

Gerhard Bosch

**« Dismissing hours not workers –
work-sharing in the economic crisis to avoid dismissals
- European experiences »**

Workshop: Global economic crisis, innovative labour policies
and the role of labour administration

Prague, 2 March 2010

Structure of Presentation

1. **Work-sharing in the crisis**
2. **Development of GDP and unemployment in different OECD countries**
3. **Use of work-sharing in the crisis in Europe**
4. **Use of working time reductions in France and Germany**
5. **The new agreement in the German manufacturing industry 2010**
6. **Conclusions**

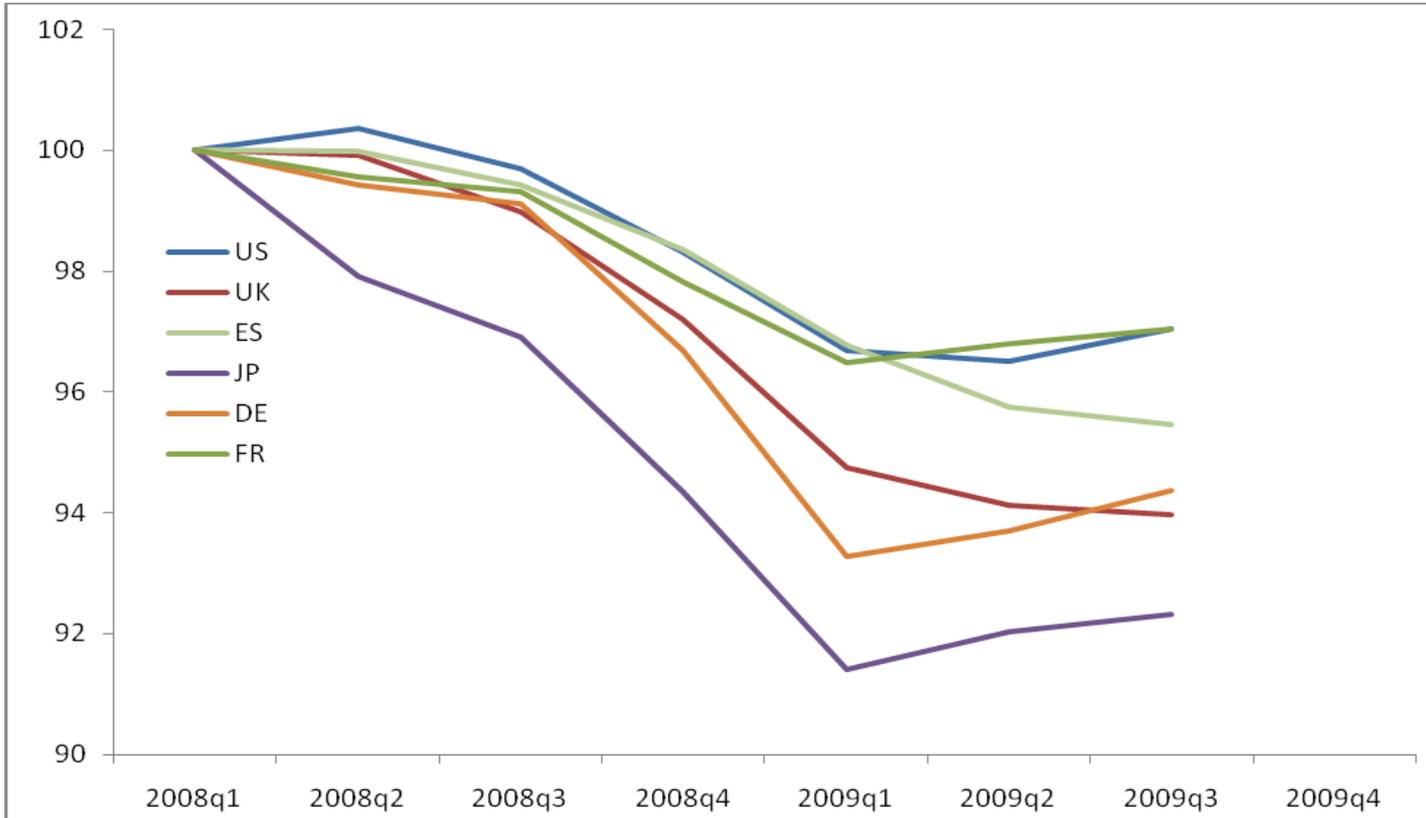
1.1 Work-sharing in the crisis

- **Temporary work-sharing – reversible**
- **Main goal: retain workers**
- **Different forms of work-sharing**
 - Subsidized – unsubsidized
