conversely, are there any negative aspects to taking a vacation? This section will look at both cross-cultural and biological data. How much of an effect does taking vacation have on workers? Similarly, do vacations provide different effects for different cultures, and if so, what are they?

Before diving into the varying vacation policies, this paper will highlight some of the effects of hard work and how vacations can help alleviate the negative aspects of work. A study by Dahlgren et al., (2005) examined the different levels of work-related stress and its effects on sleep, fatigue, and cortisol. The researchers aimed to relate “different levels of work stress to measures of sleep and the diurnal pattern of salivary cortisol and subjective sleepiness” (Dahlgren et al., 2005, page 277). Each participant wore activity monitors, filled out a sleep diary, gave cortisol samples, and subjectively rated their sleepiness and stress on one workday and one day off. The study showed that the more stressed someone was, the more hours they worked and slept less (Dahlgren et al., 2005). Moreover, sleepiness showed a significant interaction between weeks and time of day, with very high sleepiness levels on the evenings of the stress week. Lastly, cortisol also had a significant interaction with evenings of the stress week, and restlessness at bedtime was significantly increased during the stress week (Dahlgren et al., 2005). These results suggest that a high-load workweek and increased stress increase sleepiness. Additionally, work hours impair sleep and affect the pattern of cortisol secretion.

One might wonder how this interacts with vacations. The results above and extensive literature on increased workload and stress have been “implicated as a causal factor of ill health” (Dahlgren et al., 2005, page 277). Specifically, stress and increased workload have been shown to

lead to burnout (Maslach and Jackson, 1981). Taking vacations is an effective way of reducing burnout in employees who might be highly overworked and stressed. Burnout has become quite common in countries such as Sweden and can be defined as “extreme fatigue in combination with cognitive impairment and reduced empathy with others” (Dahlgren et al., 2005, page 277; Maslach and Jackson, 1981; Cherniss, 1980; Freudenberger, 1983). Relating this study to the psychological importance of vacations, the results indicate that individuals with a higher workload and stress affect their physiological stress markers like cortisol and cause increased sleepiness and psychological problems such as insomnia. A vacation could then be a quality form of recuperation, as when individuals are highly stressed, their ability to do so is significantly reduced.

The shrinking American vacation is explored further in the Human Resources and Labor Relations article. The article discusses the heavy workload that American workers go through, highlighting other factors that are more America-specific, such as pressure from peers and supervisors to stay at work (Braun Consulting Group, 2009). Even though U.S. employees are allotted fewer paid vacation days than their European counterparts (Alesina et al., 2005), many Americans do not use their days off because of perceived financial and temporal pressures (Achor & Gielan, 2016). This differs from other nations in which vacation is promoted by both peers and supervisors alike.

A 2003 survey of 730 U.S. executives found that 47 percent of surveyed individuals would not use all their vacation time and that 58 percent attributed it to job-related pressures (Braun Consulting Group, 2009). This was not the only negative result; 35 percent of surveyed individuals said they had too much work to vacation. Moreover, 17 percent of individuals felt their boss was not supportive of them or their peers taking all their vacation days (Braun Consulting Group, 2009). These findings were further supported by another 2003 study by Expedia.com in which they found

an estimated \$21 billion in unused vacation time for that year (Braun Consulting Group, 2009). The study was conducted again a year later---35 percent of employees reported not taking all their time off because of job pressures, a finding that seems to remain consistent. As evidence, Americans are taking less vacation time each year. The factors behind this are numerous and complex, but the negative results of this trend are becoming more apparent. This ties back to the psychological importance of vacation. Americans take fewer vacations and thus suffer from the negative aspects of being overworked, such as increased stress, sudden absences, or complete absenteeism altogether (Braun Consulting Group, 2009).

