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WORK SHARING - OBJECTIVES AND EFFECTS

(Commission staff paper)

Direction générale de l'emploi
et des affaires sociales.

ANNEX I

Annex to the Document

WORK-SHARING

This analysis has been used in preparatory consultations.

Covering Note

At the June 1977 Tripartite Conference, it was agreed to develop Work-sharing as one of the four priority themes. The issue is of particular concern to the Social Partners and the Commission, and is on the agenda for the next Standing Employment Committee, planned for the first quarter of 1978.

The attached report is offered as a basis for a first discussion between the Social Partners and the Services of the Commission, in order to prepare the document for the Standing Committee. The report explores the different aspects of the question as formulated by the President of the Conference, Mr. Healey, "What are the cost effectiveness and implications for industrial performance of different means of work-sharing?"

In order to ensure a full and frank discussion, the Commission has refrained from stating its own position in this working document. This will be developed later when we have heard the views of the participants to the preparatory discussion. The Commission is considering adding a chapter in which will be developed the policy problems, the social developments, and the consequences of a policy of "work-sharing", relative to the role and the significance of work and of working life in Society.

Since earlier discussions, the employment situation has not improved and the prospects are somewhat worse. The measures to envisage in terms of work-sharing cannot be considered in isolation from possible actions in the other areas identified at the Tripartite Conference. Nevertheless, the gravity of the situation leads us to search for the most appropriate actions at national level, and to identify those areas where a Community action would be most appropriate. This is the purpose of the consultative discussions, and of the document which will be established on the basis of such discussions for the next session of the Standing Employment Committee.

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INTRODUCTION

The paper attempts, firstly, to evaluate work-sharing as an strategy in the struggle to reduce current unemployment, and to promote better longer-term employment policies in the Community.

In the light of this strategy, the problems and possible consequences of the introduction of the different work-sharing measures are considered.

The paper has three preliminary chapters :

- . The Background, setting out the reasons why the work sharing option need to be considered.
- . The possible forms of work-sharing, exploring the character and aims of different possibilities.
- . The current working-time patterns in terms of the level and distribution of hours and weeks worked in the year, identifying differences between Member States and sectors.

In terms of Strategy, chapter 4, the paper looks first at the different objections to work-sharing in order to evaluate them. From this are distilled certain Principles for action, chapter 5, covering both actions to be encouraged and actions to be avoided in the development of work-sharing measures. Assessments of specific measures, chapter 6, are carried out in the light of these principles.

THE BACKGROUND

At the Tripartite Conference in June 1977, all those taking part agreed that overall progress in the areas of growth and employment was disappointing. Since then the prospects have, if anything, deteriorated. Unemployment figures as a whole are tending to increase: in September 1977 for the first time there were more than 6 million registered unemployed in the Community; in certain groups and regions the labour market situation is deteriorating particularly rapidly. Both the provisional economic budget for 1978 and the medium-term prospects until 1980 (*) give grounds to fear that, without additional economic measures, the employment problem cannot be satisfactorily solved.

Important causes are :

- large public expenditure deficits combined with high rates of inflation and marked weaknesses in the balance of payments prevent a general change to an expansionist economic policy;
- demographic trends indicate a medium-term increase in the available manpower in all Member States. Over the next five years the number of people of working age (16 to 64) will gradually increase - from around 161 million in 1977 to around 168 million in 1982. (**) Labour market participation cannot be expected to offset this trend without intervention;
- migrant employment is stabilising. Immigrants no longer return home in large numbers but are becoming permanent residents. Members of their families are also entering the labour market.

(*) Prospects for 1980, Report by the Study Group on Medium-Term Economic Assessments, II/236/3/77.

(**) According to hitherto unpublished calculations by an Expert Group of the Commission.

All these points make a medium-term labour surplus more likely. The traditional labour market policy of job-creation and the smooth balancing of supply and demand provides some relief, but meets with financial and practical limitations.

In the search for alternatives, the Commission is pursuing various courses - its follow-up work to the Tripartite Conference is typical of this. As a general principle it prefers policies aimed at increasing employment. On the other hand, it does not consider the deliberate curbing of technical progress to be a suitable solution, as this weakens our long-term competitive position.

Such is the background to the discussion on work-sharing as a means of improving the distribution of available work among those seeking employment. It is not an easy strategy for solving the problem and calls for supplety. The long-lasting and grave employment crisis has made it more relevant. Admittedly, many questions surround its practical application and its effectiveness is hard to assess because of limited experience. As a way of reducing unemployment, work-sharing represents a second best solution. Only if measures to increase employment are unsuccessful should work-sharing be used for this purpose. However, related social policy objectives, such as better working conditions or greater freedom to choose between employment and free time, assume an independent and less controversial role. In the event of certain work-sharing measures being applied we should examine the extent to which the desire to reduce unemployment now coincides with long-term social and employment policy goals.

THE POSSIBLE FORMS OF WORK-SHARING

The general aim of work-sharing as understood here is simple to define: the volume of work available in the entire economy is to be organized in such a way that all those wishing to work can find at least partial employment. The volume of work, which remains an abstract, but not necessarily constant figure, is influenced by three basic factors: the activity rate, working hours and net migration.

This document is concerned only with the relationship between the variables "activity rate" and "working hours". Immigration has been controlled by the Member States for some time by means of a restrictive policy towards non-member countries. A change in this policy is not envisaged.

The overall aim should be achieved by means of measures which are designed to provide work for those so far unemployed, to avoid further dismissals and to improve unsatisfactory working conditions.

Work-sharing can be achieved either through some of those currently employed giving up their jobs to persons who up to then had no job, or through a new arrangement of working time by which the existing work may be shared among more workers. This work-sharing implies income-sharing between workers (wages) on the one side and job-seekers (unemployment benefit etc..) and the inactive (pensions etc..) on the other side.

The formulae under discussion are quite conventional: the long-familiar individual and collective options for a shorter working week, working year or working life. Only the objective is new - to ease the employment problems. Priority would be given to workers already in the labour market. Whether the self-employed and people who have not yet been employed can be covered by these is dealt with in pages 10-14.

In the present discussions, the following are emerging as the most important forms of work-sharing:

- 1) flexible, earlier or more suitable retirement age
- 2) longer period of education and training
- 3) temporary interruption of careers for personal reasons (e.g. bringing up children) or personal development (e.g. "permanent" education)
- 4) reduction in actual number of hours worked per day or per week
- 5) longer annual holidays (including training leave)
- 6) restricted overtime and special shifts
- 7) additional (flexible) part-time employment.