 - With or without wage compensation
 - Short-term – long-term
 - Negotiated – non negotiated
 - Voluntary – involuntary
 - Reduction of standard working hours vs reduction of overtime hours
- **Different goals: Avoid - reduce or postpone dismissals**

1.2 Work-sharing in the crisis

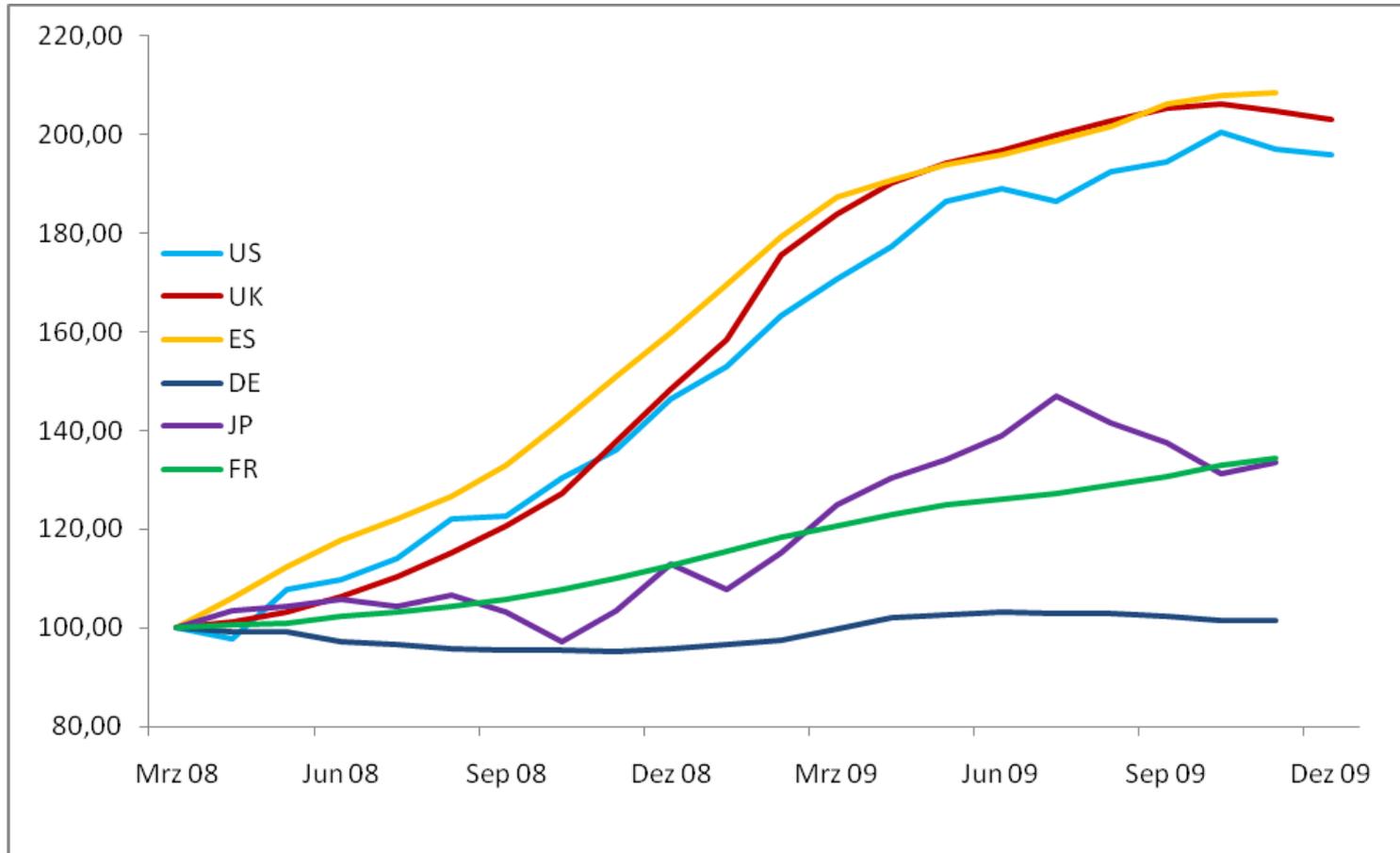
- **Different reactions of companies to declines in orders**
 - reduce (1) number of employees, (2) of hours of employees, (3) of hourly productivity
- **Is work-sharing = labour hoarding?**
 - Labour hoarding = the ‘retention by a business of more workers than are required to produce the present level of output’ Oxford Dict. of Economics)
- **Working-time reductions in crisis may be a form of “underemployment” if volume of work adjusted to the lower level of output**