Shortened or unused vacations can lead to many consequences, one of them being burnout, an area of research that this paper has previously mentioned. However, a lack of adequate vacation can lead to more than just burnout. Increased stress due to a lack of vacation time can result in employees not showing up to work without warning, or complete absenteeism (Braun Consulting Group, 2009). This often happens when individuals reach their breaking point and enter crisis mode. When this happens, individuals must reset and address the stressors in their life. However, preventing these situations is more complicated than one might think. For example, if an employee does not take a vacation and instead works overtime, they are likely to face extreme pressure for an extended period. This will lead to this employee taking days off unscheduled or calling in sick at an increased rate. This leads to the employees who are working to work overtime in replacement. Additionally, these remaining employees must now cut their vacations short and work under more pressure. Overtime work and absenteeism are heavily correlated as absenteeism compounds the issue and leads to more overtime work for others (Braun Consulting Group, 2009). This can be seen when looking at companies with high amounts of overtime work versus those without. It was found that, in general, companies with high amounts of overtime had an absenteeism rate of 17 percent. In

comparison, companies with low amounts of overtime work had a 9 percent absenteeism rate (Braun Consulting Group, 2009). To summarize the findings, less vacation leads to more absenteeism, which leads to more overtime work, which comes full circle in the form of even more absentees. Since the United States is one of the only modern nations with no statutory minimum for vacation time, U.S. workers face many psychological challenges that employees in other nations likely do not have to navigate as often.

In addition to the negative aspects of not taking a vacation, numerous studies have identified the positive aspects of taking vacations and their psychological importance (West and DeVoe, 2021). For example, research has shown that vacations benefit improving health (de Bloom et al., 2010; de Bloom et al., 2009); creativity (de Bloom et al., 2014), job performance (Etzion et al., 1998; Fritz & Sonnentag, 2006; Kühnel & Sonnentag, 2011; Sonnentag, 2003; Westman & Etzion, 2001), and life satisfaction (Gilbert & Abdullah, 2004). Despite Americans working way more hours than other nations, those prioritizing vacations tend to be happier. In an analysis conducted by West and DeVoe (2021), in which over 200,000 Americans took the Gallup U.S. Daily Poll (2014-2016), the authors found that “even controlling for income and weekly hours worked, people who reported making more time for vacations were happier, exhibiting a more positive affect, less negative affect, and were in general more satisfied in life” (West and DeVoe, 2021, page 346). This is an important finding because it illustrates how the psychological importance of vacations can transcend even income and hours worked.

Based on the previous finding, West and DeVoe (2021) sought to answer whether a vacation break leads employees to be more engaged during their time off and happier when returning to work. Previous research has shown that taking a break can be an effective method of improving engagement. When breaks are present, employees are more aware of their time off

and can “extract greater enjoyment from their time” (West and DeVoe, 2021, page 347). While most American workers do not have a statutory minimum for vacation days, most get weekends off, providing a natural two-day break and a buffer from work every week (West and DeVoe, 2021; Hamermesh and Stanca, 2015). Even though people enjoy weekends more so than weekdays, weekends do not cause employees to return to work on Monday with increased happiness levels (West and DeVoe, 2021; Helliwell & Wang, 2014). West and DeVoe (2021) posit that the regularity of weekends prevents employees from appreciating this form of time off. Likewise, many individuals do not remain present in their day-to-day lives, which reduces happiness (West and DeVoe, 2021; Brown & Ryan, 2003; Teper et al., 2013). West and DeVoe (2021) wanted to examine whether employees treated their weekend as a vacation, if they would be more present during time off, enjoy time off more, and feel happier when returning to work on Monday. The researchers note that there has been little empirical work on the psychological benefits of vacation which is surprising given its importance in recruiting and retaining talent while also “supporting an industry that accounts for 10 percent of the world’s combined GDP” (West and DeVoe, 2021; United Nations World Tourism Organization, 2018, page 3; de Bloom, 2015) If treating weekends like vacations has the positive effect that the researchers expect, it would establish and bolster how psychologically important vacation time is, along with providing more insights into how vacations improve well-being.

