1. An introduction to work sharing:
A strategy for preserving jobs, creating new employment and improving individual well-being

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‘[S]hort-time work’ (Kurzarbeit) is fast becoming an international word . . . In 2009, our economy contracted by almost 5 per cent because we are so heavily dependent upon exports. And as our country basically does not have any natural resources, we had to pause and consider what it is that makes Germany strong . . . And it was clear that, on the one hand, our strength lies in our employers – not only our large companies, but also our small and medium-sized enterprises – and on the other hand, in our workers, who have often been with a company for a long period of time. We understood that it was vital to keep this bond between employers and employees during difficult times [and] we therefore introduced short-time work as an instrument proposed by the State . . . The good thing is that it all turned out well, simply because the companies believed that they had a future, and because the State was ready and willing to actually invest quite a lot of money into the programme.

(Address by Her Excellency Ms Angela Merkel, Chancellor, Federal Republic of Germany, to the 2011 International Labour Conference in Geneva, Switzerland)

1. THE GREAT RECESSION OF 2008–09: AN ECONOMIC ‘SHOCK WAVE’

The global financial crisis that first hit the United States (which was already in a recession) in the autumn of 2008, and then the rest of the world shortly thereafter, can be likened to a ‘shock wave’. A massive wave of reduced liquidity in the financial sector unleashed by the dramatic collapse of Lehman Brothers generated a negative macroeconomic shock which drove down aggregate demand in countries around the world to a degree unseen since the Great Depression: credit markets froze, bringing lending to a virtual standstill, halting business investment, and driving consumer spending into a downward spiral. Thus, the economic ‘shock
Work sharing during the Great Recession

The ‘wave’ emanating from the financial sector had a profound effect on the ‘real’ global economy as well: for example, 28 of the 30 OECD countries were hit by a recession, and that recession was greater than the historical average in the depth of its impact on GDP in all but five OECD countries, the Czech Republic, Greece, the Republic of Korea, New Zealand and Switzerland (OECD 2010: 33). And the impact on GDP was not limited to the developed world, but stretched around the globe from China to Latin America – turning the global financial crisis into the Great Recession of 2008–09.

National governments responded to this economic shock wave with a variety of economic policies designed to avoid a potential cataclysm. First and foremost, many national governments deployed Keynesian macroeconomic fiscal ‘stimulus packages’ (and often monetary ‘stimulus’ as well, through both interest rate cuts and so-called ‘quantitative easing’) to bolster aggregate demand. Governments also developed or expanded a variety of labour market policies, ranging from unemployment insurance to skill training and a variety of other types of employment assistance. These last policies were typically based on the assumption that unemployment rates would follow historical patterns and move more or less in tandem with the decline in GDP.

Yet, curiously, the response of unemployment in many countries did not mirror the change in GDP, as would normally be expected. Indeed, some countries experienced much greater increases in unemployment than would normally have occurred given the percentage drop in GDP – notably Spain and the United States, but also Canada, Greece, Ireland and New Zealand – while in European countries such as Belgium, Finland, Germany, Italy and the Netherlands, and in some Asian countries, notably the Republic of Korea and Japan, changes in unemployment rates were relatively small compared with the decline in GDP and also compared with previous recessions. In Spain, for example, a GDP decline of approximately 4 per cent in 2008–09 resulted in nearly a 10 per cent increase in the unemployment rate. In stark contrast, in Germany GDP dropped more than 6 per cent in 2008–09, but the unemployment rate over the period actually declined (ibid.: 33–4). Why did this happen?

A number of recent studies have concluded that these seemingly incongruous results regarding unemployment during the Great Recession stem in large part from the extent to which companies in different countries chose to respond to output declines mainly by reducing employment levels, as in Spain, or alternatively, to respond primarily by reducing per capita working hours, as in Germany (for example, Arpaia et al. 2010; Crimmann et al., 2010; OECD 2010; Hijzen and Venn 2011). Also, the decision of many companies to reduce hours of work across the board rather than
resorting to layoffs was the result of another, very different type of labour market policy developed and implemented by governments to respond to the economic shock wave. This type of policy is called *Kurzarbeit* (‘short-time work’) in Germany – and it is indeed, as Chancellor Merkel stated, ‘fast becoming an international word’. Germany’s *Kurzarbeit* was in fact merely the largest and the best known of many similar measures developed and implemented by national (or subnational) governments in a broad range of countries to promote reduced working hours in lieu of cutting jobs. These policy measures, which are known by a variety of different names in different countries, can collectively be referred to as ‘work sharing’.

This chapter will provide a general background and overview of what is meant by work sharing that will inform the rest of this volume. Section 2 provides the definitions and objectives of work sharing as an employment policy tool. Section 3 identifies and defines the theoretical underpinnings of work sharing, including the principle that work sharing can be used not only to preserve or increase employment, but also to improve individual and societal well-being. Section 4 provides a brief history of work sharing in different countries during different periods of the twentieth century. Section 5 then explains why work sharing emerged during the Great Recession in both developed countries and, for the first time, some developing countries as well. Section 6 concludes the chapter by setting out what the rest of the volume will cover, namely what work-sharing policies have been used in different countries during the Great Recession and what the future holds for work-sharing policies more generally.

