



European Communities
Commission
Background Report

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WORK SHARING AS A MEANS OF COMBATTING UNEMPLOYMENT

Last June the Tripartite Conference, composed of representatives of unions, employers and governments, invited the European Commission to submit suggestions on work-sharing as one of the means, within a broader strategy, of reducing unemployment in the Community.

The Commission's views, as expressed in two discussion papers^{*}, were before the Standing Committee on Employment at its meeting on 21 March. The Committee did not feel it could make any specific suggestions at this stage on the various measures set out in the Commission documents, except to agree on the general aim of reducing the annual number of working hours per person with no overall increase in overtime. The Committee pointed out that in order to make real progress Governments, trade unions and employers should work together to agree on the most widely acceptable measures of achieving this aim, both at national and Community levels, while taking into account collective bargaining processes and regional as well as national considerations. There will be further discussions on the issue in preparation for the next Tripartite Conference, and the Committee asked that its views should be brought to the attention of the European Council at its April meeting.

The Economic Background

The Community is faced with the appalling situation of over 6 million people unemployed in early 1978, and the prospect of the number of people of working age (16 - 64) increasing from 161 million in 1977 to 168 million in 1982.

The increase is due, not only to extra numbers of young people seeking jobs, but to the fact that more women are wanting work, fewer people are retiring early and the immigrant population has largely stabilised, with only a few returning home to their native land.

The position has been exacerbated by the Community's slow economic growth over the last three years - less than 2 per cent from 1974-1977 compared with 4 per cent in 1970-1973.

From about the mid-1980s the demographic position is likely to change in that there will be a sharp drop in the number of young people seeking work while those reaching retirement age will increase. Meanwhile there is need for action.

* SEC (78) 740, 20 February 1978, and Annex SEC (78) 740/2, 24 February 1978. It should be noted that these are staff papers and not Commission communications to the Council of Ministers.

The Commission emphasises, however, that work sharing can be seen as only a second best solution to work creation in an economic strategy for employment and, even then, offers considerable difficulties of implementation.

Aims and forms of work-sharing

The aim of work-sharing is to redistribute the total volume of work becoming available in the economy in order to increase employment opportunities for all those wishing to work.

The most important forms of work sharing can be divided into two broad categories :

- (a) Those aiming at reducing the man-power pool, such as a more flexible retirement age, longer education and training of young people, and temporary interruption of careers for educational or training reasons.
- (b) Those concerned with sharing out working hours, such as a reduction in the number of hours worked per day or week; longer annual holidays, restrictions on overtime and special shifts, and flexible part-time employment.

At the Tripartite Conference last June the Chairman, the Rt Hon. Denis Healey, M.P., insisted that in considering forms of work sharing careful consideration must be given to costs. Mindful of this the Commission has noted that certain forms of work sharing could increase unit costs unless introduced with great care; on the other hand the high costs of unemployment, both psychologically and financially through unemployment benefit, have to be borne in mind as part of the equation.

Current work patterns

According to time budget analyses quoted by the Commission an employed person spends 12 to 15 per cent of his life span at work. (A hundred years ago it was more than twice this proportion).

Since the war there has been a continuous trend towards the shorter working week or day. The Community's recommended 40 hour week has already been broadly adopted in principle in most Community countries though conditions vary not only from country to country but from industry to industry within those countries.

Overtime working also varies. According to British figures for March 1977, about 35 per cent of all workers in manufacturing industries did overtime. The proportions varied from 9 per cent in the clothing and footwear industry to 50 per cent in mechanical engineering. The average overtime worked per employee per week was 8.6 hours, ranging from 5.6 hours (clothing and footwear industry) to 10.9 hours (coal and petroleum-based products).

Reduction of the working week has also been accompanied by an extension of the paid holiday. By 1976, in all the Member States except Ireland and the United Kingdom, 4 weeks' holiday had become the custom.

Opportunities for part-time work also vary greatly. Commission figures suggest that in 1975 there were 9.3 million people employed on

a part-time basis in the Community, 8 million of them women. Most of them (69 per cent) were employed in the tertiary sector (shops, commerce and so on); 22 per cent worked in industry and 9 per cent in agriculture.

Retirement ages also differ throughout the Community, ranging from 55 for women in Italy to 67 for men and women in Ireland. At the other end of the age scale, the minimum school-leaving age varies from 14 to 16 years.

It can be seen from the above that to achieve common work-sharing schemes throughout the Community will not be easy.

Evaluation of work-sharing

The Commission suggests that if work-sharing is to be directed to increasing employment both management and workers will have to co-operate in taking a number of difficult decisions, including adopting changed hours and no increase in productivity or over time because of a shortened week. Further, women, students and the retired should be discouraged from taking advantage of shorter or more flexible hours while unemployment, particularly among the young, remains high. To be fully effective there would also need to be a ban on 'moonlighting' or clandestine work on the side - something impossible to enforce in a free society.

Cost effectiveness

One of the most powerful arguments against work-sharing, however, is the cost burden it would entail and the effect this could have on competition and prices.

The Commission notes that this is a strong reason for co-ordinating work sharing methods throughout the Community and for aiming to keep any additional costs as low as possible. Further, if one divides the financial effects into 'private' and 'public' costs the situation takes on a different perspective. In practical terms, the positive effect of work-sharing measures on employment would offset expenditure on unemployment payments.

By itself the financial equation is not enough, however. There are also social problems. It is hard to expect people to retire early or forfeit income because of work sharing, and obviously such measures cannot be imposed. Further, whatever the public/private equation, companies cannot be expected to carry the full cost burden. Work-sharing measures require a distribution of costs between individual, company and state. The Commission tentatively suggests that the State could 'subsidise' work sharing measures out of the resources - fewer benefits, increased tax revenue - made available by improved employment prospects.

Here the Commission is aware of the criticism that, once introduced, such subventions may be difficult to withdraw when the situation changes again in the 1980s. It points out, however, that industry has continually to adapt to changing situations and no one can now predict what the economic conditions 7 - 10 years ahead will be. Thus any measures must be flexible and adaptable to changing needs.

Principles and practice

Following discussions with both sides of industry and with governments, four broad principles affecting work-sharing have emerged:

- * There must be no restriction on the free choice of employment;
- * Any additional costs must be kept as low as possible;
- * Special priority should be given to groups which are particularly under-privileged as regards their working conditions and to unemployed groups;
- * Work-sharing measures must be seen in the context of general economic, structural and social policies.

Working within these principles the Commission suggests that further examination is required to see whether it is possible to reduce the working week, extend holiday periods, reduce overtime, adopt a more flexible attitude to retirement and expand part-time employment. It makes the point, however, that there will be no advantage to the economy at all if unit costs as a result of work sharing increase to the point of squeezing profit margins and hindering investment. In practice this would mean that workers would not be entitled to a compensatory wage allowance because of shorter hours, and net incomes could fall. Such a matter is obviously of great concern to the trades unions.

While admitting the problems the Commission believes that some progress could be made on work-sharing. It emphasises again, however, that even under the best conditions, worksharing can only be a partial response to present unemployment problems.

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