The participants were tested for the emotional benefits of reframing one’s typical weekend time as a vacation (West and DeVoe, 2021). What the researchers found confirmed their hypothesis. Positive effects were not only observed but were “comparable to those observed in the field examining the influence of actual vacations on life satisfaction” (West and DeVoe, 2021; de Bloom et al., 2009, page 16). This result is significant because the researchers did not

manipulate variables such as taking additional days off or spending money; two of the primary factors that employees typically attribute to the reason for not taking vacations (Harvard University School of Public Health, 2016). Another finding from this study was that treating the weekend like a vacation increases enjoyment during the weekend, a surprising result considering weekends are already theoretically the most enjoyable part of the week (Helliwell & Wang, 2014). Based on the results of their study, West and DeVoe (2021) suggest that employees should take a vacation as it has various benefits. While they do not suggest using this strategy in replacement of vacation, they do posit that the results offer some initial clues into how vacations improve emotional well-being along with identifying a way for people to take better advantage of the days off that they do have (West and DeVoe, 2021). In summary, vacation is crucial. Not only does it have an array of positive effects, but not taking a vacation can lead to various adverse effects such as reduced life satisfaction, burnout, increased absences, and more overtime work. While strategies such as trying to think of weekends as vacations prove to be effective, it ultimately is not a replacement for actual time off.

One of the reasons that vacation is so important and cannot be immediately substituted is that unwinding and recovering from work is essential for sustaining employees' well-being, motivation, and job performance (Sonnentag et al., 2021). Despite this, there is little research and literature on the cross-cultural elements of recovery. In other words, are there differences amongst cultures in how recovery from work typically takes place? To date, most recovery studies have been located within Western cultures, such as Europe (Hülshager et al., 2014; Sianoja et al., 2018), North America (Chawla et al., 2020; Halbesleben et al., 2013), and Australia (Cangiano et al., 2019). Recovery studies from Asian countries remain sparse (Firoozabadi et al., 2018; Ouyang et al., 2019).

Many factors go into the recovery process. These factors can change depending on the culture that is presently dominant. For example, the difference in work time and vacation time in different nations means that individuals in different nations have differing amounts of time to recover. Despite this, cross-cultural research on recovery has not been conducted consistently. Thus, it is difficult to explicitly understand how individuals in various cultures differ in how they recover. However, applying this paper's individualistic and collectivist lens, it is easier to contextualize where some of these differences might arise. For example, those who live in an individualistic society might spend more time focusing on themselves than those in collectivist societies, who spend more time with family members and friends because being interdependent is more critical in those cultures. Applying this to recovery, individuals in individualistic societies might prioritize their recovery time, whereas individuals in collectivist societies might sacrifice recovery time by being active community members (Markus & Kitayama; 1991). One aspect of recovery that seems to be universal is that thinking about work during leisure time is associated with lower levels of happiness (Wang and Wong, 2014; Sonnentag et al., 2021).

A critical limitation of this research is that there are many countries in which recovery takes an entirely different form. Poverty, deprivation, and lack of employment plague many nations and dominate individuals' lives (Gloss et al., 2017; Sonnentag et al., 2021). Expanding this further, Bick et al., (2018) examined how hours worked vary with income across countries of different income levels. What the researchers found was quite stark---on average, "adults in the developing world work about 50 percent more hours per week than adults in rich countries" (Bick et al., 2018, page 197). This result remained intact when controlling for variables such as gender, age, and education levels---the average number of hours worked was higher in developing countries for both men and women and all age and education groups (Bick et al.,

2018). The researchers suggest that their results implicate that the labor productivity rates across countries are much larger than expected (Bick et al., 2018). Employees in the poorest nations are not just economically poor, but they are leisurely poor as well. This is an important reality that should be further explored and established in recovery research.

Different Vacation Policies

The final section of this paper will review some of the vacation policies that are currently in place today. Now that the psychological importance of vacation has been established, this paper will analyze differing policies and their effectiveness. Both the benefits and the downsides of specific vacation policies will be explored. A cross-cultural lens will be taken when examining these different policies while trying to answer the question of what the best universally effective policy is. Some policies work better in certain cultures than others---it is these differing relationships into which this paper will dive deeper.