This list does not include short-time working. This is a tried and tested instrument for protecting employment in the Member States. In type it belongs to the defensive work-sharing measures, intended to prevent the slide of workers into unemployment in a short-term business recession, thus easing the labour market. The actual extent of short-time working in the Community cannot be clearly established because of differing national practice; in September 1977 a total of around 483.000 cases were registered, with a seasonal tendency to rise sharply. When the Belgian and German figures are converted, they form the equivalent of over 160 000 unemployed. The Commission supports the practice, proved sound in the Member States, of introducing short-time working in economic difficulties; it is fully aware of the financial difficulties connected with this measure over longer periods of time.

Completely new models for coordinating working time are not included in this list, e.g. proposals which have as yet barely advanced beyond the experimental stage, such as annual work-time contracts or the allocation of certain time quotas to individuals or to whole households. Their main object is greater flexibility in working life; their possible contribution to reducing unemployment, however, is less clear.

The seven types of measure selected can be grouped together in several ways, of which the most common is classification according to their approach to employment policy. A distinction is made according to whether the manpower pool is reduced (types 1 to 3) or the working hours of those in employment are cut down (types 4 to 7). In the first group, either the start of working life is delayed or retirement is brought forward, or working life is temporarily interrupted. At the same time, it is directed at particular problem groups on the labour market (especially young people, less qualified persons, elderly people, handicapped people and women), for whom ways of escaping from the unemployment trap will be opened up. The second group has a more indirect effect; by reducing the number of hours worked by individuals, the largest possible number of workers (hitherto unemployed) should be mobilized.

Another important criterion for the classification of these measures is their legal basis. Which are influenced by the State and which by wage agreements? As regards measure types 4 to 7, the State merely lays down the framework conditions which are developed and made specific by collective, company or individual agreements - unless the State itself steps in as employer.

Types 1 and 2 are largely within the legislative competence of the State alone, although both sides of industry are frequently able to exercise influence within the framework of autonomous bodies or other forms of participation. This higher competence of whether the individual views the particular measure as an opportunity or as an obligation placed upon him. Finally, type 3 can be allocated to either group according to how it is applied.

This classification, often overlooked in public discussion, is of decisive significance for the practical implementation and financing of proposals for work-sharing. It will also have to be taken into consideration in our own recommendations.

THE CURRENT WORKING TIME PATTERNS

The significance of the time factor in the working life of each individual is constantly changing. In society as a whole, several characteristic changes can be detected. Time-budget analyses give the time spent at work by one employed person as 12 to 15 % of his life-span on average; a century ago the percentage was more than twice this figure. Gradually, operating hours have become more and more distinct from working hours; the balance between working time and free time has been improved.

In a similar way, the emphasis has shifted as regards working hours. Until recently, priority was given not to quantitative reductions, but to worthwhile interruptions and qualitative restructuring. Working hours were not only a parameter for calculating wages, but had to be adapted to the requirements of a human working environment. Characteristic of this approach were more flexible working hours and greater opportunity to choose between work, training and leisure.

If working hours now change with the policy emphasis shifting to aspects of employment, then these recent developments should be borne in mind. Work-sharing does not simply mean a quantitative reduction of working hours, but rather a restructuring of working hours, consisting of a number of elements ("reduction", "sharing", "flexibility", "breaks" and so on).

Data illustrating recent developments and the present situation are set out in the tables in the Annex. These data are not complete, because either recent information or information for some Member States was unavailable. Despite these severe limitations, the tables show the great variety of existing regulations and situations which will have to be taken into consideration in any future changes.

In the longer term, as working life has shortened, the working time per year has also fallen, by an average of 1 % a year within the Community, although not smoothly. Over this period the statutory normal working week hardly changed, but there has been a definite reduction in collective-agreement-based working hours and -on a higher level- the hours actually worked. This general trend is to be found in all Member States and all sectors. From the "harmonized" Community statistics for all manual workers in industry, mining and the construction industry, and the results of the Labour Force Sample Survey, it can be seen that in some Member States the 40-hour barrier has already been broken. Although overtime declined over this period, it has by no means disappeared, even in the years of recession. (Cf. Tables 2 to 6). An example of this trend, although in no way representative of the whole Community, can be found in Table 3, which gives the hours worked per week by French workers in companies employing more than 10 people. This table shows that in January 1977 about 3 % of all workers worked less than 40 hours, 37 % worked exactly 40 hours, 31 % up to 44 hours, 24 % up to 48 hours and 4 % 48 hours or more.

In some Member States (Belgium, Netherlands, Germany, United Kingdom) working hours increased again between 1975 and 1976, in others working hours fell. The longest hours were worked in the British mining industry and the French and British construction industries. In general, the smallest number of hours are worked in Belgium. (Cf. Table 4) Only the breakdown according to sectors and regions, of course, reveals the full spectrum of differences.

In Table 5, one or two "extreme values" are given; only a few values are shown for each Member State (Ireland and Denmark are not represented in the statistics).

Even in Belgium, extremely long hours are worked in some sectors (46.1 hours in the "extraction of non-energy minerals and peat-cutting"), the broadest spectrum can be observed in the United Kingdom (47.9 hours in cement production - 36.8 in the clothing industry), while in Italy and the Netherlands the hours worked in the various sectors are fairly similar.

The most recent variations in working hours should be looked at in connection with the trends in short-time working, as set out in Table 7. After the clear improvement in the situation last year, the number of those registering as short-time workers is once again showing a marked increase.

Table 8 is intended to draw attention once again to the volume of overtime. Relatively up-to-date information is given for Great Britain. It indicates that in March 1977 about 35 % of all workers in manufacturing industries did overtime. The proportions vary from 9 % in the clothing and footwear industry to 50 % in mechanical engineering. The average overtime worked per employee per week is 8.6 hours, ranging from 5.6 hours (clothing and footwear industry) to 10.9 hours (coal and petroleum-based products).

As Table 10 shows, the reduction of the working week has been accompanied by an extension of paid holiday. By 1976, in all Member States except Ireland and the United Kingdom, 4 weeks' holiday had become customary.

Tables 11 and 12 provide information on the distribution of part-time employment in the Member States and the most important sectors. The data from the 1975 Community sample survey of the labour force, whilst national figures can hardly be compared because of the different definitions used. On average, 9.3 million were employed on a part-time basis in the Community in Spring 1975. Of these, approximately 1.3 million were men and 8 million women. The distribution according to sector was as follows : 69 % in the tertiary sector, 22 % in industry and 9 % in agriculture - with considerable variations from country to country.

Tables 13 and 14 give only a rough indication of retirement and school-leaving ages. The normal retirement age ranges from 67 for men and women in Ireland to 55 for women in Italy. Understandably, the range covered by the minimum school-leaving age is, at 14 to 16, much narrower, although no comparable figures on the average duration of schooling and training are available.