### 2. WHAT IS WORK SHARING? DEFINITIONS AND OBJECTIVES

Work-sharing measures can take two distinct forms. The first form, 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 layoffs.¹ In the framework of national work-sharing programmes, enterprises can receive benefits when they refrain from laying off workers, and instead ‘share’ the lower volume of available work by reducing the working hours of either all their employees or all members of a specific work unit. In times of economic crisis, the use of such temporary, ‘crisis work-sharing measures’ as a labour market policy tool aimed at preserving existing jobs during a cyclical downturn not only helps to avoid mass layoffs and increased unemployment, but
also allows businesses to retain their skilled workforces, thus minimizing firing and (re)hiring costs, preserving functioning plants, and bolstering staff morale during difficult times. If crisis work-sharing measures are properly designed and implemented, the result can be a ‘win–win–win’ solution: enabling workers to keep their jobs and even to prepare for the future; assisting companies not only to survive an economic crisis, but to be well-positioned to prosper when growth returns; and minimizing the costs of unemployment and, ultimately, social exclusion for governments and society as a whole. This temporary, crisis form of work sharing is the primary focus of this volume and also of most of its individual contributions (see the last section of this chapter for details).

However, there is a second distinct form of work sharing as well. This can be defined as follows: a government policy that is designed to induce permanent downward adjustments in average working hours for the purpose of encouraging additional hiring and thus increasing the level of employment. As will be discussed later in this chapter, such permanent working-time reductions can be achieved via different mixes of policies, including – but certainly not limited to – legally mandated reductions in the normal or standard workweek in a country. This second form of work sharing remains a subject of often contentious debate among economists and policymakers, as will be discussed in Section 3. None the less, the dramatic expansion of crisis work-sharing measures during the Great Recession, and the growing evidence of their success in preserving jobs in many countries by reducing per capita working hours, has sparked renewed interest in exploring the potential of permanent reductions in working hours – the other form of work sharing – as a policy tool designed to create new employment. This latter form of ‘permanent’ work sharing, if properly implemented, not only holds the potential to increase the job content of any particular level of output, but as we shall see later, also offers the possibility of improving individual well-being, thus contributing to more sustainable economies and societies. While this permanent form of work sharing is a secondary focus of this volume, it is the primary focus of Chapter 7, ‘Work sharing as a potential policy tool for creating more and better employment: A review of the evidence’ (Golden and Glosser).

Finally, it is worth noting that work sharing should not be confused with job sharing (which is a very common mistake). Job sharing refers to an individual arrangement whereby two persons – each of whom is working part-time – decide to share a single, full-time job. Job sharing and other similar forms of ‘time sharing’ among individual workers are (unlike work sharing) individual rather than collective working-time arrangements, and such arrangements are not discussed in this volume.
3. THE THEORETICAL UNDERPINNINGS OF WORK SHARING

3.1 Work Sharing as a Job Preservation Tool (Crisis Work-sharing Measures)

Crisis work-sharing measures designed to preserve existing jobs encourage companies to respond to a reduction in demand for their products or services by spreading the reduced volume of work over all workers in the enterprise or all workers in a highly impacted work unit, rather than laying off a portion of those workers. This type of ‘sharing’ of the available work is achieved by reducing the number of hours worked by each affected employee. For example, with a 20 per cent reduction in demand for its products or services, instead of laying off 20 per cent of its workforce, a company could instead reduce the average hours worked by all of its employees by approximately 20 per cent across the board. Under this scenario, if workers were previously working a normal 40-hour workweek, with work sharing they would be working 32 hours per week. This reduction in working hours is typically accompanied by a corresponding (pro rata) reduction in employees’ wages or salaries. In this way, the company would be able to cut its labour costs in line with the reduction in demand for its products or services – but without the need to resort to layoffs.

Of course, the cuts in wages which typically accompany crisis work-sharing measures involve some hardship for the firms’ employees – although not as serious a hardship as losing a job for those who would otherwise be impacted by layoffs. For this reason, most of those countries that have developed crisis work-sharing programmes provide affected workers with some type of a wage supplement giving partial replacement of the employees’ lost earnings, generally around one-half or slightly more of the amount by which their salaries have been reduced. These wage supplements are public subsidies which often, but not always, take the form of partial unemployment insurance (UI) payments during the period of work sharing; in some countries, these partial UI payments are called ‘short-time compensation’.

Most crisis work-sharing measures establish specific time limits on the work-sharing period. Such limits help to ensure that the work-sharing measure is a temporary measure in response to an economic crisis or another short-term reduction in demand, and not a long-term reduction in hours and pay. Making such measures temporary also helps to minimize ‘deadweight’ – the amount of public work-sharing subsidies received by firms who would not have engaged in layoffs in any case – as well as limiting any potential displacement effects – that is, a crowding out of emerging
businesses and industries by existing, inefficient ones – which could potentially result from the public subsidies provided to work-sharing firms.

Finally, while not an integral element of work sharing, many work-sharing measures include links to training or retraining activities for participating workers. The idea of such linkages is to help affected workers to upgrade their skills during the period of work reduction, so that either they can be more productive when demand for the company’s products or services rebounds, or should that fail to occur, those workers would at least be better prepared to move on to new jobs during an economic recovery. Unfortunately, as we shall see, the training and retraining components of work-sharing measures have proven to be some of the most problematic and least effective elements of these programmes.

