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WORK-SHARING

Meeting of the Standing Committee on Employment

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COMMISSION STAFF PAPER

## WORK-SHARING

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## WORK-SHARING

### Introduction

The analysis on work-sharing carried out by the Standing Committee on Employment forms part of the overall plan outlined by the Tripartite Conference of June 1977. In order to tackle the prolonged underemployment, which marks the current economic and social situation, it was decided, at the end of the Conference, to undertake a series of measures geared towards the following objectives :

- re-establishing the basic economic system to restore growth with stability whilst making it more favourable to employment. To this end, an examination has been made on problems connected with the international environment, the relationships between investment and employment, and opportunities for job creation in the tertiary sector (private and public);
- promoting special measures on employment, particularly for young people, and for stimulating the development of active labour market policies (cf. Communication to the Council - October 1977);
- examining the possibilities for a better sharing of work amongst all persons seeking employment

This present document is the Commission's contribution to the meeting which the Standing Committee on Employment will devote to work-sharing in March 1978. It is based on the studies and consultations which the Commission has carried out. Annexed to it is an analytical working document that was used for these consultations.

The other Tripartite topics will be dealt with during the first half of the year, either by the Standing Committee on Employment or the Economic Policy Committee. All these topics are interrelated. The general economic context which influences all these issues, will be dealt with more fully in the other preparatory documents referred to in the first indent above.

## 1. Economic and social background

The economic recession which faces the Community has brought a considerable weakening in the demand for labour. The average annual rate of economic growth between 1974 and 1977 was less than 2 %, whereas it had been over 4 % in the period 1970-1973. The number of unemployed persons has been around 5-6 percent for the last two years. Even with a recovery of growth, the shortage of jobs is expected to last for several years.

Demographic change is one important factor in explaining the present difficulties. The number of people of working age is increasing by about 1 million each year. The number of young people entering the labour market has increased in all countries compared with the 1960's; also, in some countries, the number of elderly persons retiring has dropped considerably. It should be noted, however, that these trends will be reversed from around 1985 onwards. At the same time, the number of women on the labour market has increased steadily.

Thus, the working population is bound to increase for seven or eight years. This raises new and difficult problems for the Community and the Member States. It is to be expected that measures to deal with this will include those designed to re-distribute work.

A period of reduced growth does not mean that we should no longer seek improvements in social policy. However, such improvements will mean greater solidarity between the two sides of industry and the Governments; it will also require that each side brings its contribution towards solving the difficulties that face us.

## 2. Forms and methods of work-sharing

The aim of work-sharing is to redistribute the total volume of work in the economy in order to increase employment opportunities for all those wishing to work. (\*)

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(\*) This does not mean that the volume of work needs remain constant. Rather, it is based on the observation that this volume is at present inadequate, and that we must try to redistribute it.

Such measures must respect the right to a possibility of employment for all persons resident in the Community. They must also take account of the need for social progress and a better quality of life, and avoid penalising the least privileged.

Work-sharing thus defined, may be achieved in one or other of the following ways :

- a reduction of the actual working week (either by reducing the number of hours worked per day or by reducing the number of days worked per week);
- a restriction of overtime and shift working;
- increased annual holidays;
- the lowering of retirement age;
- an increase in part-time work;
- a longer period of education and training;
- facilities for a temporary interruption of careers for personal reasons (e.g. bringing up children) or educational reasons.

Most of these measures are in line with long-run trends. However, the policy envisaged implies two differences :

- firstly -and contrary to previous experience- the reductions would be deliberate, designed to open up job prospects for persons wishing to work but currently unemployed. The main objective would be to redistribute or share the available work;
- at the same time, there would be an acceleration of past trends. Reductions in working time would no longer be so closely linked to the process of economic growth. We could then seek to strike a better balance between growth in incomes, and more leisure, and improved working conditions; work-sharing would become, in a way, an autonomous instrument to be used

at these times when economic policies are not, by themselves, able to maintain full employment. Hence, the employment creating aim is also matched by a wish to tackle the lack of improvement, and even decline, in working conditions of some groups of workers.

### 3. General comments

In the light of the analyses set out in its working paper, the Commission feels that the following comments should be made :

- a) work-sharing is not a panacea. It cannot take the place of economic policy, nor absolve those responsible for economic policy from taking account of its consequences for employment;
- b) work-sharing cannot be approached from a purely quantitative point of view. In general, a given reduction in working time will result in a less than proportional growth in new jobs, because of labour market inflexibility, and because of differing attitudes of employers and workers;
- c) this being so, work-sharing may help stabilize employment if a number of conditions are met. In particular, this means :
  - taking account of costs and the fairness with which they are shared;
  - being aware of the risk of undesirable side effects (for example, clandestine work) and its prevention;
  - developing supporting measures to help bring about changes at the level of the company (training, organization of work) or of the economy (social security provisions, for example);
  - the diversification of different work-sharing measures according to the positions in each country, and each sector or for the different categories of persons concerned;

