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« 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
  - Subsized – 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
- Adaptation 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

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

Source: WSI-Tarifarchiv as at April 2009
### Collectively agreed working-time corridors in different German industries

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

*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