The main focus of this volume is on the use of such crisis work-sharing measures as a job preservation tool and their effects during the Great Recession of 2008–09 and its aftermath. Chapters 2–6 focus primarily (although not always exclusively) on such crisis work-sharing measures.

3.2 Work-sharing Policies to Increase Employment (‘Permanent’ Work Sharing)

Work-sharing policies designed to create new employment also involve a downward adjustment of hours of work, and the basic logic underlying such policies is the same: spreading any given volume of work in a company over a larger number of workers. In this case, however, the reduction of working hours is not a temporary policy in response to a decline in the demand for a firm’s products or services, but rather a permanent reduction in working hours designed to encourage hiring and thus increase the overall level of employment. Such permanent reductions in average hours of work can be achieved by different methods, ranging from legally mandated or collectively bargained reductions in the normal or standard working week (the ‘classic’ and most studied approach) to the use of tax incentives (for example, reduced payroll taxes, tax credits) provided to employers who reduce the normal workweek of employees in their companies on a weekly, monthly, or even an annual basis (see, for example, the US tax credit proposal in Baker 2009), to the promotion of reduced actual working hours via part-time or part-year work (as in the Netherlands), or some combination of policies. Regardless of the specific method used, the objective of this form of work sharing is the same: to reduce average hours of work per worker in order to promote hiring and thus increase total employment. For example, reducing average hours of work by 10 per cent could theoretically result in a 10 per cent increase in new job vacancies.
In reality, however, it is highly unlikely that such a one-for-one conversion of permanent hours reductions into new job creation would occur, although the expected employment effects of such reductions depend considerably on the theoretical framework. For example, the neoclassical economic view is that output must inevitably decline as a result of such a reduction in working hours (especially the standard legal workweek), thus ensuring that permanent working-time reductions cannot create new jobs and might actually decrease employment levels. In contrast, the Keynesian perspective assumes that total spending and output would not decrease with permanent working-time reductions, although the composition of the output (and hence of employment) might shift across sectors. And a range of empirical studies of the actual employment effects of work-sharing policies show a wide range of results – ranging from substantially positive to neutral to moderately negative effects on employment (see Golden and Glosser, ch. 7 in this volume for a review of this literature).

More concretely, the size of the employment effects of a particular work-sharing policy depends upon both the direct effects of the policy, plus a number of indirect effects. These indirect effects are factors which are likely to reduce the employment-creation effects of permanent work-sharing policies, and which, taken together, mean that these effects will likely be substantially less than the maximum potential in theory. First, some employers might find it in their interest to schedule a workweek beyond the new, reduced normal workweek for at least some workers; this phenomenon has been referred to as the ‘overtime leakage’ effect. Second, a ‘productivity effect’ may undermine the effort to expand job creation – that is, a shortened workweek might help reverse the ‘vicious circle’ of longer hours to achieve greater production or productivity per worker but at the expense of lower per hour productivity, and turn it into a virtuous cycle of shortened workweeks and improved productivity per hour – and thus, on balance, lower unit labour costs (see below). Third, workers are not perfect substitutes for each other – referred to in academic literature as ‘indivisibility of labour’ – and, therefore, the existence of skill shortages in industries or occupations where hours are reduced can act as a serious bottleneck to filling any new job openings created by this form of work sharing (see, for example, Freeman 1998). This issue should not be confused with the so-called ‘lump-of-labour fallacy’: the concept that there is a fixed amount of work in an economy,\textsuperscript{3} and the further assumption that work sharing somehow involves parcelling out this ‘fixed amount of work’ (see Walker 2007, for a historical review of the lump-of-labour fallacy and a refutation of its theoretical arguments\textsuperscript{4}).

Finally and perhaps most importantly, is the issue of real labour costs per hour – that is ‘unit labour costs’. Most microeconomic studies of
permanent work-sharing measures emphasize the importance of labour costs. The neoclassical economic view is that with permanently reduced hours, labour costs are likely to increase, particularly if hourly wages are not reduced in line with the reduction in working hours; this will, in turn, encourage firms to substitute capital for labour, thus undermining any potential employment creation (see, for example, Hunt 1998, 1999; Kapteyn et al. 2000). In contrast, in their seminal article on working-time reduction and employment, Bosch and Lehndorff (2001: 211) emphasize that ‘the decisive factor for firms is unit costs, not absolute wage costs’. If hours of work are reduced but total earnings are held constant, then \textit{ceteris paribus}, a firm’s unit labour costs will increase; if that occurs, firms may, in turn, be forced to raise the price of their goods or services, which may reduce the demand for them. The problem for employers would be the most severe if there were no reduction in earnings accompanying the permanently reduced hours of work. If, on the other hand, earnings (more correctly, total payroll expenses) were reduced proportionally to the reduction in hours (as is typically the case with work sharing when it is used as a job-preservation tool), or if wage increases were phased in over a period of time simultaneously with reductions in working hours, then much of the concern regarding higher unit labour costs due to this form of work sharing would be unwarranted. Alternatively, even if total earnings remained constant, the potential increases in labour cost per unit can be countered or overcome with public subsidies in the short term, such as by reducing payroll tax rates.

Work-sharing policies designed to increase employment via permanent reductions in working hours, including both the theoretical and empirical literature regarding the potential employment-creating effects of this form of work sharing, will be reviewed and analysed in depth in Chapter 7 (Golden and Glosser).