2.1 Evolution gross domestic product in constant prices 2008 – 2009



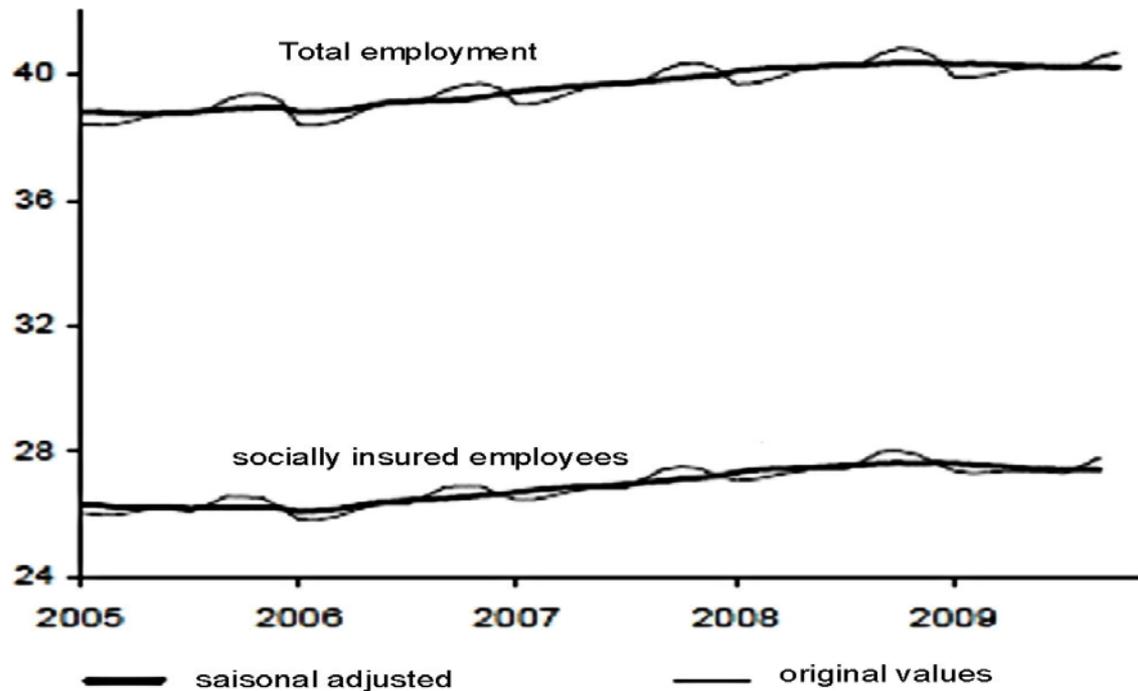
Source: Reuters-EcoWin; OECD; GDP Data national Statistical Offices; Calculation of IMK Düsseldorf

2.2 Harmonized unemployment 2008 – 2009 (2008 March = 100)



Source: Reuters-EcoWin; OECD; GDP Data national Statistical Offices; Calculations of IMK Düsseldorf

2.3 Total employment and socially insured employees in Germany



Source: Bundesagentur für Arbeit (2009), der Arbeits- und Ausbildungsmarkt in Deutschland, October 2009