In a study by Hurrell and Keiser (2020), the impact of vacation policy structure on satisfaction, productivity, and profitability were examined. As mentioned at the beginning of this paper, time off for vacation allows employers to reward good work, enjoy more time to relax, and attract new potential employees. These reward systems or benefits put in place by companies can be structured differently; however, the two most common vacation models are paid vacations and a paid time-off (PTO) bank (Hurrell and Keiser, 2020). Hurrell and Keiser (2020) discuss the benefits of time off while providing an overview of the two policies. The researchers then sought to statistically compare these two models and assess which promotes employee satisfaction with the policy while also increasing performance at both the individual and organizational levels (Hurrell and Keiser, 2020).

Paid vacations are when the employee has an allotted amount of time to take time off

from work. This is often supplemented with other days off, such as sick and personal days (Hurrell and Keiser, 2020). In contrast, the paid time-off bank model allows employees to be more flexible in their vacations, as they can use their time off at any point or for any reason, whether for a vacation or a sick/personal day (Hurrell and Keiser, 2020). The PTO bank is a more flexible model that allows the employee to accrue free time that they can use for any reason---vacation, sick, or personal (Hurrell and Keiser, 2020). What the researchers found fits within the scope of this paper exceptionally well. Despite the trend in which companies have been switching to the PTO bank model, the researcher's sample of the 100 biggest companies in the U.S. dominantly deployed traditional vacation policies (Hurrell and Keiser, 2020). Moreover, it was found that employees were equally satisfied with the two models, however, performance levels on both the individual and organizational levels were higher with traditional vacation policies (Hurrell and Keiser, 2020). This result is surprising considering that sixty-three percent of U.S. companies now use some form of flexible paid-leave bank, compared with only twenty-one percent in 2000 (CCH Inc. 2004 Unscheduled Absence Survey). One possible explanation is that if implemented incorrectly, the flexible paid time off model can have the opposite impact than intended. For example, a company might not have the correct organizational culture to benefit from such a policy or the individuals that would most benefit from such a model (Arevalo and Jong, 2015).

However, the result of more significance is that “independent of policy type, there is a positive correlation between employee satisfaction about their employers' vacation policy and organizational performance” (Hurrell and Keiser, 2020, page 34). This highlights the previous findings presented in this paper: that vacations matter to different employees differently. If employers can figure out which policy better increases employee satisfaction, they will reap the benefits, as

increased employee satisfaction leads to increased performance and overall organizational profitability (Hurrell and Keiser, 2020). Based on these results, employers should be strategic when determining what vacation policy to employ. If they can find a policy that their employees appreciate and use, the company will likely be profitable and productive (Hurrell and Keiser, 2020).

While future research is still needed to determine what policy is best depending on organizational factors, Hurrell and Keiser (2020) attempt to provide examples in which each policy would likely be preferential. They posit that conditions that would favor traditional vacation policies would be “companies in highly seasonal industries” and companies in which “coverage of highly skilled workers is necessary” (Hurrell and Keiser, 2020, page 58). In contrast, they posit that conditions that would favor a PTO bank policy are companies that have a “stable seasonal demand” (Hurrell and Keiser, 2020, page 58), companies in which “workers can readily cover for co-workers” (Hurrell and Keiser, 2020, page 58), and companies that hire employees with high levels of familial obligations along with companies hiring a concentration of millennial workers (Hurrell and Keiser, 2020). An area of future research should be conducted to test the efficacy of these assumptions as it currently remains speculative.

While working time policies can benefit many employees, such as helping improve parental caregiving time by reducing work hours and increasing the availability of part-time jobs, there are associated risks (Gornick and Heron, 2006). For example, if working time is reduced “in exchange for increased employer flexibility in scheduling, workers in less accommodating enterprises may suffer” (Gornick and Heron, 2006, page 162). Furthermore, if women fill most part-time jobs, it could result in even worse gender equality (Gornick and Heron, 2006). Thus, policymakers and corporations must be purposeful and thorough in implementing any vacation policy reform as its effects can be either beneficial or detrimental to employees.