WORK-SHARING AS A STRATEGY - EVALUATION OF POTENTIAL EFFECTS

Work-sharing, whilst possessing certain attractions, also runs into criticisms. Work-sharing, it is claimed, forces through social developments, some of which are desirable and some less so. The critics speak of a simple change from open to hidden unemployment and say that manipulation of working hours brings no change in the employment situation. These objections can be studied under seven headings:

- past experiences
- labour force adjustments
- side effects
- company reactions
- practical application
- cost effectiveness
- labour market rigidities

These criticisms are not directed against individual forms of work-sharing, but at the instrument as such. For that reason it seems sensible to examine the soundness of the arguments for and against in general terms, rather than in relation to particular types of measure. Aspects of particular problems can be discussed later in connection with the evaluation of individual work-sharing measures.

The effectiveness of a method is generally measured by its theoretically-calculated optimum. It would be a serious mistake, however, to try to assess the effect of work-sharing on employment by means of a simple mathematical calculation. Equally unhelpful are formulae which indicate, for example, that a one-hour reduction in the working week at a constant work-volume creates a need for 2.5 million extra workers in the Community. They neglect too many factors and are therefore unable from the outset to withstand either theoretical or practical examination.

Such calculations can only form a starting-point. They suggest that the effect on employment becomes greater and greater as individual or interlinked work-sharing measures increase in scope. It remains to be seen how realistic this approach actually is.

As we shall see later in this report, some actions in the work-sharing field could help to improve the employment situation, but they will require careful attention to detail if they are to succeed.

Past experience

Some people, looking to past experience (e.g. France 1936), contest the value of work-sharing in employment policy.

This first argument is certainly the weakest. It could just as well be turned on its head, but even then would not reach the heart of the matter. As long ago as the crisis-ridden Thirties, Germany also was familiar with controversy over whether working hours should be reduced to relieve unemployment. (*) Although the arguments are similar, they are based on completely different situations.

It is just as wrong to base one's argument on the experience gained in the Fifties and Sixties. At that time, there was a high level of employment; indeed, in some sectors there was an acute shortage of labour, in spite of drastic reductions in working hours (from 48 to 40 hours) and other incisive improvements in conditions of work (and working hours). At the same time, incomes and production were rising. In the enthusiasm for rationalization, individual interests often coincided with those of the economy as a whole, as the danger of unemployment was of secondary importance compared with the gains in income and leisure time.

Compared with those days, our present difficulties represent a reversal of the problem. Concern for jobs is now dominant, and it is now more difficult to achieve sizable increases in productivity, for several reasons: these include improved techniques for calculating the input of capital and labour (relatively high capital equipment and labour intensity, more refined working methods and organization), the reduced scope for action in the continuing economic crisis, and the change which has occurred in the attitudes of workers and their representatives. Furthermore, companies are cutting back their recruitment plans. Under-utilized capacity, higher costs and dubious economic prospects do not allow any generous gestures and lead to a cautious recruitment policy.

The alteration in the basic position, that is, the improvement in social welfare arrangements, also indicates a change in the situation since the Fifties and Sixties. The developments described previously are typified by the great variety and number of national and sectoral arrangements and the different forms that they take. There is no doubt that the effects on employment vary with the length of the working-week, the retirement age and so on and, in recent years, social progress has made rapid strides. Furthermore, previous changes in working hours were made gradually and with relatively little coordination between them. Work-sharing as a modern instrument of employment policy, on the other hand, would operate as a rather abrupt move, and as part of a more comprehensive strategy.

(*) See the essay by Alfred E. OTT on Reduction of Working Hours as a means of combatting unemployment. Institute for Economic Research, Tübingen, January 1977.

The latter difference also shows that the examples of the past have only limited application to present problems. The analysis of economic history should not be advanced as proof of some theory, but as a means to a better understanding of the correlation between problems. It is in this sense that the experiences of the years of full employment acquire their value.

Labour force adjustment

The common denominator for all work-sharing measures, i.e. the use of unemployed people to fill the potentially vacant jobs or hours, demands that the changeover should be as smooth as possible. If large discrepancies existed between the factors to be balanced, the desired effect on employment would be weakened. Losses in production or other problems might result.

Unquestionably, short-term imbalances would arise from any comprehensive ad hoc work-sharing measure. This is true of distribution according to jobs or qualifications, as well as of regional distribution. At a given time, the vacant jobs and their potential occupants do not exactly coincide. There is also the question, however, of whether such frictional losses could not be lessened by means of differentiated and well prepared procedure and of whether necessary changeover processes could not be assisted.

As a result of the long crisis, the unemployed are more diversified than in previous years. There is hardly a single group of people, sector or region which can escape the threat of unemployment. Moreover, regional and company employment markets are not rigid; even in a recession many people change jobs and many transfers occur within companies. Work-sharing measures would also benefit from these movements as labour requirements would be passed along a kind of relay and gradually adapted. If this was accompanied by an active labour market policy (retraining, aids to mobility, etc.), transfer movements could be accelerated.

On the other hand, particular qualifications may be scarce or tailored quite specifically to the needs of the company. Work-sharing measures might mean that those in critical occupations will consolidate their negotiating positions, for example on wages, and gain further advantages. This drawback seems of less significance than the additional opportunities which work-sharing opens up, not least for problem groups.

Of course, they can only be reintegrated gradually. It is to be expected, however, that the very strict recruitment selection processes existing today would be relaxed as a result of the suddenly increased need for extra labour and that work-sharing measures would give preference to such problem groups and take them directly off the labour market.

Side-effects

The benefits of work-sharing measures would be realised only if they resulted in an increase in the number of people employed. This would be the case if the new jobs were taken by the unemployed or those currently inactive, but would not be the case if work-sharing led only to an increase in "moonlighting" or improved productivity.

Thus, permanent staff might work more intensively and faster if working hours were shortened. Absenteeism could fall and so contribute to increased productivity; willingness to work overtime and special shifts for financial reasons might grow. The employed might wish to protect their rights and privileges against newcomers. Failure would be inevitable without solidarity at company level. Staff and workers' representatives can contribute, by responsible behaviour, to the success of work-sharing if, for instance, they actively support the adaptation of staffing plans to the changed working conditions (and changed working hours).

Entrants to the labour market from the inactive population, such as married women, students or those who have retired early, cannot be excluded and yet work-sharing measures (particularly an increase in part-time work) may make it more attractive to them again. However, we should not encourage this whilst unemployment is so high. Company recruitment policies could - as redundancy policy often does today - take more account of social factors and perhaps give preference to the unemployed.

The problem of illegal work (moonlighting, clandestine work) is already an immense burden on the employment situation in some Member States. Joint efforts will be necessary to tackle those factors which encourage illegal working and to ensure that work-sharing does not aggravate it.

Company reactions

The impact of work-sharing measures depends not only on the conduct of the workers but also on the reactions of the employers. The opportunities for cooperation are as numerous as those for evasion. A distinction must be made between short and medium-term reactions.