3.1 Use of work-sharing in Europe: The State

Short-time/chomage partiel

- Adaption of existing programmes: DE, FR, BE, NE, AT, SU, IT, LU, FI
 - Longer duration, inclusion of new groups, easier access, higher subsidies
- New: BG, HU, PL, RO, SL
 - Shorter duration, higher replacement rates

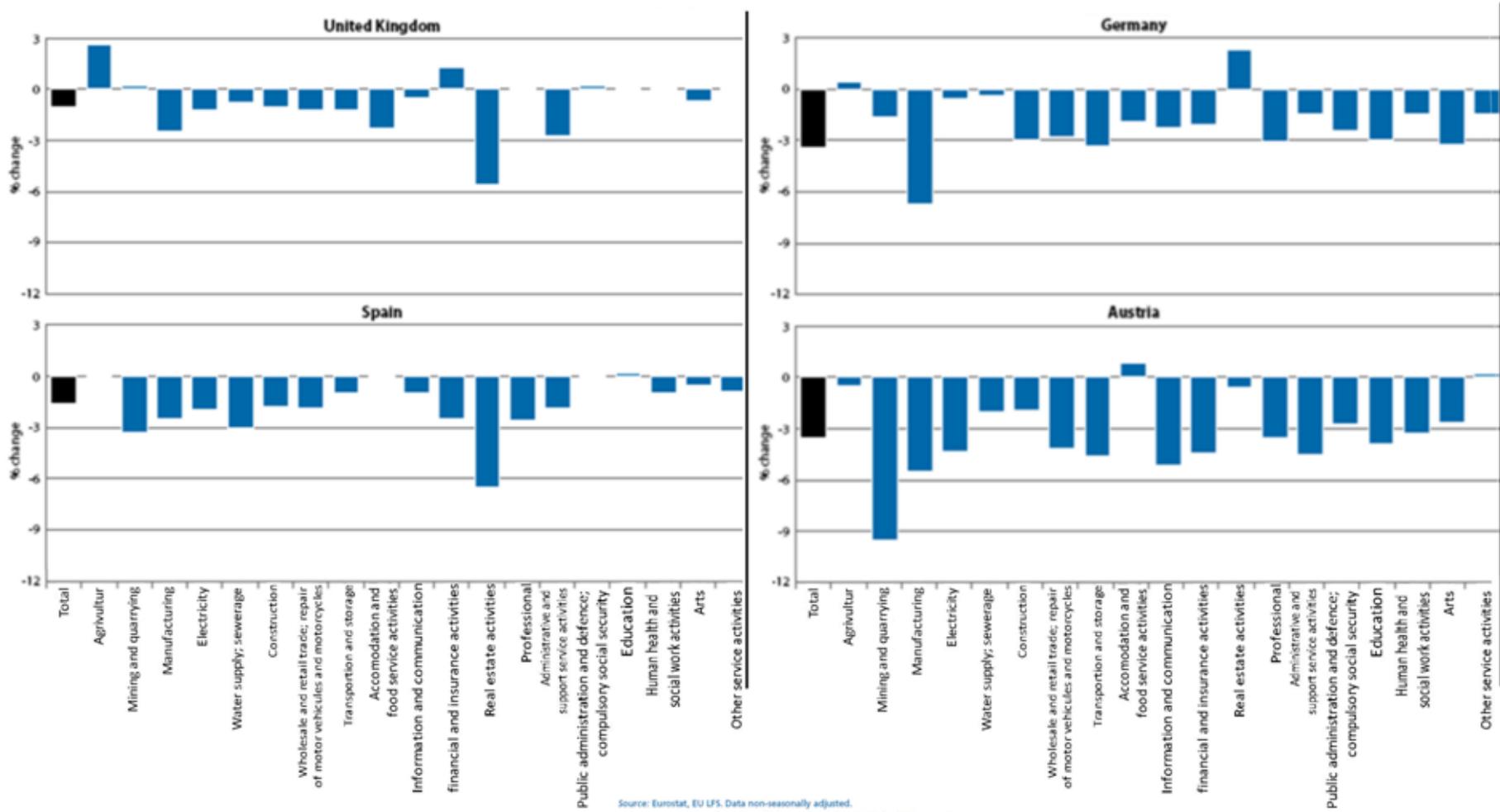
Active labour market policy:

- DK, SW, NO

Reliance on the Market

- UK, IRE, ES, CZ ...