Chapter IV: Conclusion

Discussion

This paper aimed to examine the cross-cultural differences in corporate leave policies and their subsequent effect on employee satisfaction and happiness. In doing so, this paper established the psychological importance of vacation in many contexts. A review of cultural differences in hours worked and personal beliefs were also explored. In doing so, many other factors that can also be attributed to cultural differences were found to affect employee satisfaction and happiness indirectly. One of the most significant factors in many contexts throughout this literature review was the construct of individualistic versus collectivist cultures. This construct made differing expectations cross-culturally more apparent (Priestley and Taasobshirazi, 2020). Through this lens, some of the questions posed at the beginning of this paper can be answered. However, it is essential to note that factors outside the culture domain, such as economics, also play a role in the differences in corporate leave policies and their effect on employee satisfaction and happiness. This highlights the complex relationship between culture and vacation policies and leaves plenty of room for future research.

This study's first question was why Americans barely take any time off relative to more collectivist cultures, such as countries outside of Western Europe. It was posited that Americans could be defined as “workaholics” or that American culture perpetuated this. Through this literature review, some validity can be attributed to these explanations. For example, it was found that differences in cultural ideals led to different actions and expectations. For example, Americans tend to put value into their status (American dream), whereas Europeans value leisure more (Frijters and Leigh, 2008; Benahold, 2004). This is most apparent when looking at hours worked and the number of vacation days taken. Despite working 50% more than Germans, Italians, and the French, Americans reported being happier with working more (Prescott, 2004).

Part of this difference in self-reported happiness is because Americans believe more than Europeans that hard work is directly associated with success (Okulicz-Kozaryn, 2010).

Likewise, it was found that many Americans do not use their days off because of perceived financial and temporal pressures (Achor & Gielan, 2016). This fear of missing work due to pressures from supervisors, such as potentially not getting promoted if taking time off, significantly differs from other nations where both peers and supervisors promote vacation. It was also found that working more hours pays off more in the United States (Michelacci & Piiolan-Mas, 2007) and that the opportunities for social mobility are higher in the United States than in Europe (Alesina et al., 2005). While this literature review could not establish a measure for social mobility, Americans believe working more extended hours pays off more. This is an ideal that many Europeans do not share, highlighting some of the cultural differences.

Collectivist cultures were found to differ from individualistic cultures in a variety of different values, beliefs, and preferences. For example, as an individual's income has risen over the years, collectivist societies have utilized this income in the form of less work. Meanwhile, individualistic societies tend to use this increased income in even more consumption (Blanchard, 2004; Alesina et al., 2005). This is best illustrated when looking at hours worked in Europe. As hours worked started to decrease, employees' utility from leisure increased. Europeans used their reduced hours to vacation en masse. When examining this through the social multiplier view, which suggests that one's leisure increases the returns of other people's leisure, it makes logical sense as vacations are more enjoyable when one's friends and family are also off work (Alesina et al., 2005). The social multiplier effect can be best seen through Europe's current vacation structure, which allows for the infrastructure for month-long vacations.

Lastly, cultural differences can also be attributed to the different personal preferences of

employees across the world, which has important implications for executives and ideal vacation policies. The society an individual resides in or subscribes to dramatically affects how that individual perceives happiness and satisfaction and highlights some of the differing expectations that exist cross-culturally. For example, those who live in an individualistic society might spend more time focusing on themselves than those in collectivist societies, who spend more time with family members and friends because being interdependent is more critical in those cultures. These differences are significant to highlight as they could affect executives attempting to maximize the utility of their employees.

