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Executive Summary

International Labour Organization

Work Sharing during the Great Recession

New Developments and Beyond

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This volume examines the resurgent interest in and use of work sharing as a job preservation strategy during the Great Recession of 2008–09. It also considers the crisis experience for the potential use of work sharing to generate jobs, thus contributing to the ongoing debate on its efficacy as an employment creation measure. The book offers in-depth analysis of work sharing in Europe – specifically in Austria, Belgium, France, Germany and the Netherlands – and in the diverse contexts of Japan, Turkey, the United States and Uruguay. It synthesizes the main lessons learned from the country cases and considers their implications for the future of work sharing.

Historical background

Historically, the first work-sharing agreements offering monetary compensation for reductions in working time date back to 1891 in Germany. During the Great Depression, a wide range of work-sharing initiatives, both industry-led and government-led, emerged both in Europe and North America. For example, in the United States, work sharing became one of the major US initiatives to combat the Depression under President Franklin D. Roosevelt. The President's Reemployment Agreement (PRA) of 1933 encouraged individual firms to: (i) shorten the workweek to 35 hours; (ii) increase hourly wages; and (iii) recognize workers' legal right to bargain collectively.

During the period of prosperity that followed the Second World War, the concept of work sharing faded into the background in all but a handful of European countries. However, the onset of the Great Recession of 2008–09 led to a dramatic re-emergence of work sharing as a labour market policy tool aimed at preserving existing jobs.

Work sharing to preserve jobs in times of crisis

Work-sharing measures can take two distinct forms. The first, of which Germany's *Kurzarbeit* is perhaps the quintessential example, can be defined as a labour market instrument based on the reduction of working time intended to spread a reduced volume of work over the same (or a similar) number of workers in order to avoid lay-offs. In a framework of national work-sharing programmes, enterprises can receive benefits when they refrain from laying off workers, and instead share the lower volume of work by reducing the working hours of either all their employees or all members of a work unit.

In times of economic crisis, temporary work-sharing measures as a labour market policy tool aim not only at preserving existing jobs during a cyclical downturn, they also allow businesses to retain their skilled workforces, thus minimizing firing and (re)hiring costs, saving functioning plants and bolstering staff morale during difficult times. If such measures are properly designed and implemented, the result can be a "win–win–win" solution: workers are able to keep their jobs and even prepare for the future; companies are able not only to survive an economic crisis, but can be well-positioned to prosper when growth returns; and the costs of unemployment and, ultimately, social exclusion for governments and society as a whole are minimized. This form of work sharing is the primary focus of this volume.

The volume explores how policy-makers attempted to use work-sharing measures as a tool to mitigate the effects of the Great Recession on employment, which varied substantially in form and content across different countries. In Belgium, for example, during 2009 the various temporary unemployment measures were used by more than 300,000 workers – 5.6 per cent of private wage employment. In Germany, 60,000 establishments and 1.4 million workers participated in *Kurzarbeit* for economic reasons at the height of the crisis in May 2009 – approximately 5 per cent of private wage employment. In Japan, the EAS work-sharing measure had 84,481 firms and 2.5 million employees participating in 2009 – 3.8 per cent of private wage employment. However, participation levels were far more limited in some countries, such as Austria and France, amounting to less than 1 per cent of private wage employment. Notably, work-sharing programmes and measures were credited with saving jobs in many countries, especially in the depths of the Great Recession in 2009: 400,000 jobs in Germany; 370,000 jobs in Japan, plus over a million jobs saved by reductions in overtime; and approximately 100,000 jobs in Turkey—the largest work-sharing programme in any developing country. Even in the United States, where only a few state-level work-sharing programmes existed in 2009, these small programmes have been credited with saving 165,000 jobs – enough to prompt the enactment of a new Federal work-sharing law.

Work sharing as a potential employment creation measure

Work sharing can also be used as a measure to increase employment. In this case, the reduction of working hours is not being made in response to a decline in the demand for a firm's products or services, but rather is the result of an explicit government policy designed to induce permanent downward adjustments in average working hours for the purpose of encouraging additional hiring and thus increasing the level of employment. Such reductions in hours of work can be achieved by different methods, ranging from legally-mandated reductions in the normal or standard (legal) workweek in a country to collective bargaining in specific industries to the use of tax incentives (e.g., reduced payroll taxes or tax credits) provided to companies which reduce the average workweek of employees in their enterprises on a weekly, monthly or even an annual basis, or some combination of policies. This second form of work sharing remains the subject of often contentious debate among economists and policy-makers. While there are a number of different factors that might substantially reduce the extent to which such working-time reductions are translated into new employment, such a permanent reduction in average hours of work could potentially induce employers to move more quickly to expand hiring than would otherwise have been the case.

This form of work sharing is the primary focus of Chapter 7 (Golden and Glosser), which reviews the evidence regarding work sharing as a potential policy tool for creating more and better employment. They find that, based on evidence from a range of mainly European studies, permanent reductions in working hours have generally, though not always, shown net positive employment effects. They also simulate the potential employment effects of reductions in weekly hours in the United States under different sets of assumptions, and find that work sharing could have had a "considerable neutralizing effect" on job loss during the Great Recession, potentially inducing employers to move more quickly to expand hiring during the subsequent economic recovery. These findings suggest that such permanent reductions also have the potential to modestly increase employment levels.

Key lessons and policy suggestions

One of the key lessons learned during the Great Recession of 2008–09 and its aftermath is that cutting hours of work can have positive effects on employment levels during a severe economic downturn. Although available estimates vary considerably across countries – and even within countries as well – nearly all concur that they preserved jobs, typically with minimal "deadweight" effects (i.e. the risk of public work-sharing subsidies going to firms who would not have engaged in lay-offs in any case).

While cutting hours of work had positive effects on employment levels during the crisis, research shows that the design of the work-sharing programmes and measures was crucial for their effectiveness, as was active support and promotion of the programmes by governments. Essential elements of effective work-sharing programmes include:

- Balanced eligibility criteria for companies and workers;
- Minimal, easily adapted administrative requirements for companies;
- Flexibility in the volume and patterns of hours reductions;
- Wage supplements for affected workers (e.g. partial unemployment benefits or "short-time compensation");
- Reasonable but fixed time limits on work-sharing subsidies to minimize potential negative side-effects (e.g., deadweight and displacement effects).

Notably, combining work sharing with training has not proven very effective. To increase success, short-term or modular courses that workers could complete rapidly during non-work periods should be considered.

The proven job preservation effects and the potential job creation effects of work sharing are important reasons for considering its use. The benefits to those workers who would be unemployed without work sharing are obvious. However, there are other potential benefits, for instance those workers who are most at risk of overwork (e.g. those suffering from symptoms of work-related fatigue and stress) and those who are overemployed (that is, those who would prefer shorter hours of paid work even if it results in reduced earnings) can benefit from reduced hours as well.

Work sharing is not a magic "silver bullet". However, it can be one of a number of measures which help to promote increased employment, improved work–life balance, more sustainable enterprises and economies, and ultimately, more equitable societies.

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