The stricter standards applied in personnel policy during the recession have already been mentioned in another context. The increased demands on applicants strengthen the normal barriers to access to certain careers or positions, such as age limits or a restriction to male applicants only. Consideration should be given to lowering these requirements to a reasonable level as part of the work-sharing measures - perhaps through financial incentives offered by employment authorities.

The effect of work-sharing measures could be strengthened by personnel planning within companies. Just as this flexible instrument is used in times of crisis to reduce the level of employment, so restructuring and regrouping should now facilitate the engagement of additional workers. Apart from these personnel policy decisions, the reaction of firms to the employment reserve created by work-sharing measures can vary considerably. Taking on new staff is just one possibility and not always the most probable one. Many companies, rightly or wrongly, are afraid of the additional obligations involved in the recruitment of new staff under social and labour legislation (e.g. co-management thresholds, disabled persons, stagiaires, etc...).

The employers' counter-reaction - not recruiting sufficient new staff to fill the places made available - is in no way based on ill-will, but rather on justifiable economic considerations. This reaction will, therefore, take different forms according to the work-sharing measure concerned. It is largely but not exclusively orientated towards the prospective cost burden for the company. As will be shown in detail below, companies expect to suffer particularly marked disadvantages as a result of the reductions in working hours in the narrower sense (shorter working week, longer holidays). Most investigations, therefore, concentrate on the problems surrounding these measures.

Without a reaction on the part of the employers, the jobs which become vacant and the working hours which are not worked would lead to a reduction in production and services. This may fit neatly into the employers' plans where sales expectations are unfavourable or there is a general shortage of work

(when, for example, a company has announced short-time working), but the effect on employment would be practically nil. Reactions of this kind cannot be ruled out in sectors going through serious recession (coal-mining, steel, etc..). In the service industries this could also lead to a reduction in business and opening hours. If the potential fall in production is to be counter-balanced, companies have at their disposal a wide range of possible decisions, differentiated according to short and medium-term measures. The most important of these would be:

. The transfer of production to locations which are more suitable from the point of view of competition. Of course, a step of this kind is not made overnight, but the work-sharing measures may constitute the final incentive. If work-sharing measures were applied on a broad international basis, this sort of evasion would be made still harder.

. Secondly, increased productivity. This can be brought about by a more intensive rate of work or by the kind of measures which are frequently lumped together under the heading of "rationalization", that is, reequipping with labour-saving technology and production methods, changes in working hours and shift systems, and improved organization of work. Usually both approaches are applied. They constitute the constant driving forces of our economic development, as companies constantly search for the most cost-effective production methods and products in the interests of competitiveness.

There is full agreement that human working capacity cannot be increased indefinitely. Dead periods and increased efficiency play a diminishing role in the level of working time now reached. On the other hand, it is not clear to what extent reductions in working hours can be absorbed by increasing productivity. Many hypotheses and rough formulas are to be found in the literature (*), but they all fail when put to the practical test. Too many factors have to be considered, such as the initial level of working hours, the general economic situation, the automation of production processes, the use of physical capital (continuously or in separate shifts) or even the basis on which wages are paid (on a time basis or piece-work).

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*) Several studies are quoted in F. Eymard-Duvernay Les 40 heures 1936 or ... 1980? Economie et Statistique, No. 90, June 1977, p. 15 ff and H. Seifert: Zur Kontroverse um die Arbeitszeitverkürzung, (Controversy over reductions in working hours), WSI-Bulletin 4/1977 and unpublished working documents II/709/76 "Arbeitsumverteilung als Alternative zur Arbeitslosigkeit" (Work-Sharing as an alternative to unemployment).

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In view of the diversity of working conditions (and working hours) in different sectors and regions as described above, and the different stages of their development, any general hypothesis would be presumptuous.

To begin with it should be remembered that the prospective gains in productivity brought about by reductions in working hours can scarcely be quantified for the economy as a whole or for entire sectors. As everyone knows, past experience cannot simply be carried over to the present situation, micro-level studies are ruled out here.

. Thirdly, companies might increase the efforts to develop overtime or special shifts. This possibility is restricted by the work-sharing measures themselves, and would have to play a complementary role, as it were.

A very recent German study into the foreseeable reactions of companies to work-sharing measures is available. This large-scale survey of companies (*) admittedly identifies only hypothetical courses of action in respect of several work-sharing measures. With this reservation, it reveals considerable differences in behaviour in the short and medium-term between the productive and administrative sectors, between the industrial and service sectors, and between large companies and smaller and medium-sized firms. As a general rule, however, it was discovered that, of the short-term reactions not involving new recruitment, most employers preferred to introduce overtime in production areas and rationalization in administration. In order to achieve the greatest possible effect on employment, therefore, it would be necessary to develop different strategies even at company level.

Practical application

The theoretical concept applied to the economy as a whole, that the required output can be obtained by means of variations in the proportional input of the various factors (at least within certain limits), cannot be readily translated into practice. The relationship of capital and labour is usually more rigid at company level. It is largely determined by the production process and the capital equipment available.

(*) see IFO-speed service 26/1977 (Institute for Economic Research) ./.

Naturally, the numbers employed vary according to the nature of the physical assets (e.g. level of development of the machinery), and this relationship is not always fixed. In the service sector these relationships are often much less marked. Some production methods, however, such as assembly-line work, allow no discretion in the allocation of capital. If work-sharing measures "release" only a few working hours and not full-time workers, the recruitment of new labour would have to be coupled with new investment. The production machinery would have to be adapted to the shorter period of time during which workers are available. Of course, many companies are deterred from an expansion of capacity at present because of existing under-use of capacity and higher capital expenditure. They would try to adopt one of the evasive strategies described above.

It should be said by way of qualification, however, that even this objection does not quite correspond to reality. Assembly-line work is practised by, at most, no more than 5 % of companies in the Member States. Some professions, typified by teachers or sales staff, have virtually no connection with physical assets. Finally, companies in the most diverse sectors, particularly in production, when "compelled" to introduce short-time working, have shown an amazing ability to adapt. This flexibility must also represent an advantage in the case of work-sharing measures.

Another claim, often heard in this connection, is also only partly true. This is the theory that the beneficial effects of work-sharing measures on employment will only be felt where a company exceeds a certain minimum size - for example, reductions in working hours by one hour from 40 at present to 39 would only be possible in companies with at least 39 employees. Applied to the economy as a whole, the majority of companies would not need to reduce working hours at all, as most firms are small or medium-sized.