### 3.3 Work Sharing as Contributor to Improved Individual and Societal Well-being

Interestingly, working time is also considered to be an important contributor to individual well-being in the burgeoning new literature regarding the economics of ‘happiness’. The happiness literature uses an individual’s ‘reported subjective well-being as a proxy measure for individual welfare’ (Frey and Stutzer 2010: 3). In this literature, unemployment is universally found to be detrimental to happiness, not only due to reduced income, but also because paid work provides people with a sense of identity and opportunities for socialization, while \textit{ceteris paribus} more work hours are positively associated with reported levels of happiness (ibid.; see also Stiglitz et
al. 2009). However, this generally positive association between paid work and happiness tends to turn negative when hours of work become long; for example, when individuals perceive that they have insufficient time to spend with their families or to handle domestic chores, they report being less happy with their lives in general (Böhnke 2005; Pouwels et al. 2008; Golden and Glosser, ch. 7).

This finding regarding the detrimental effects of long hours of work on happiness suggests that permanent work-sharing policies have the potential to benefit employed workers as well. Specifically, two groups of employed workers would potentially benefit from work sharing. First, those workers who are most at risk of overwork – those working long hours and suffering from symptoms of work-related fatigue and stress – could clearly benefit from reduced hours. Second, those workers who are ‘overemployed’ – that is, those workers who, even if they are not working long hours, would prefer shorter hours of paid work even if it results in reduced earnings – could benefit from reduced hours as well (Golden and Glosser, ch. 7).

Thus, part of the rationale for permanent work-sharing policies lies in the potential improvements in well-being for the overworked and the overemployed, as well as for those workers for whom unemployment (or underemployment) could be prevented (or lessened) via the jobs and hours gained from work sharing. The possibility for combined gains benefitting both of these groups of workers suggests that work sharing has the potential to improve the well-being not only of those workers who do not become unemployed due to work sharing and unemployed workers who become re-employed because of it, but also the happiness of employed individuals – and thus, the well-being of society as a whole. Although this potential effect of permanently reduced working hours on improved individual and societal well-being will be touched upon only briefly in this volume (particularly in Chapter 7), it is worth mentioning here simply to emphasize that the potential benefits of permanent working-time reductions go far beyond their employment effects alone.

4. A BRIEF HISTORY OF WORK SHARING

4.1 Early Origins: The Reduction of the Working Week

Given the prominent role which Kurzarbeit (‘short-time work’) played as a job-preservation tool during the Great Recession, it is not especially surprising to learn that work sharing originated in Germany. In fact, the first agreements in Germany regarding the reduction of working time with
monetary compensation for the reductions (in some cases) were made all the way back in 1891, and unemployment compensation, including short-time work benefits, was introduced at the beginning of the Weimar Republic in 1918 (Holzmayer 1989: 6). With the establishment of a government employment agency in Germany in 1927, short-time work became one of its labour market policy tools, where (despite some changes in the institutional framework in the post-Second World War period) it has remained to this day (ibid.).

Although work sharing in its ‘short-time work’ form first appeared in Germany, work sharing as a measure to create new employment was part of the broader international push during the nineteenth and early twentieth centuries for the reduction of working hours and the establishment of an eight-hour day – a worker-led movement which ultimately resulted in the creation of the first international labour standard, the ILO Hours of Work (Industry) Convention, 1919 (No. 1). While the primarily objectives of reducing hours of work were the provision of social protection and more ‘free time’ for workers, the idea that shorter hours of work for those already employed would mean that more jobs would be created for those without work was part and parcel of this movement. This linkage can perhaps be encapsulated in the famous declaration by the President of the American Federation of Labor (AFL), Samuel Gompers, in 1887: ‘As long as we have one person seeking work who cannot find it, the hours of work are too long’ (Samuel Gompers, as quoted in Best 1981: 2–3).

4.2 The Great Depression: Mass Unemployment and the 40-hour Week

Despite these earlier antecedents, the concept of work sharing as we know it today appears to have taken form during the Great Depression of the 1930s. Even though, as described above, the primary objective of Convention No. 1 – and later, the Hours of Work (Commerce and Offices) Convention, 1930 (No. 30) – was the protection of workers, the economic and social crisis of the Great Depression resulted in the reduction of working hours being seen as a tool for combating unemployment as well. The concept of work sharing as a reduction in hours of work for the purpose of increasing employment is clearly reflected in the spirit of the ILO Forty-Hour Week Convention, 1935 (No. 47), adopted at the height of the Depression, which established the principle of the 40-hour week. Convention No. 47 noted that ‘unemployment has become so widespread and long continued that there are at the present time millions of workers around the world suffering hardship and privation from which they are justly entitled to be relieved’, and from this perspective, it advocated ‘that
a continuous effort should be made to reduce hours of work in all forms of employment to such extent as is possible’ (Preamble). These words still ring true today.

During the Great Depression, a wide range of work-sharing initiatives, both industry and government led, emerged in both Europe and North America. According to a review of articles published in the *International Labour Review* between 1931 and 1939, ‘One of the earlier responses to the crisis . . . was the management of working hours’ (Mamudi 2009: 6). Legislation reducing the standard workweek was enacted in several European countries. For example, the German government enacted an Emergency Decree to reduce hours of work to 48 per week in 1931 and then moved to establish an even lower legal limit of 40 hours per week early in 1933, and France followed suit with legislation establishing a 40-hour workweek by 1936 (ibid.: 7). Italy also adopted the 40-hour workweek, first via a national agreement, implemented at the industry level, between the trade unions and the Federation of Italian Industry; this agreement was later codified in law in 1937 (Mattesini and Quintieri 2006: 422).