Relative change in working hours by sector (2008 02-2009 02)



Source: Eurostat, EU LFS. Data non-seasonally adjusted.
 Note: Average number of actual weekly hours of work in main job for full-time employees.

3.2 Work-sharing in the economic crisis: Firms and social partners

Firms

- Across Europe examples of work-sharing in companies – unpaid and subsidized by companies
- Mainly big companies with highly skilled workforce
- But also use of flexible wt-systems

Social Partners

- Agreements on paid and unpaid temporary work-sharing
- DE Top up of short-time subsidies
- SW Engineering industry: Temporary unpaid WT-Reductions

3.3 Collective agreements on possible temporary working-time reduction in different industries DE

Industry	Standard working time	Working-time reductions
	In hours	To ... hours
Banking	39	31
Printing industry	35	30
Iron and steel industry	35	28
Wood and plastics Westphalia/Saxony	35/38	32/30
Motor trade and repairs Lower Saxony	36	30
Metalworking industry Baden-Württemberg/Saxony	35/38	30/33 2010 26
Local government East	40	80-75% of standard working time
Paper processing	35/37	30/32
Travel agencies	38.5	30
Textile cleaning services	38.5/40	33.5/35
Insurance	38	30
		by.... per cent
Clothing West	37	6.75
Textile industry Westphalia/East	37/40	6.75
		possible
German old-age insurance	39	x
Energy NRW (GWE)/Used(AVEU)	38	x
Confectionery industry West/Used	38/39	x
Transport industry NRW	39	x

Source: WSI-Tarifarchiv as at April 2009

3.4 Collectively agreed working-time corridors in different German industries

Industry	Standard working time in hours	Working-time corridor in hours
Chemical industry West	37.5	35 - 40
Refractory industry West	38	36 - 40*
Rubber West/East	37.5/39	35 - 40/36 - 40
Papermaking West/East	38	35 - 40
Non-metallic mineral processing industry Bavaria	38	34 - 42
Volkswagen - production		25 - 33
- support services		26 - 34
Housing sector	37	34.5 – 39.5
Cement industry North-west Germany	38	35 - 40
Brick making industry West (excl. Bavaria)/East	38/40	35 - 40

*Two additional hours in each case in order to safeguard jobs.

Source: WSI-Tarifarchiv as at April 2009

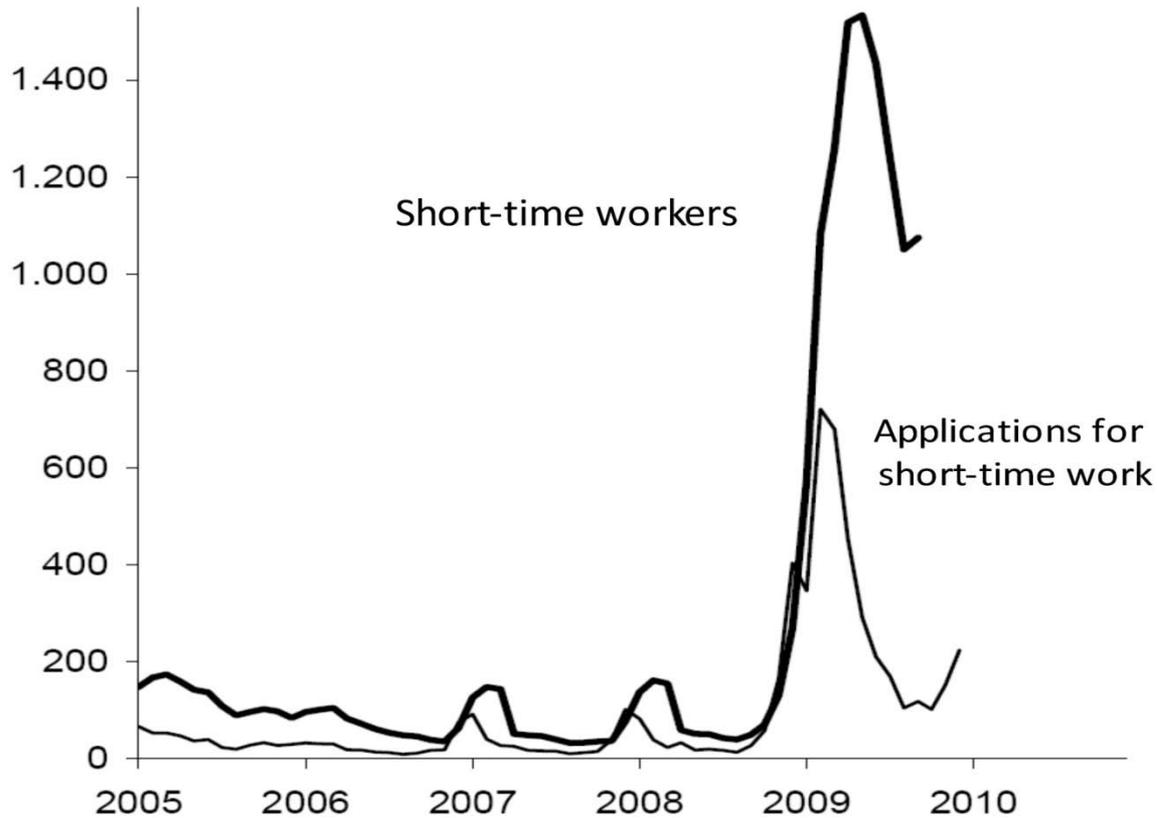
3.5 Conditions supporting work-sharing in the crisis with high impact on LM