In the case of more substantial reductions in working hours, this theoretical minimum size falls rapidly. Much more important, however, is the fact that in a company many functions may be so vital that even a partial reduction in the reserve of labour (or working time) makes extra labour urgently necessary. This is always so in the case of pre-determined products or services (courses of instruction, round the clock service etc..). Of course, with very small businesses there is a danger that the functions "released" in terms of time will be taken over by the owner of the business or a member of his family. Their working conditions would thus, in certain circumstances, become considerably worse.

Against the minimum size argument, finally, it can be pointed out that the effect of work-sharing measures on employment can also be of a defensive nature - that in the case of "marginal functions" otherwise inevitable redundancies may still be avoided. The gross movements on the labour market are known to be substantially greater than the measurement of the registered number of unemployed indicates. The number of people entering and leaving the labour market is between three and five times the registered number, depending on the general economic situation and the work of the employment offices. Fewer redundancies thus lead to a reduction in the number of new unemployed and at the same time ease the labour market.

Cost effectiveness

The most powerful argument against the effectiveness of work-sharing measures are the cost burdens they entail. The British Chancellor of the Exchequer, Mr. Healey, as President of the last Tripartite Conference, emphasized these problems as the nucleus of the proposed Commission studies on work-sharing. Clearly, they cannot be considered in isolation from the other problems of work-sharing as there is interaction between them. On the level of the economy as a whole, critics of work-sharing fear a deterioration in comparative costs and with it a weakening in international competition position.

The legitimate fear that certain Member States will be forced into unfavourable competitive and cost positions by uncoordinated work-sharing measures would be reduced if such measures were taken at Community level. A possible problem is that the competitive position might alter not so much within the Community, but vis-à-vis non-member countries. Additional cost burdens must therefore be kept as low as possible. Moreover, our initiatives will become known outside of the Community, and encourage corresponding action in other countries or strengthen existing trends.

If we begin with general observations then, according to the type of measure involved, different effects can be distinguished in relation to :

- individual incomes
- the tax burden on the working population
- the cost structure of the individual firm
- the competitive position of the sector
- the social security systems, and
- public expenditure.

Broadly speaking, these financial effects might also be subdivided into "private" and "public" costs, which as a general rule counter-balance each other - without, admittedly, necessarily balancing out exactly. That is, if costs arise on one side, the financial burden on the other side can be expected to ease. In concrete terms, because of the positive effect of work-sharing measures on employment, the expenditure on unemployment payments would fall.

Several attempts have been made to carry out a cost - benefit calculation for the economy as a whole. It was relatively simple to establish the potential benefit to the public expenditure and social security systems. It would be in inverse proportion to the costs of the unemployed placed in work, that is, to the total sum of unemployment benefit, family assistance, losses in taxation and social security contributions, and the national insurance payments taken over by the State (*). As our earlier remarks showed, the probable effects on employment cannot be clearly quantified, however, so that the calculation of "public benefit" can only reasonably be made for certain hypotheses or threshold values.

Nevertheless, we have not carried out a calculation of this kind at Community level, firstly, because the effects of work-sharing measures on employment differ not only with the measure involved according to sector or occupational group, but also according to the Member State concerned, and, secondly, because it is even harder, if not impossible, to ascertain the private cost of work-sharing measures. The changes in income and personnel costs would be easiest to establish in this connection, although the differences between the Member States of the Community are again considerable (**).

On the other hand, it is impossible to establish the costs arising for undertakings as a result of company agreements (voluntary supplementary payments) or of the technical problems of production created by new recruitment described above. These include new investment or other changes in physical assets. It cannot be determined in advance how many and which companies would try to absorb the effects of work-sharing measures on employment by increasing productivity, which would enable them to reduce accordingly the costs connected with these measures.

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(*) In Germany, an average annual expenditure of DM 18,500 was calculated for 1976; in Belgium, for a married industrial worker (income BFrs 390,000), an annual expenditure of BFrs 428,000 was calculated for 1975. The difference can be explained by the differing State grants to the social security system, and especially by the reference figures (average unemployed person as opposed to a former industrial worker).

(**) The average personnel costs for one industrial worker according to the Community's figures on labour costs for 1975, taking the following three cases as examples, was :

B	1550	(hours worked per year)	x	5.5	Eur (labour costs per h)
F	1862	(" " " ")	x	4.1	Eur (" " " ")
NL	1661	(" " " ")	x	5.7	Eur (" " " ")

There is a danger in calculations of this sort, moreover, in that they deduce too much from the current state of the economy. Work-sharing measures will always affect demand throughout the economy and hence also production.

A final point : even if it could be proved that the private costs exceed the public relief, this alone would not argue against work-sharing measures. At least as important are the possible reduction in social pressures and political tensions, which would accompany the fall in unemployment.

The question of financing work-sharing must be treated in a broader context. For the individual it is a matter of deciding between income, leisure time and job opportunities. If the individual obtains more leisure, which may mean shorter working hours or retirement from working life, he must expect sacrifices in income and he potentially increases the job opportunities of others. This possibility does not appeal to everyone and therefore it should, as far as possible, not be imposed on people. Even if this decision is taken, however, it should not involve a one-sided allocation of costs. Absolute losses of income for those in employment through reductions in working hours are not desirable. The sacrifice in income on retirement from working life must not be set too high, otherwise the work-sharing measures become less attractive and a telling effect on employment will not be achieved.

It is equally wrong to assume a one-sided acceptance of costs by undertakings. Excessive cost burdens increase rationalisation measures and other attempts to increase productivity (organisation of work, rate of work, etc..). Consequently, they lead employment policy into a blind alley. In view of the high inflation rates it is also undesirable to transfer costs to prices. Nor is it desirable, in the present uncertain economic situation, to demand that dwindling company profits should finance work-sharing measures, as this would further affect investment prospects and thwart other efforts to promote growth.

Apart from the individual assessments of work-sharing measures which follow, the basic principle for a positive effect on employment policy might be that work-sharing requires the distribution of the costs involved, which must be determined according to the type of measure concerned and the actual situation between individual, company and State.

Partial transfer of costs to the State or the social security systems is justified by the fact that it is in their interests to keep unemployment as low as possible. The public expenditure not only loses the direct subsidies and tax revenue; falling demand and recovery programmes have to be contended with and financed in the economic policy field, and loss of qualification and personal distress compensated for in the social field. It would be useful, then, if the State would "subsidize" work-sharing measures out of the resources accruing to it from the effect on employment (fewer benefits increased tax revenue). Financial participation of this kind could take different forms according to the type of measure and will also go to different recipients.

Some consideration would also have to be given to means of bridging the time lag between the incurring of private costs and -generally after some delay- the easing of public expenditure. Since this "subsidization" might take the form not of direct payments, but, for example, of tax incentives, the administrative problems (including avoidance of accumulative effects) need not necessarily be a cause of delay. Finally, it may be mentioned in passing that the State can make a direct contribution to increasing employment by making more part-time jobs available.