Perhaps the most widespread use of work sharing to combat the Depression – both to preserve existing jobs and also to create new ones – was in the United States. Work sharing in the US began with voluntary, business-led efforts to shorten working hours as an alternative to layoffs during the soaring unemployment of the early 1930s, with strong support from the Hoover Administration (Best 1981). This early Depression form of work sharing, while appearing to save jobs, was often unpopular with workers both because it was unilaterally imposed by employers and also because it was uncompensated, and thus entailed substantial cuts in earnings (Nemirow 1984).

With the arrival of the Roosevelt administration, a modified version of Depression-era work sharing became one of a number of major initiatives (along with public job creation and unemployment insurance) to combat unemployment in the US (Best 1981). A new programme called the President’s Reemployment Agreement (PRA), announced in July 1933, provided strong, patriotic encouragement for individual companies to sign an agreement between their firm and the President (Taylor 2011). The PRA ‘blanket’ agreement consisted of three parts: (i) a shorter workweek of 35 to 40 hours; (ii) an increase in hourly wage rates; and (iii) a clause recognizing workers’ rights to collective bargaining (ibid.: 135). This was a massive effort, which, depending on the specific estimate one chooses to believe, put between 1.34 and 4 million Americans back to work (ibid.: 133–4). These blanket agreements were later supplanted by industry-specific regulatory Codes under the National Industrial Recovery Act.
(NIRA), enacted in the same year, which established standard working hours and wage rates in each industry (ibid.; see also Mamudi 2009). As in the European countries discussed above, the shorter, 40-hour workweek in the United States was later enshrined in US Federal legislation, the Fair Labor Standards Act (FLSA) of 1938 (Best 1981).

4.3 Work Sharing in the Post-Second World War Era

During the period of prosperity that followed the Second World War, the concept of work sharing faded into the background as the economies of Western countries boomed and generated a quantity of jobs that was sufficient to keep most of the developed world at or near full employment for nearly three decades. It was only with the ‘stagflation’ that followed in the wake of the oil-price shocks of the 1970s that the reduction of working hours as an employment policy re-emerged as a major issue in these countries. And even then, the policy experimentation with working-time reductions intended to create or preserve employment which occurred during that period was primarily in a handful of Western European countries, notably Belgium, Denmark, France, Germany and the Netherlands.

These more recent European experiences with working-time reductions designed to create or preserve employment began during the late 1970s and continued through the 1980s and 1990s at varying paces in the different countries. The first initiatives during this period were undertaken by Belgium, beginning with a government proposal in 1979 for a subsidized reduction in the normal workweek from 40 to 36 hours with ‘wage moderation’ that was rejected by employers (and some unions), and continuing with the ‘3–5–3’ plan to increase employment (3 per cent lower increase in wages, combined with a 5 per cent reduction in working hours and a 3 per cent increase in employment) from 1983 to 1986, but appears to have generated only 23,000 new jobs (Kapteyn et al. 2000: 31). France, too, was an early leader with a Socialist government proposal in 1981 for a five year phased-in reduction of the legal workweek from 40 to 39 hours (ibid.) – only to be revived by a later Socialist government as the Aubry I and Aubry II Laws (discussed below). The Netherlands, too, saw a number of working-time reduction initiatives during this period, beginning with a centralized agreement in 1982 – in the context of a high level of unemployment – between the social partners to gradually reduce the collectively agreed workweek from 40 to 38 hours, combined with a freeze on annual wage growth (Kapteyn et al. 2000). A 1985 survey found that 80 per cent of enterprises in the Netherlands reported reductions
in working hours, 17 per cent of firms reported that new jobs had been created, and another 26 per cent anticipated new job creation in the future (De Neubourg 1991).

Perhaps the most substantial collective reductions in working hours during this period occurred in Germany, with the German trade union IG Metall successfully negotiating, in stages, a reduction in working hours in the metalworking industry from 40 hours per week in 1984 to 35 hours a week by 1995, with substantial reported positive employment effects estimated at between 21 and 70 per cent of the hours reduction (that is, of the theoretical maximum potential effect with a one-for-one conversion of hours to jobs) depending on the specific survey (Kapteyn et al. 2000: 33; Bosch and Lehndorff 2001: 222). More broadly, it has been estimated that the overall effects of collectively agreed working-time reductions in Germany during this period accounted for approximately 20 per cent of all new employment – approximately 420,000 out of 2.12 million new jobs (Seifert 1991).

During this same period, work-sharing programmes designed to preserve existing jobs were introduced in Canada and in some states in the US as well. In Canada, in addition to a number of experiments with work-sharing schemes at the enterprise level, in 1982 the Canadian Federal government introduced a national work-sharing programme with time-limited ‘short-time compensation’ (STC) benefits payable out of unemployment compensation funds (Koeltz 2009; Golden and Glosser, ch. 7). Canada’s Work-Sharing Program provides businesses with an alternative to layoffs in situations where there is a reduction in demand for a company’s products or services; an evaluation of the programme’s effects during the 1990–91 recession in North America concluded that it successfully reduced layoffs, saving an annual average of 43,200 jobs per year during this two-year period (Graves and Dugas 1993, cited in Gray 1996: 805) In the United States, work sharing began in 1979 with a state-level programme in California (Best 1981). Work-sharing programmes in the US – while authorized under a provision of Federal law enacted in 1992 – exist on a state-by-state basis (there is no national programme). A total of 17 US states had work-sharing programmes with STC benefits at the onset of the Great Recession, but most of them were extremely small (Balducchi and Wandner 2008).