Suggestions for Executives

Cultural differences exist besides just vacations. Business cards are a great example of this. As a society, it is common for us to be culturally specific to all our clients, but why do we not do this more within companies? Looking at cross-cultural differences to satisfy our workforce is essential. Vacation is a significant component of this satisfaction, but as referenced earlier, not all thoughts about vacation are identical. This paper aimed to provide executives with more insight into the importance of job satisfaction and how this could be achieved based on the cultural makeup of their society. In an increasingly global society where numerous individuals of various cultures work together at the same company, it is becoming crucial for executives to understand how each culture assesses happiness, job satisfaction, and productivity. Questions like how executives can increase job satisfaction and what vacation policy best promotes happiness and productivity cross-culturally were explored. Moreover, the thesis emphasized why this should matter to executives and companies alike.

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As previously mentioned, companies and executives want to maximize the utility and productivity of their workers. This literature review found that productivity and job satisfaction are closely linked. Thus, if executives can figure out how to increase job satisfaction, this will likely lead to better productivity and, ultimately, increased profits. Since job satisfaction has now been identified as something executives should pay attention to, how can it be promoted? Corporate leave time is one of the best solutions. As established in this literature review, the psychological importance of vacation cannot be underscored, and its effects are far-reaching. Since vacation is so important, companies must understand the differences in how different cultures view it. The type of culture affects how someone assesses satisfaction; this is one possible explanation for why there is no vacation for all nations.

Moreover, an employee's agreement with their company's vacation policy is one of the most significant factors in determining job satisfaction. For example, while vacation is vital to some

cultures, such as collectivist societies, this might not hold true in an individualistic culture. This could explain why the United States is one of the only modern countries without mandatory vacation-time minimums mandated by law. In comparison, many EU countries receive up to five paid weeks of vacation, and in Canada and Japan, an employee is mandated by law to take a minimum of two weeks.

This thesis aims to answer the question of what vacation policy works best. The simple answer is that it highly depends on the culture to which the vacation policy applies. This literature review identified and examined the two most common vacation models---paid vacations and a paid time-off (PTO) bank (Hurrell and Keiser, 2020). These two models were statistically compared to assess which increased performance and employee satisfaction the most on both the individual and organizational levels (Hurrell and Keiser, 2020). Two notable results were found on this issue. For one, even though companies have been in large part switching to the PTO bank model, it was found that employees were equally satisfied with both models. However, their performance levels were higher on both the individual and group levels when traditional vacation policies were in place (Hurrell and Keiser, 2020). One possible explanation for this result is that if the implementation of a PTO bank model is not integrated well, it can have the opposite impact than initially intended. This would be more of an issue in an organization that does not have the culture or the individuals required for such a policy (Arevalo and Jong, 2015). This result suggests that the correct policy is likely a case-by-case situation and not universal, further emphasizing that companies and executives must be attuned to the cultural makeup of their organization.

The second notable result was that “independent of policy type, there is a positive correlation between employee satisfaction about their employers’ vacation policy and organizational performance” (Hurrell and Keiser, 2020, page 34). This result suggests that it is not a specific

vacation policy that matters to employees; their agreement and satisfaction with the vacation policy that their employers offer ultimately increases organizational performance. This result reemphasizes that if employers can figure out which policy better increases employee satisfaction, they will reap the benefits, as increased employee satisfaction leads to increased performance and overall organizational profitability (Hurrell and Keiser, 2020). These results further emphasize that employers should be strategic when determining what vacation policy to employ and that communication with their employees can ensure improved employee satisfaction.

Areas for Future Research

Hurrell and Keiser (2020) attempt to provide examples in which each policy would likely be preferential. They posit that conditions that would favor traditional vacation policies would be “companies in highly seasonal industries” and companies in which “coverage of highly skilled workers is necessary” (Hurrell and Keiser, 2020, page 58). In contrast, they posit that conditions that would favor a PTO bank policy are companies that have a “stable seasonal demand” (Hurrell and Keiser, 2020, page 58), companies in which “workers can readily cover for co-workers” (Hurrell and Keiser, 2020, page 58), and companies that hire employees with high levels of familial obligations along with companies hiring a concentration of millennial workers (Hurrell and Keiser, 2020). An area of future research should test the efficacy of these assumptions as it currently remains speculative but could have far-reaching implications if proven true.