Labour market rigidities

The final objection in terms of employment policy to be examined is the theory concerning the extent to which work-sharing measures adversely affect the flexibility of the labour market. There are three main fears here :

. Firstly, it is claimed that work-sharing is a form of rationing which makes disproportionate inroads into companies' freedom of movement as regards their decision-making. Company personnel planning must, however, remain flexible to allow for appropriate and rapid reactions to unforeseeable fluctuations in demand. "Rationing" the labour reserve, it is alleged, limits companies' autonomy as regards investment.

These criticisms are directed in general at the protective provisions of social policy. Companies are only free up to the point where they come up against the protective interests of the work force. To avoid conflict between the two sets of claims, work-sharing measures should take account of the differing interests involved.

. Secondly, work-sharing measures are alleged to be too closely tailored to the economic situation of the moment. The very pessimistic point to the demographic-basis of the increase in the labour reserve, and fear that the relief effects of certain work-sharing measures, especially marked at the outset (such as raising the school-leaving age, lowering retirement age) could not be repeated if the economic situation worsened still further. More optimistic critics predict a renewed shortage of labour in the event of an economic boom in the next few years.

Neither line of thought corresponds to the Community standpoint adopted in the fourth medium-term programme and at the last Tripartite Conference. The Community is striving towards a constant improvement in growth and a gradual reduction in unemployment. Since only a medium-term easing of the employment situation is expected initially, work-sharing measures would supplement policies aimed at promoting growth. The more flexible the form which these instruments take, the easier it would be to adapt them to the future situation, too.

. This statement leads, however, to the third fear, which is that work-sharing would create a social situation which would remain fixed in the long-term. The present intervention in the workings of the labour market, resulting from the economic situation, are, it is said, in general irreversible, because of their social significance. We know that the trend of the labour supply in the Community reverses after 1983, admittedly with differing patterns in the Member States. It is not possible to predict the course the economy will take in this phase and the changes in the development of productivity. From the experience of previous years, however, it can be deduced that the economy has a great capacity for adaptation. To avoid overtaxing the economic system, however, we should go first for those work-sharing measures which do not involve any permanent limitation on the labour supply.

PRINCIPLES FOR ACTION

From the foregoing analysis it has become clear that work-sharing does not of itself guarantee an improvement in the employment situation. Different measures have different effects on employment, the extent of which depends on the attention paid to a number of factors. Certain courses of action help towards the desired end of reduced unemployment,

others could result in an additional burden on economic resources and undesirable effects on growth and price stability. A work-sharing strategy will be more successful if it prevents :

- blanket measures blocking the road to individual decisions or agreements;
- financial burdens being imposed on one side only;
- market force being excessively blocked;
- interference with other policies aimed at improving the economic situation.

From discussions held so far, a number of basic principles are emerging which may be of great value in the application of work-sharing measures. They are based on general economic and social objectives, recognized by both sides of industry and political leaders alike. These principles are of prime importance and should be incorporated in the practical development of the work-sharing measures and be given concrete form accordingly.

1. It must be ensured that free choice of employment is not restricted. Statutory or collectively negotiated reductions of working hours or working life should leave scope for individual decision, except where this interferes with social protection.
2. Economic decision-making and the opportunities for individual choice should be as flexible as possible. This flexibility is valid up to the point where it appears no longer economically justifiable. It is essential to ensure that additional costs are kept as low as possible.
3. Special priority should be given to groups which are particularly under-privileged as regards their working conditions and to groups which suffer especially from the scourge of unemployment. This will require additional efforts to humanize working life, combined with improved job opportunities.
4. Work-sharing measures must be assessed in terms of their combined effect. This assessment should not be restricted to labour market aspects, but should examine the relationship of such measures with general economic, structural and social policies.

ASSESSMENT OF SPECIFIC MEASURES

In the remarks made so far, work-sharing has been treated as a strategy rather than as a specific instrument of employment or social policy. Thus, generalizations could not always be avoided, and individual questions were completely ignored. The following assessment is more closely concerned with specific measures. The arguments for and against, which have already been considered, will not be examined again individually, but supplementary or insufficiently illuminated problems will be discussed.

The types of measure selected are those which, despite controversial assessments from governments and the two sides of industry, have a good chance of being implemented.

Shortening the working week

This is the best known and at the same time the most controversial of the work-sharing measures. It defies simple assessment, as the differences in working hours in various Member States, sectors and trades are exceptionally great (see above, page 5). Thus, the Council Recommendation of 17th June 1975 concerning the application of the basic 40-hour week and four weeks' paid annual holiday, while it has been extensively implemented, has not been incorporated in all collective agreements. A long-term trend towards shorter working hours is common to all sectors, however.

The point of departure for a further reduction in working hours is difficult to establish, as a distinction must be made between statutory, collective-agreement-based, paid and actual working time. To achieve any effects at all on employment, the hours effectively worked must be reduced. These depend on company requirements and individual motivation. Collective agreements define the limits to overtime and part-time work; the transition from legal to illegal working hours is defined in legislation.

All the empirical data points to considerable differences between agreed working hours and hours worked. From observations dating back further, it also emerges that reductions in the paid working hours lead with a certain delay to shorter effective working hours. This experience is common to all Member States.

Only short reference is made to the importance of modified working time for social life. The existing infrastructure and services could be better used with a flexible organisation of working time. For the individual there could be a better balance between the requirements of work, leisure, family, and participation in social and cultural activities.

Overtime operates as the safety-valve for shorter paid working hours. If it were cut off, collective-agreement-based working time and effective working time would follow a more closely synchronized development. To what extent a reduction would create problems is still being investigated separately.

In the final analysis, the question as to whether marked reductions in working hours help or not in the present labour market crisis always centres round variously assessed cost factors. What necessary or acceptable sacrifices of income should the worker make in return for reduced working hours? The two basic positions are as follows :

1. Reductions in working hours without an increase in income (compensatory wage allowance). This would mean a fall in net income for those in employment. Assuming that companies undertake new recruitments corresponding to the lost working hours, their costs would be increased in the main by only three factors: firstly, by personnel costs linked not to the duration of work but to the number of employees, such as subsidized meals, fringe benefits, etc..; secondly, by the need for new equipment, as increases in staff could make new investment necessary for technical reasons - as has already been mentioned, this rigid relationship between work and capital by no means always exists; thirdly, the additional obligations (mentioned on page 11) resulting from passing thresholds of numbers of employees (10, 50, 10 ... employees).

