

Do You Know What Your Time Is Really Worth? New online tools help people value an hour; the time vs. money trade-off

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FULL TEXT

What is your time really worth?

It is a day-to-day trade-off. We are constantly confronted with opportunities to save time by paying more money, and vice versa. Should you send out your laundry? Take the faster, more expensive flight or train? Do additional freelancing or consulting work? Now, more than ever, with the creation of TaskRabbit and virtual concierge services, there are opportunities to outsource every task for a fee.

But putting a dollar value on your time requires more than dividing your pay by hours worked. It requires thinking deeply about the trade-offs you are willing to make. More researchers and entrepreneurs are looking at the value of time in new ways, yielding new tools and insights to help people make more thoughtful choices.

Booking air travel is stressful for Uri Bram when he must choose between cheaper flights that take longer and pricier ones that would get him to his destination faster. He often has settled for slower connections with layovers. "I'm going to spend the whole afternoon flying anyway," says Mr. Bram, a Tel Aviv-based author of nonfiction books.

Yet after using an online calculator to analyze the value of his time, he recently chose the quickest flight to Europe instead of one that required a two-hour layover, even though the ticket cost about \$70 more. "I value those two to three hours. I can use those to do another article," he says.

The time-and-money calculator Mr. Bram used, on ClearerThinking.org, has users set a floor, or market value, for their time by dividing their total compensation by the hours they work. Users also answer questions about various time-versus-money trade-offs they would be willing to make, such as how much an additional part-time job would have to pay for them to take it, or how much they would be willing to spend on a timesaving tool or service.

The calculator reports inconsistencies in users' thinking. For example, a user might be able to make \$50 an hour by doing additional part-time work but refuse to pay a company \$30 to do a routine errand that would free up an hour of his time, even though he could pocket \$20 by doing so, says Spencer Greenberg, New York, founder of ClearerThinking.org.

Mr. Greenberg, a mathematician and co-founder of a hedge fund, says he got the idea for the calculator after watching a friend who makes a six-figure salary "wracking her brain trying to figure out how to use a \$20 gift certificate," he says. "She essentially lost more value just making that decision than the value of the gift

certificate."

The calculator doesn't ask whether people value activities for reasons other than money, such as enjoyment or helping others. It gets at those values indirectly, however, by questioning users about how much money it would take to get them to give up free time, then assigning a dollar value to their free time based on the answers. People who want to do more unpaid activities that they enjoy or value for other reasons tend instinctively to put a higher value on their free time and to demand more money per hour of additional work. More than 21,000 people have used the calculator since it was posted last year.

Some 80% of 8,401 users Mr. Greenberg studied place a higher value on their free time than their current pay rate. Half say their free time is at least 42% more precious, he says.

David Yaden of Philadelphia decided after using the calculator to use a laundry service and to employ someone to do invoices for his business as a management consultant. "It made complete sense after I saw the numbers," says Mr. Yaden, a research scientist at the University of Pennsylvania. "I wasn't valuing my free time enough."

With the 1½ hours a week he is saving, he and his girlfriend are taking more time for their daily walks through city parks near their home, Mr. Yaden says. "It has made my life better."

Vera Trofimenko, a Salt Lake City surgical resident who works 90 hours a week, says hiring cleaning and gardening help was a difficult decision. She asked herself, "Do I have a right to do that?" After she realized outsourcing those tasks was saving her half of the 10 free waking hours she has during the workweek, she felt justified.

Several other valuing-your-time calculators are available online. One offered since 2011 by the personal-finance platform LearnVest has drawn more than 30,000 users. It adjusts the dollar value of users' time based on how much disposable income and free time they have, and whether their primary goal is saving time or cutting costs. The value rises if their top priority is saving time, and falls if it is cutting costs.

Some researchers say assigning an economic value to time risks harming people's quality of life. Those who are encouraged to focus solely on the dollar value of time tend to feel impatient and pressured, says Jeffrey Pfeffer, a professor of organizational behavior at the Stanford Graduate School of Business. They work more and spend less time in rewarding activities such as volunteering or enjoying music.

"There's something very powerful about putting a precise monetary value on time," says Sanford DeVoe, an associate professor of organizational behavior at the University of California, Los Angeles. "It can be a blinder for weighing other measures of value. How do you evaluate the joy of attending your kid's soccer game?" says Dr. DeVoe, who is writing a book with Dr. Pfeffer on the topic.

Anna Paley says thinking about the value of her time has made her "more aware of the mundane things that you let steal your time without thinking." Standing in a greeting-card store recently as several minutes passed while she tried to find the perfect card for a friend's birthday, "a voice in the back of my head was saying, 'I've already spent more time than this card is worth,'" says Ms. Paley, a graduate student in New York.

Emily Oster encourages students in her college microeconomics classes to factor "opportunity cost" into their time-use decisions. By choosing to use time in a certain way, they'll have to give up other activities, says Dr. Oster, an associate professor of economics at Brown University. If hiring help "buys you an extra half hour with your job or your kids, it's worth it, even if in principle you could do it yourself," she says. She hires help with laundry and

grocery-shopping to free time to spend with her 4-year-old daughter.

Still, this is a difficult concept for students to grasp. They readily understand that money spent in one place can't be invested elsewhere, Dr. Oster says. But "when you take another step and say, 'This is something you should apply to your life, to think about your time having value?' This is hard."

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