Without doubt, however, the most significant work-sharing initiative prior to the Great Recession was the recent French 35-hour workweek, perhaps the most large-scale work-sharing initiative since the Great Depression, and certainly the best known – and the most hotly debated. The ‘35 hours’ in France took the form of two laws, Aubry I and Aubry II, enacted in 1998 and 2000, respectively (see Askenazy 2008, and
LaJeunesse 2009: 213–21, for comprehensive reviews of the French experience with the 35-hour week). Aubry I did not immediately impose a 35-hour normal workweek, but instead attempted to stimulate collective bargaining by providing firms with financial incentives to reduce working hours by 10 per cent and increase employment by 6 per cent prior to 1 January 2000 – at which time the legal limit on normal hours of work (before overtime) would be set at 35 hours per week for firms with more than 20 employees (1 January 2002 for enterprises with 20 employees or fewer).

Despite some initial resistance from French employers, Aubry I did indeed stimulate collective negotiation, such that by the end of 1999, some 30,000 enterprises with two million employees had reached agreements to establish a 35-hour workweek and create new jobs (Askenazy 2008: 6). Aubry II codified the new 35-hour workweek, but also permitted the ‘35 hours’ to be annualized – that is, to be calculated on the basis of 1,600 hours per year, provided that working hours did not exceed 48 per week or an average of 44 hours over a 12-week period (LaJeunesse 2009). Aubry II also offered employers a number of concessions, especially in terms of how working hours are counted (for example, firms could exclude certain types of breaks, days off and training periods from this calculation), as well as removing the requirement that firms had to increase employment by 6 per cent in order to receive financial assistance from the government (ibid.) Perhaps not surprisingly the employment effects of the Aubry I law appear to have been far greater than those of Aubry II (according to Askenazy 2008, there was a net increase in employment of between 6 and 9 per cent under Aubry I versus 3 per cent for Aubry II); none the less, the overall employment effects of the two Aubry laws during the 1998–2002 period appear to have been quite substantial – with the most widely cited figure showing a net increase of between 300,000 and 350,000 jobs (Askenazy 2008: 17; LaJeunesse 2009: 217; see also Golden and Glosser, ch. 7).

With the election of a new conservative government in France in 2002, a number of ‘adjustments’ (referred to as assouplissements in French, literally ‘softenings’) were made to the original Aubry laws. These adjustments raised statutory maximum limits in overtime hours and decoupled reductions in firms’ social insurance contributions from working-time reductions; later, under President Nicolas Sarkozy’s slogan ‘work more to earn more’, employers’ social insurance contributions were further reduced, and employees’ taxes on overtime pay were eliminated entirely (ibid.) While these various revisions did not actually repeal the original laws, they have none the less clearly ended the use of the ‘35 hours’ as a mechanism for promoting work sharing.
5. THE RE-EMERGENCE OF WORK SHARING DURING THE GREAT RECESSION

The onset of the Great Recession and the global jobs crisis that it spawned led to a dramatic re-emergence of work sharing as a labour market policy tool aimed at preserving existing jobs. In the framework of national (and subnational) work-sharing measures, enterprises received benefits when they refrained from the use of layoffs, and instead ‘shared’ the lower amount of available work by reducing the working hours of all employees or all members of a work unit. The reduction in working hours under this form of work sharing is often (although not always) coupled with reductions in wages, which are typically proportional to the reduction in workers’ working hours (although this may not always be the case). This important constraint was often alleviated by the provision of wage supplements to affected workers, most typically by means of some form of partial unemployment compensation, although in some cases general government revenues were instead used to fund these payments.

5.1 The Expansion of Existing Work-sharing Measures in Developed Countries

Work-sharing programmes had already been implemented in a number of countries in the industrialized world prior to the onset of the global economic crisis, including: Austria, Belgium, Canada, France, Germany, Switzerland and the Netherlands, and small programmes in some individual states in the United States. Many of these existing work-sharing programmes were revised and expanded during the Great Recession. For example, the German Federal work-sharing programme, Kurzarbeit, was dramatically expanded. Specifically, the German government made the following change in the programme: the application procedure for the scheme was simplified; employers’ contributions for social insurance of short-time workers were reduced when their employees participated in training or qualification measures while working reduced hours; and the maximum duration of the scheme was increased first to 12 months, then extended to 18 months, and finally to 24 months. As a result, Kurzarbeit became the largest work-sharing programme in the world during the crisis, reaching a maximum participation of approximately 64,000 establishments and 1.5 million employees at the height of the crisis in mid-2009 (see Crimmann et al. 2010). Likewise, the French chômage partiel (‘partial unemployment’) programme extended the upper limit of non-worked hours covered by the partial unemployment contractual allowance from 600 to 800 hours per year, and up to 1,000 hours for firms in particularly
vulnerable industries, such as textiles, garments and automobiles. All in all, the following developed countries had work-sharing measures in some form during the Great Recession: Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Luxembourg, the Republic of Korea, the Netherlands, Sweden and Switzerland, and small programmes in a number of individual US states.9