- **High employment protection – supports internal flexibility**
- **High share of skilled workers**
- **Flexible working hours with time accounts**
- **Strong social partners – negotiating industry wide agreements**
- **Support through public short-time schemes**

4.1 Use of work-sharing France and Germany

- **Both countries improved conditions for short-time/chomage partiel**
- **DE (since 1924): 2008/9**
 - Prolongation to 24 months (since 2010 18 months)
 - Cost-reduction: no social contributions after 6 months
 - Easier take up
- **FR (since 1968): 2008/9**
 - Prolongation from 600 to 800 hrs (some industries 1000hrs) per year
 - Maximum 6 instead of 4 consecutive weeks
 - Minimum compensation increased from 4,42€ to 6.84 € per hour

4.2 Short-time workers in Germany in 1000s 2005 – 2010



source: BA 2010:1

4.3 Components of GDP Development 2000 – 2010 - yearly averages -



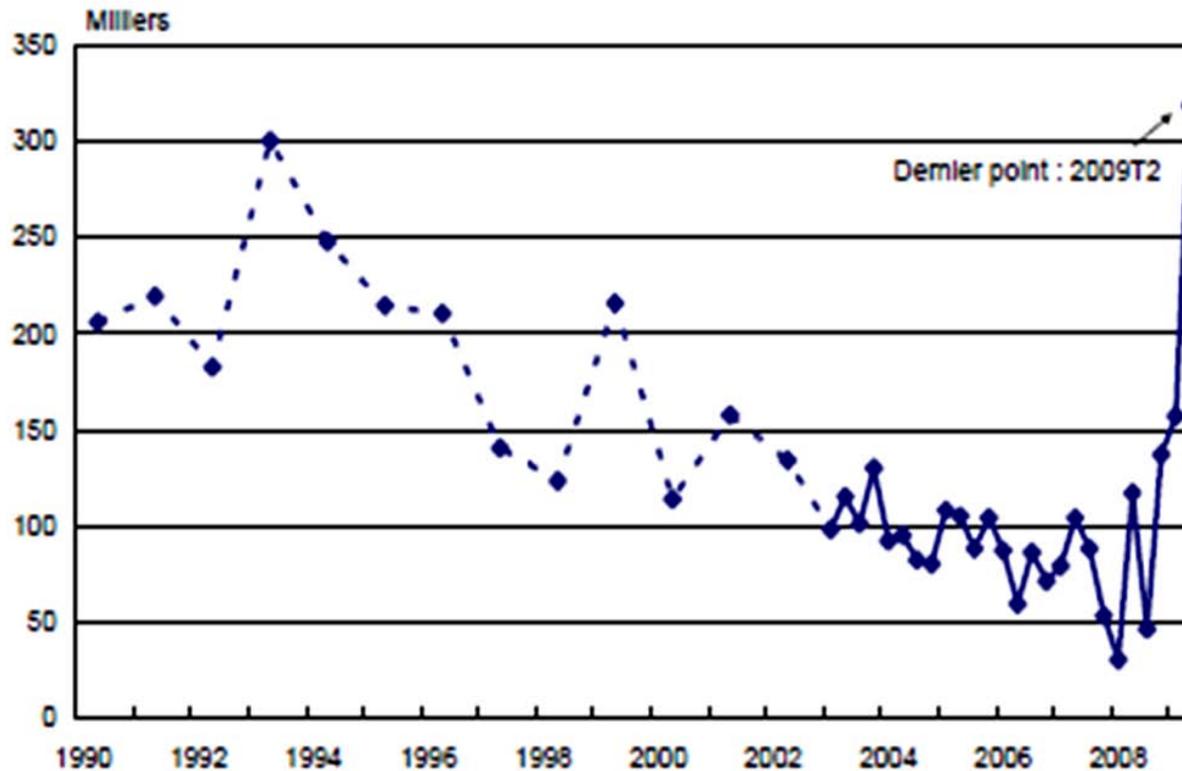
Source: Destatis, BA, calculation of IAB