- d) each method considered involves some cost for companies or the economy. Such costs should not be seen in isolation but compared with the high costs of unemployment, both in social terms and as regards public spending. Work-sharing implies that these must be a fair distribution of the costs between the various parties concerned and within society as a whole;
- e) a work-sharing policy should allow for the use of all appropriate methods, but varied according to the particular circumstances. Methods should be selected on the basis of social policy priorities and should take account of the needs of those concerned. For example, persons pursuing difficult or dangerous jobs should get priority for a reduction in the number of hours worked per year since social benefits cannot compensate for lasting handicaps incurred in the occupation. Similarly, a policy of lowering the retirement age should take account of the social needs of retired workers;
- f) in examining particular work-sharing measures, the parties concerned should bear in mind the question of reversibility, and the possibility for coping with it in the employment situation. This is particularly important in view of the changes in working population trends which are expected around 1985;
- g) lastly, a work-sharing policy should take account of the constraints imposed by international competition on companies and on the public finances. Questions of costs - if they are not to produce too general a conclusion - must, nevertheless, be taken into account case by case.

In conclusion, work-sharing offers certain real possibilities, but it also involves risks. While it may be necessary with present economic and demographic developments, it requires a prudent and diversified approach which distinguishes between short and medium-term actions, and which can take account of the need for reversibility, where appropriate. Moreover, such an approach must not penalize companies or sectors which are already weak, or penalize less favoured groups of workers. This implies a solidarity between the two sides of industry and the acceptance of a balanced sharing of costs and benefits.

Under these conditions, work-sharing is a second-best solution in an overall plan to absorb unemployment. But the longer the delay in creating opportunities for action for the promotion of employment in other areas, the greater the pressures will be for this type of action in some Member States.

#### 4. Community action : justification and possibilities

There are three main ways in which the Community is concerned.

Firstly, any work-sharing measure involves a cost and consequently affects the competitiveness of the sector in the country concerned. The objections raised at national level may, therefore, be overcome, if there is collaboration at Community and higher levels. Competition from outside the Community amplifies the problem, but this fact can only increase the need for such collaboration.

Furthermore, measures to reduce working time, taken at national level and without reference to the Community context, could increase differences in cost trends between the Member States and inhibit the objective of greater economic convergence; despite apparent initial positive results for employment, this would also ultimately increase unemployment.

Compatibility between the measures taken by each Member State may become indispensable from the point of view of competition policy.

The fact that the question is important for the Community is not sufficient to permit us to identify clearly those measures which the Community should advocate or impose. Any guidelines drawn up should take account both of the diversity of individual situations and particular choices regarding the type of measure to take.



For this reason, the Commission suggests that the two sides of industry and the Governments examine together, at national and Community level, the possibility of implementing a work-sharing policy as part of an overall strategy for the return to full employment. Here the Commission would like to point out that the cost of work-sharing should be compared with present unemployment costs, from the point of view of both public finance and the social consequences.

The parties concerned are asked to bear their share of the costs of work-sharing in order to limit the risks of such a policy.

The Commission does not want to usurp the role of the Member States by drawing up a definitive ranking of the various methods of work-sharing. Such a classification should take into account several questions :

- what real possibilities of additional jobs are created by work-sharing ?
- what are the resulting costs and benefits for companies and for the economy in general ?
- what are the benefits, and the costs, of each type of measure for the people directly affected ?
- what are the resulting advantages and drawbacks for social policy aims in general ?

Available economic studies cannot take into account all these factors, and, in more than one case, the diversity of situations and preferences would lead to different classifications, according to the cases involved.

Nevertheless, following the analyses and consultations that have been started, the Commission feels that there are three sorts of possibilities that should be explored by the Committee :

- A - firstly, a Community framework and initiative must be developed in order to establish the conditions that would encourage Member States to work for a reduction in the annual volume of work per person, respecting the overall Community rules, yet allowing sufficient flexibility in their application;
- B - secondly, certain possibilities exist already for action at Community level, in respect of certain measures, namely restriction of overtime working, reduction of shift work, and extension of training for young people;
- C - thirdly, certain complex issues have come to light during these analyses; in particular there are the questions of : the flexibility of retirement age, the role of temporary employment agencies, and the question of part-time work. They all need more thorough study.

The measures that could be taken in these three areas should, however, take account of the general economic situation, in terms both of the constraint it imposes at present and in terms of the aims and prospects of the Community.

These measures should, in particular, take account of the wider problems as outlined by the Tripartite Conference in Luxemburg, the intended convergence of economic developments in Member States, and the progress that has to be made towards economic and monetary union.

A Community initiative for a reduction in the annual volume of work performed by each worker

In general terms, the annual volume of work for each worker is determined by the statutory, or agreed, length of the working day or week, by paid holidays and by overtime hours.

As far as the length of the working week and annual holidays is concerned, the situation is complex. It differs enormously from one country to another

and from one sector to another. There are, however, real possibilities of arriving at a better sharing of work, if the question is looked at from a broad Community viewpoint. Concerns for competition and for the consistency of Community policies justifies a Community involvement in the question.

The Commission is convinced that, in the medium-term, the annual duration of work will be reduced although without, necessarily, the same rate of reduction in all Member States. The Council Recommendation in 1976 for a 40-hour week and four weeks paid holidays was the first step in this direction. We should study what further progress is possible on the basis of a review of the follow-up to this Recommendation in each Member State.