A number of different approaches were used for implementing work-sharing measures during the Great Recession. First, national laws (and also subnational laws in Federal systems) often promoted – but did not mandate – the use of work sharing, and provided companies with financial incentives for adopting them. For example, Germany’s Kurzarbeit was (and remains) available to establishments facing a temporary, unavoidable loss of employment due to economic factors (see Crimmann et al., 2010). Work sharing was also widely used in the Republic of Korea, based on experiments with different forms of work sharing during the financial crisis of 1997–98. The Korean government actively promoted work sharing in individual companies during the crisis by introducing a wide range of financial incentives (see Korea International Labour Foundation 2009).

Second, national-level agreements in some countries provided an overall framework for action at the enterprise level. The example of Japan demonstrates how a tripartite agreement at the national level can promote the adoption of work-sharing schemes in specific companies, providing both strong normative encouragement as well as financial incentives. A tripartite agreement to attain employment security and employment creation was concluded on 23 March 2009 by the Prime Minister, the Urban Business Federation (Nippon Keidanren), the Japan Chamber of Commerce and Industry, the National Federation of Small Business Associations, and the Japanese Trade Union Confederation (RENGO). This tripartite agreement included four components, one of which was the ‘Maintenance of employment through promoting the (so-called) “Japanese-model” of work sharing’ (see Messenger 2009: 3).

Finally, work sharing was also adopted and implemented via collective bargaining at both industry and establishment levels, and not surprisingly, it was one of the top collective bargaining issues in Europe during 2009 (see Eurofound 2010). In Germany, most industry- and establishment-level collective agreements already contained provisions allowing enterprises to reduce working hours by as much as 20 per cent in order to avoid the loss of employment (see Bosch 2009). However, even in the absence of national work-sharing programmes or national tripartite framework agreements, work-sharing measures were none the less adopted and implemented via collective agreements at sectoral and enterprise levels.
For example, while there was no statutory work-sharing programme in Sweden, a collective agreement in the manufacturing sector in March 2009 allowed for the introduction of reduced working hours and temporary layoffs with compensation to ensure that workers received at least 80 per cent of their regular wages (Eurofound 2010: 18). Likewise, in Denmark, a large number of manufacturing firms concluded enterprise-level work-sharing agreements during the crisis based on an earlier sectoral collective agreement, reached in 2007, which provided for a period of work sharing from 13 up to a maximum of 26 weeks (Glassner and Keune 2010: 15).

5.2 New Developments in Work Sharing in Middle-income Countries

Preserving jobs during the global crisis was also a top priority in many middle-income countries, which were particularly hard hit by job losses in their formal economies, often in export-oriented or consumer goods industries. As a result, during the Great Recession a number of these countries acted to discuss, negotiate and implement some basic forms of work sharing or similar working-time adjustments – often (but not always) with links to training. These countries include: Argentina, Chile, Mexico and Uruguay in Latin America; Bulgaria, the Czech Republic, Hungary, Romania, Slovakia and Slovenia in Eastern Europe; and also South Africa and Turkey.

Among those work-sharing measures that were implemented in middle-income countries, the first revealing aspect is the different terminology used for the various schemes. Some countries referred to ‘reduced working time’ (Turkey), ‘flexiconto’ (Slovakia), or names based on the days worked plus the days not worked and those spent in training, such as the ‘4+1’ programme (Hungary); there was also the ‘labour training permission’ (Chile) and ‘Paros técnicos’, (‘technical unemployment’ in Mexico). These variations in terminology highlight differences in the design of the individual national measures. In some countries, only support for either reduced (weekly) working hours or temporary work stoppages (of a few weeks or months) were possible, while others offered provisions for both types of reduced working hours, with the same or varying conditions, and sometimes linked with training as well. In addition, some countries specifically adapted their work-sharing measures to the needs of small and medium-sized enterprises, such as in Argentina, Hungary and Romania. The timeframe for the use of these measures was nearly always temporary, ranging from three to 12 months in duration. Exceptionally in a few of these countries, the measures are a permanent feature of the labour law, which can be activated when necessary, for example Turkey (Messenger and Rodríguez 2010).

Despite the differences among the crisis work-sharing measures across
these countries, some common principles prevailed. One important similarity is that the level of development and implementation of work-sharing programmes in the two regions has been mainly at national level. Another similarity is that many countries made an important effort to extend unemployment benefit schemes and/or expand their coverage to workers with reduced hours; for example, some countries expanded the application, eligibility and coverage of partial unemployment benefits. In most cases, these work-sharing programmes also included a requirement for companies to demonstrate clear economic reasons in order to be eligible for any reduced working time or partial unemployment scheme. Also, there was often a requirement that employers maintain their previous level of employment while receiving a work-sharing subsidy or participating in a programme. Moreover, employers were required to continue paying their employees’ wages and social security contributions, although the latter were sometimes also at reduced levels (ibid.).