Another area of future research should be attempting to make a standardized method of operationalizing satisfaction. Satisfaction is a highly subjective term, and as highlighted throughout this literature review, satisfaction varies heavily across individuals. More research needs to be completed; as of now, there are varying explanations in the field. This is further reinforced by the fact

that individuals in poorer nations put increased importance on personal or household income as opposed to wealthier nations, highlighting the role of culture in an individual's expectations. While the role of culture in individual expectations has been established (Diener et al., 1999), further research needs to be conducted to determine what the expectations of each culture are, as this will play a significant role in how executives and companies attempt to implement new policies. Future research should focus on improving the sample group being studied to assess the cross-cultural differences more accurately in both low- and high-income nations.

Future research should focus on more universal forms of life satisfaction. Putnam (2001) found that religion, friendship, and marriage lead to increased life satisfaction as they provide some form of social capital that appears to be a universal determinant. While this paper has established that culture significantly impacts worker happiness, productivity, and satisfaction, the amplitude of the impact remains largely unknown across cultures. Thus, future research should aim to operationalize these factors across cultures so that the method of measurement remains consistent. Thus far, studies on this topic feature extreme variance in how things are measured, making it harder for us to come to any causal conclusions.

Lastly, future research should examine the effects of vacation after returning to work. This thesis presented the psychological importance of vacation; however, future vacation work should investigate different vacation types and durations. Recovery research is mostly limited to Western nations. An improved understanding of recovery cross-culturally could lead to improvements in vacation policies.

Limitations

Many limitations appeared throughout this literature review on the topic of vacation policy and its effect on employee satisfaction and happiness. This paper focused on cultural differences and highlighted how they impacted individuals differently. However, attributing all the differences presented in this paper to cultural differences would be false. For example, while Americans work longer hours than Europeans, tax rates in the United States are lower than in Europe. Thus, a possible reason for working more hours is that it pays off more financially in the United States than elsewhere (Michelacci & Piiolan-Mas, 2007). Many limitations appeared throughout this literature review on the topic of vacation policy and its effect on employee satisfaction and happiness. This paper focused on cultural differences and highlighted how they impacted individuals differently. However, attributing all the differences presented in this paper to cultural differences would be false. For example, while Americans work longer hours than Europeans, tax rates in the United States are lower than in Europe. Thus, a possible reason for working more hours is that it pays off more financially in the United States than elsewhere (Michelacci & Piiolan-Mas, 2007).

Economic factors could play a significant role in many areas discussed in this thesis. For the most part, previous research has not considered these economic variables when analyzing this from a cross-cultural perspective; cultural factors are often assumed to be the most dominant factor limiting the scope of what is truly happening. For example, there is a strong negative correlation between the number of hours worked and the percentage of the labor force covered by collective bargaining agreements (Alesina et al., 2005). Unlike Europe, no regulations in the United States dictate anything about work hours for individuals older than sixteen. Additionally, the percentage of the labor force covered by collective bargaining agreements is much less than

in Europe (Alesina et al., 2005). Another study found that Americans work more because wages are less compressed in the U.S. than in Europe; thus, the incentives to work harder and be promoted are more substantial (Bell & Freeman, 1994). While Europeans seem happier to work less, unions' role is another vital factor. Unions have increased happiness by helping societies find a lower-hour worked equilibrium (Alesina et al., 2005). While significant cultural differences exist between the United States and Europe, it is essential to remember that these differences cannot merely be attributed to “culture”. While this paper focused on highlighting cultural differences and their possible effects, the assumption cannot be made that culture is the only variable in this complex relationship.

The most significant limitation of this literature review was that most previous studies and datasets are based in Europe and the United States. Not many studies discuss this relationship in areas such as Asia and Africa. Without data from other regions, it is hard to get a complete picture of the relationship being analyzed. Along similar lines, low-income nations tend to be under-researched. Given the pace of globalization, it is increasingly vital that companies and executives can understand and relate to those who might come from different cultural backgrounds. It is the only way that everyone can truly maximize their utility in their *own* way.

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