In contrast to this, however, there are cost advantages which should not be underestimated. Experience shows that any reduction in working hours is accompanied by increases in productivity (although this may only occur after changes in the organization of work). After a brief period of adaptation, those newly recruited will reach a level of productivity similar to that of the staff already employed in the company, with the result that production is able to continue without interruption. In addition, account should be taken of the fact that as a rule new staff get a considerably lower wage than employees of standing, so that some profit can be derived from this turnover of labour. While this would save companies the task of altering their production plans or price policy, it is certainly not acceptable to the workers and their representatives. Its rejection is based on the experience - although under completely different economic circumstances - that reductions in working hours can be carried out with compensatory wage allowances. Moreover, marked reductions in demand and economies would accompany the real sacrifices in income and constitute an undesirable obstacle to the more important process of promoting growth.

2. Reductions in working hours with full compensatory wage allowance. This implies a proportional wage increase for the reduced working hours and thus a constant income for the employee. For the company, the same advantages and disadvantages would apply as in the previous case, plus the costs arising from the compensatory wage allowance. Assuming, once again, that companies fill the free working hours entirely with new recruitments, then a corresponding increase in labour unit costs would result. In order to sell their now dearer products, the companies would face two alternatives : to reduce their profit-margins or to increase the selling price. The first course of action leads to redistribution of income and a fall in investments, which in the present economic situation would certainly not be desirable and would dash all further hopes of growth. The second course must also be assessed unfavourably from the point of view of the economy as a whole. It would rekindle inflation and have an adverse effect on the competitive position of the firms concerned.

It would be more realistic to assume that companies will absorb some of the free working hours by means of an increase in productivity, especially where company organization will have to be changed with an increase in staff. This correspondingly reduces the effect on employment, of course. To take the extreme case, an increase in productivity sufficient to offset the reduction in working hours would mean, all other things being equal, constant labour unit costs, but would be a complete failure from the point of view of employment policy.

As we have already indicated in the general remarks, the extent to which increases in productivity can be achieved depends on many factors. Here are a few extra details. An important role is clearly played by the use made of the company's capacity. At an average of 80 % for industry, this is at present very low. If no other factors are involved, the effect on employment will thus be rather insignificant. Increases in productivity can also be achieved if the company takes the reductions in working hours as an opportunity to change over to shift work. (*)

The economic advantages and the physiological and social disadvantages of shift work are well known. A reduction in the length of shifts could lead to the taking on of additional staff, provided that enough workers can be found who are prepared to do shift work.

(*) The problems associated with shift work are examined in a Memorandum to the Council which the Commission is now preparing.

The success of the reductions in working hours is therefore also dependent on their extent. The extent must be differentiated according to the situation in different sectors. It is not necessarily the case that the most drastic reduction in working time takes place in the sectors with the longest working time which are often the weakest ones. In general, only a major step offers any change of increasing both productivity and employment. To do this, a certain balance must be found between the extreme positions described, on the one hand productivity increases, on the other hand wage losses. Financial assistance from the State could make a positive contribution here. It is justified because, as unemployment is reduced, expenditure is saved and additional revenue can be expected. It could help to reduce the gap between the costs covered by increases in productivity and those arising from compensatory wage allowance.

A certain gap will nevertheless remain. The workers too should therefore make a contribution by reducing their wage expectations in return for shorter working hours. Present wage-restraint is not asked of them, but the moderation in future wage settlements. More jobs for the unemployed would then mean further and only relatively curtailed rises in real wages for those already employed. The precise distribution of financial burdens among the various parties concerned will, as before, be the result of a political process.

Extension of annual holidays

For the current discussion on labour market policy it is largely irrelevant whether the extension of annual holidays takes the form of longer holiday leave or an additional period of training leave. In both cases, statutory provisions and a collective agreements vary from one Member State to another. There is a general trend towards longer holidays, which has tended to accelerate during the recession.

The currently agreed extensions are in general small, gradual improvements. Abrupt changes, e.g. that from weekdays to working days, mostly took place in the fairly distant past. For the same reasons as in the case of the shorter working week, a major step is important for the success of the shorter working year. A day-by-day extension of holiday entitlement, while it stimulates productivity, probably creates hardly any new job possibilities.

The cost problems of longer holidays are very similar to those of the shorter working week, and the same basic objections apply regarding employment structure and application at company level. The already mentioned IFO survey of companies in Germany states that an extension of annual holiday by 5 - 8 working days is assessed by companies as being no different on average from a reduction of the working week by two hours. The employers' reactions to such a measure, and thus the effects on employment policy, were substantially the same - apart from the fact that temporary staff would be required in the event of longer holidays.

In several Member States, opinion polls and trade union demands for a minimum of six weeks' holiday a year indicate that workers would prefer a yearly as opposed to a weekly reduction. One or two further problems should be considered briefly in connection with an extension of holidays.

We are not referring to adaptation problems which might be experienced by the worker after a fairly long interruption of working life. This problem is only acute after absence from work for several months or years, as in the case of leave for personal reasons, which is admittedly only available in the Civil Service.

We are referring to the problems which reduce the level of employment. Many companies order compulsory closures within which holidays must be taken. Although an extension of the closure period means a certain loss of production, this can be more easily absorbed by increasing productivity than by having employees spread their holidays over the year. Moreover, the holiday bonus granted in many companies increases the costs of any reduction of working time (compensatory wage allowance, fringe benefits, investments and internal change-overs), which must be taken into consideration in collective negotiations.

Restriction of overtime and special shifts

The restriction of overtime and special shifts should be regarded as a measure complementary to the reductions in working hours. As a rule, overtime and special shifts qualify for extra pay and if companies switch over to them as a reaction to reductions in working hours, labour costs increase. At the same time they reduce the effect on employment. Since, after a certain wage level, social security contributions increase less quickly than wages, it is often cheaper for a firm, despite having to pay overtime premiums, to resort to overtime rather than to the recruitment of additional workers.

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Overtime is customary both in recessions and in prosperous times, although to a differing extent. It serves the company as a buffer against fluctuations in the demand for their goods and services. In spite of its great importance, statistics on the subject are unsatisfactory. Regular surveys are carried out only within the commercial sector and the construction industry. Estimates put the proportion of overtime to working time at between 3 and 5 per cent overall. Calculations in Great Britain, where a large proportion of workers do overtime, show that, in approximately half of all sectors of industry, the full-time equivalent (40-hour week) of the overtime worked exceeds the registered unemployment figures (for all workers). (*) The IFO survey of German companies discovered in Spring 1977 that barely 40 % of companies regularly used overtime in production, an average of 2 to 3 hours per worker.

Overtime could be restricted in three ways; by making it more expensive, by obligatory free-time in lieu (as is frequently customary in high-level jobs) or by a ban on overtime above realistic upper limits.