The Commission will also encourage negotiation on this subject between the two sides of industry. Moreover, such an action should be the opportunity for harmonization aimed at reducing the differences that exist between sectors in terms of working conditions.

**B - Areas where a specific Community action will be explored**

**1) Restriction on overtime working**

This type of measure clearly goes in the right direction and is generally welcomed by the two sides of industry. However, it would need supporting measures, and there is a risk of the least favoured workers being penalised. It would also need to be flexible, in order to avoid creating more rigidity in the labour market.

The Commission will examine the possibility of an instrument designed to discourage or limit recourse to overtime, for example by introducing paid compensatory time-off, to be taken during the whole year. In order to be effective, however, such an instrument would need to be supported by measures to deal with those factors which lead employers to prefer overtime working to new recruitment : social security provisions, shortage of personnel with particular qualifications, staff management methods.

## 2) Restrictions on shift working

This sort of measure would also seem to be in line with social policy, and has met with a favourable response. Its contribution to the problem of the absorption of labour depends, however, on the manner in which it is applied.

The Commission proposes to present the Council with a first specific proposal on the regulation of night work. This proposal will be accompanied by a memorandum analysing the problems of shift work in general, and proposing certain guidelines for reform. Special attention will have to be paid to the impact of such measures on the labour market.

## 3) Extension of the right to training

General lengthening of compulsory schooling does not seem desirable in present circumstances. On the other hand, the extension of access to training seems to be a clearly positive measure, provided that the types of training given correspond to the real needs of the economy and the persons involved. It is desirable in the case of young school-leavers who have no other training. It would also be desirable for adults, but would come up against some difficulties, notably as regards return to work.

As a follow-up to its Communication to the Council on Youth Unemployment, the Commission is at present looking at the possibility of establishing an instrument aiming at the development of training for young people during the transition period between school and working life. Such an instrument, designed essentially to increase the amount of training given to young people, should also contribute to a better sharing of work.

Likewise, the Commission believes it would now be appropriate to press for the development of study leave and continuous training in the Member States, and is ready to set this in motion.

**C**     Areas where further study is needed

1) Influence of social security on work-sharing

Social security systems may inhibit the development of work-sharing policies in certain circumstances.

In particular, the methods used for calculating social contributions could lead to a preference for overtime working rather than engaging new workers.

As regards a possible change in the retirement age or the introduction of more flexible retirement schemes, thought must be given not only to the question of costs - important as they may be - but also to the complex implications that such measures could have for the social security system.

It would therefore be as well to examine all the obstacles to work-sharing which arise from the social security systems, and to look at the effects of changes already tried in certain Member States.

2) Temporary work

In certain cases, temporary employment agencies may affect work-sharing objectives. The role of such agencies in the distribution of work should therefore be studied in depth. At the same time, thought should be given as to the extent to which control of their activities should be re-inforced at Community level.

3) Part-time work

A real demand for part-time work exists among various groups of workers. This is illustrated by the significant increase in the number of part-time jobs in the period before the crisis. On the other hand, an increase in the number of these jobs should not be a disguised means of increasing short-time working. It is necessary to look at the ways in which this demand can be met, without it leading to a weakening of social protection, or to a further segmentation of the labour market.

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#### 4) Work-sharing and equal treatment for men and women

The specific problems arising from the increasing participation of women on the labour market should be looked at with particular care, in order to ensure that work-sharing does not result in a further accentuation of the discrimination against them.

#### 5. Conclusions

In present circumstances, a reduction in working time, by the various means, would be both an instrument of social progress and an element in a strategy of full-employment.

In addition to its contribution in solving current employment problems, work-sharing could also aid progress towards newer patterns of work, to which workers in the Community aspire.

While the Commission is aware of the costs, risks and limits of such measures, it asks the Committee to consider these in relation to the much more serious costs and risks inherent in the present unemployment - not only for the young and for other groups affected directly by the crisis, but also, in the long term, for the dynamism of the European economy.

The Commission is convinced that these problems can be overcome if all the parties concerned bear their share of the burdens and responsibilities in the application of these measures. During preliminary contacts, the Commission has found a willingness on the part of the two sides of industry to carry out their respective roles. With this in mind, the Commission proposes that the discussion in the Committee takes account of the following possibilities :

- a Community initiative to reduce the annual volume of work performed by each worker;
- the implementation of specific Community measures in respect of :
  - . overtime working
  - . shift work
  - . the right to training

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- a fuller study of questions concerning :

- . social security
- . retirement age
- . temporary employment agencies
- . part-time work
- . equal treatment

The Commission invites the Committee to examine the above issues, taking account of :

- . the need to maintain the competitiveness of the European economy;
- . the costs and benefits of the different measures considered.

It must be remembered, finally, that work-sharing is only a partial response to the present problems. It has to be seen in the overall Tripartite Conference strategy for a return to full employment, and for the discovery of a form of economic development capable of sustaining social progress in the future.

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Encl.: analytical document SEC(78) 740/2