Work-sharing measures to preserve jobs have been endorsed at international level by both the International Labour Organization (ILO) and the European Union (EU). In this context work sharing with partial unemployment benefits are policy responses suggested by the ILO Global Jobs Pact, adopted by the ILO’s tripartite constituents in June 2009, to limit or avoid job losses and to support enterprises in retaining their workforces (ILO 2009, Section III, Point 11.4). Likewise, various EU bodies highlighted the use of temporary ‘short-time work’ arrangements as one of the key measures to mitigate the impact of the global economic crisis and maintain employment, especially when accompanied by financial support to reduce workers’ income losses and training measures (see Council of the European Union 2009; European Commission 2009).

6. MOVING BEYOND THE GREAT RECESSION: THE FOCUS OF THIS BOOK

This volume will examine the resurgence in the interest in and use of work sharing as a job-preservation strategy during the Great Recession, with the objective of learning lessons for the future from its successful use as a crisis-response measure in a number of countries. In addition, the volume will also consider the implications of the crisis experience for the application of work sharing as an employment-creation measure, thus contributing to the ongoing debate on the efficacy of this form of work sharing.

This chapter has introduced the concept and history of work sharing and related working-time adjustment measures (for example, working-time accounts), and has explained how work sharing can be used, first, as
a strategy for preserving existing jobs, and also as a tool for promoting increased employment and, simultaneously, improving individual and societal well-being.

As discussed at the beginning of this chapter, the main focus of this volume is on crisis work-sharing measures, and Chapters 2–6 focus primarily (although not always exclusively) on such measures and their use and effects during the Great Recession of 2008–09 and its aftermath. Chapters 2 and 3 begin the review of these crisis work-sharing measures by investigating the use of work sharing and some allied measures (for example, working-time accounts, establishment-level agreements) as a job-preservation strategy in Europe during the crisis. Chapter 2 focuses on Germany, whose work-sharing programme, *Kurzarbeit*, was the largest in the world during the Great Recession, while Chapter 3 reviews four other European countries that substantially revised and expanded their work-sharing programmes during the crisis – Austria, Belgium, France and the Netherlands. Chapter 4 rounds out our review of crisis measures in the developed world by analysing the case of a large Asian country, Japan, which made extensive use of several different mechanisms for the adjustment of working hours to avoid layoffs and thus ‘share’ the lower level of available work.

Chapters 5 and 6 turn to the experiences of the new work-sharing measures which emerged in a number of middle-income developing countries for the first time during the Great Recession. Chapter 5 analyses the Reduced Working Time Programme in Turkey, which was by far the largest work-sharing measure in any developing country during the recession. Chapter 6 turns the focus to Latin America, and specifically to Uruguay, where two different instruments were implemented – one combining work sharing with training and the other sharing work by linking rotating, temporary layoffs with unemployment benefits. This chapter will compare and contrast those two measures and their effects.

Following the analyses of these various crisis-related measures, Chapter 7 changes the focus by exploring the potential of the second form of work sharing – a government policy designed to induce permanent downward adjustments in average working hours (via a variety of possible methods) – to encourage additional hiring and thus increase the overall level of employment. This permanent form of work sharing is the primary focus of Chapter 7. The chapter will also consider the potential benefits of such permanent work-sharing policies beyond their possible effects on employment and unemployment, including promoting improvements in individual well-being.

Finally, the concluding chapter will synthesize the main findings of the preceding chapters and consider their implications for the future of work.
sharing in both of its forms. First, it will present the lessons learned from the Great Recession and their implications for crisis work-sharing policies. Then it will move beyond the crisis experience to consider how to design permanent work-sharing policies in a manner that would provide appropriate incentives for generating positive employment effects, and thus help to promote a sustainable and job-rich economic recovery.

NOTES

1. This type of work sharing is also referred to as ‘short-time work’ and ‘partial’ or ‘temporary’ unemployment (among other terms).
2. It should be noted that, with or without work-sharing measures, the available work is going to be ‘shared’ (distributed) in one form or another. In the absence of such measures, a market-induced form of ‘work sharing’ may involve increasing hours of paid work for a proportion of the workforce, while other workers receive no work at all, that is, they are unemployed.
3. Many critical analyses of permanent work sharing assume that the existence of a fixed amount of work in an economy is a key assumption underlying work sharing, but actually this is not the case.
4. In essence, Walker argues that there is a crucial distinction between shorter hours of work and the restriction of output. He cites Sydney J. Chapman’s (1909) theory of hours of labour, which emphasizes that the effects of technological progress will increase production and raise the relative value of leisure, and therefore, that ‘the optimal length of the working day must progressively decline’ (Walker 2007: 286). According to Walker, Chapman’s theory suggests that shorter hours of work lead to increased efficiency (a so-called ‘efficiency week’), resulting in lower prices and, ultimately, increased (rather than fixed) demand for products and labour.
5. The term ‘stagflation’, which was first coined in the 1970s, refers to the combination of economic stagnation, including higher unemployment levels, with relatively high levels of inflation – a new phenomenon at that time.
7. The laws are named after the French Minister of Labour at that time, Martine Aubry.
8. Several other working-time adjustment measures were also widely used in Germany during the crisis, for example working-time accounts and establishment-level agreements.
9. Twenty-three states and the District of Columbia have established work-sharing programmes in the wake of the Great Recession (see n. 6 for exact states). In addition, new US Federal legislation was enacted in 2012 that provides incentive grants and general revenue funds to support the extension of work-sharing programmes to additional states, as well as the expansion of existing state programmes.

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