4.4 Work-Sharing in Germany

2009:

- Reduction of working time
 - 3 % for total employment
 - 3,5 % for employees
- these 3,5% or 50 hours per employee correspond to 1,25 Mil. Employees (present mix FT/PT)
 - 25% short-time
 - 20% reduction of overtime
 - 40% temporary reductions of weekly working hours
 - 20% use of credit hours from working time accounts (5% increase/ reduction of absenteeism)

4.5 Number of persons in short time France 1990-2008



Source: INSEE; taken from Liégy 2009: 3

4.6 Why there is higher internal flexibility in Germany than in France (I)

Possible Explanations

- traditional use of short-time work as a mean of retention (D) not preparation of dismissal (F)
- More working time flexibilisation in German companies
- Higher volumes of credit hours and overtime before crisis in DE because of export boom
- Different business models
 - Business model based on skilled workers (D)/ high investments in vocational training/ low investments in F
 - More specialization in diversified quality production in D than in F

4.7 Why there is higher internal flexibility in Germany than in France (II)

Possible Explanations

- Higher internal pressure from unions/works councillors strong rights of codetermination in D/ less rights in F
- German state uses short-time work as instrument of industrial policy/ France direct support of national champions
- Federal elections in Germany/elections in North-Rhine-Westphalia 2010: cannot be won with neoliberal programm

5 New agreement on job security in the German engineering industry 2010

- after 12 months short-time → transition in a cheaper short-time scheme: min. 6 months
 - yearly bonus (10,6% of yearly income) divided by 12 and added to monthly income – increase of monthly wage = increase of short-time allowance
 - agreement with works council
 - no dismissals
- after 6 months in new short-time – transition into temporary working-time reduction down to 26 hours per week
 - agreement with works council
 - no dismissals
 - partial wage compensation for hours (26-200% - 31-50%)

6.1 Conclusions

- **Pros of work-sharing in the crisis**
 - Immediate impact on the labour market and on costs for companies
 - Bridging until fiscal packages take effects
 - Fine-tuning – targeting companies in trouble
 - Avoid dismissal and re-recruiting costs
 - Avoid skill shortages
 - Avoid scar effects of unemployment
 - Create elbowroom for recruiting young workers
 - Improve social cohesion by distributing costs more evenly
- **Cons of work-sharing**
 - Obstacle to necessary structural change
 - High costs

6.2 Conclusions

- **Pros prevail by far, since there are no bottlenecks in the labour market for growing companies**
- **OECD:**
 - Limitations of „work-first“ approach in the crisis“
 - Expansion of „train-first“ approach
- **Also advantages in a „retain-first“ approach**
- **The best a mixture of „train-first“ and retain-first“ approach – since not much training during short-time**