A general ban on overtime is, in our view, out of the question. It would mean too severe a curtailment of company flexibility and result in grave organisational problems, delivery delays or a fall in orders for the companies involved. On the other hand, the upper limits and exceptions from normal working time provided for in the statutory rules or collective agreements on working hours should be examined and, if necessary, be revised downwards. In addition, attempts could be made at company and collective level to encourage the compensation of overtime with free time in lieu rather than cash payments. This proposal will not meet with the universal agreement of the labour force, who frequently regard overtime bonuses or special shifts as a traditional part of their wage. Joint action should therefore continue to be encouraged.

The methods described could reduce permanent overtime and thus ease the cost burden to some extent and create room for new jobs. The collective agreements could also be modified according to the general economic situation, which could avoid a long-term fixing of the duration of working time. Further increasing the cost of overtime presents more problems. Should all overtime be made more expensive, or merely non-essential overtime? How should such a distinction be made and enforced? Increasing the cost by raising the

(*) see Annex, table 9.

workers' wages could increase the latter's motivation to take on extra work rather than lead to new recruitments. A tax to be paid to the State, which would be used for the creation of new jobs, would create considerable administrative problems and in the final analysis would yield very sizable financial resources. This seems to us to be the less satisfactory solution.

Expansion of part-time employment

This problem area suffers from considerable difficulties of definition. The difficulties will increase if further reductions in the working week become necessary. In the broadest sense, flexible part-time employment has advantages for both labour-market and social policy. The individual would be free to accept reduced working hours (with corresponding sacrifices in income) on a temporary, seasonal or permanent basis, or to pursue only occasional occupations. In the narrower sense, part-time employment means a regular and voluntary occupation with fewer working hours than is customary (unlike short-time working). Some Member States have laid down a maximum number of hours, which can however vary according to social requirements.

Because of the variety of definitions, exact statistics cannot be obtained. According to the follow-up to the Community Labour Force Sample Survey, approximately 9.2 million were in part-time employment in the narrower sense in 1975. (*) In the Sixties there was an overall tendency for the number of people in part-time employment to rise, both in absolute and in relative terms.

The advantages and disadvantages of part-time working are exceptionally controversial. Only a few can be mentioned here; more detailed studies must be carried out later.

(*) The percentage of part-time workers in the labour force varies considerably from one Member State to another - from 4 % in Ireland to 17 % in Denmark. In the case of women, who are greatly overrepresented everywhere, the spread is from 10 % in Italy to 41 % in the United Kingdom.

A salient point is the increasing flexibility for employee and employer alike. The individual is better able to adapt his working hours to his personal preferences and requirements, and the company can increase its labour force and make better use of its capacity. Considerable disadvantages are involved, however :

- The social protection of those in part-time employment today frequently lags far behind that of the full-time workers.
- Their commitment to and integration into the company is in general less marked. There is a tendency to treat them as marginal groups and, if necessary, to dismiss them more readily.
- There is a danger that they will be forced into peripheral jobs or will find their career prospects reduced.
- People in part-time employment are more prepared to accept inadequate working conditions. Internal tensions can then arise within the company.
- Part-time workers mean higher labour and administrative costs.
- The employment of part-time workers means that the threshold values laid down in certain laws for various rights or duties (co-determination, safety standards, employment of the seriously disabled) are more rapidly exceeded. This results in further additional costs.

This list is not exhaustive. It is merely intended to throw light on the problems involved. It can be assumed that a considerable number of unemployed persons, especially women, are only looking for part-time work (according to German statistics this applies to over a third of women). New possibilities for part-time work would certainly benefit them. Many of those in employment, too, (presumably married women and older people in particular) would welcome the offer of shorter working hours in the form of part-time working. On the other hand, additional people, for whom the present arrangements are not sufficiently attractive, would undoubtedly enter the labour market looking for work.

As things stand, therefore, an expansion of part-time employment can only be recommended with considerable reservations. Before a general expansion takes place, additional analyses of jobs and the labour market are required. The difficult process of eliminating social disadvantages for those in part-time employment must be begun, and the employment offices must organize their activities accordingly. Governments could set a good example by reviewing the provisions contained in the Civil Service regulations. Only after such changes in addition to the desired flexibility could be achieved a real improvement in the employment situation.

Changes in the retirement age

At first glance, a change in the retirement age seems an attractive proposition, as it is aimed directly at the employment problems of a group which, in times of economic crisis, is scarcely able to improve its position on the labour market by its own efforts. This measure however poses health and social problems, if the transition from working life to retirement is compulsory or insufficiently prepared (retirement shock). It could also place an additional burden on government finances, which are already under strain. In view of the present level of taxation, a further increase in taxes and social contributions would not be without its problems. On the other hand, it is public funds which benefit from a reduction in unemployment, although the savings could be lower than the new financial burdens.

Nevertheless, two Member States, Belgium and France, have recently introduced a lower retirement age as a deliberate means of combatting employment problems. In Belgium, in companies employing 20 people or more, men may choose early retirement at 60 and women at 55, provided that unemployed people under 30 are taken on in their place. Up to November 1977, 32.000 people had retired in this way. The scheme is subject to a time-limit, which may be extended, and therefore makes allowances for misgivings concerning irreversible social measures. In France, too, a partial reversibility is provided for. Specific features of the French scheme include a total ban on work during free time - in contrast to regular pensioners - and provision for early retirement at 60 with a guaranteed income of 70 % of the previous salary. The scheme would appear to be used less than was originally estimated.

These recent schemes contrast with those implemented since 1973 in Germany, where a pension can be applied for between the ages of 63 and 67 and may even be combined with small additional earnings. On average, two thirds of those eligible apply for an early pension.

These practical examples shows that, in terms of employment policy, the success of such measures depends on concomitant circumstances. The more rigid the individual restrictions (and especially the financial burden), the weaker the response, and thus the effect on employment, is likely to be. It is preferable that schemes should be as flexible as possible, so that, in the long-term, they will facilitate adaptation to labour force requirements in a given economic situation.

There are three basic variations on early retirement :

- the reduction of the normal retirement age, as provided for in the schemes discussed above;
- payment of early pensions to elderly people who have been unemployed for a certain, fairly long period of time (e.g. 6 months or a year);
- bringing forward the retirement date, for instance to the Spring, to achieve better coordination with the school-leaving date.

The proposals are listed in the order of their probable effect on employment. One further improvement would be the provision of scope for individual choice and the absence of any compulsion to retire. Elderly people should not be forced off the labour market by such measures and the transition from working life to retirement should take place more smoothly. Particular attention should be paid to this consideration when any extension of part-time employment is being discussed. It cannot be entirely ruled out, of course, that, where such scope for choice exists, older workers will be urged by the management to accept early retirement. Finally, it should be pointed out that the psychological and social pre-requisites for a sudden increase of "early pensioners" in our society must first be created.

If, for financial or general socio-political considerations, early and voluntary (flexible) retirement is not possible for all workers, this measure could, as a first step, be applied selectively. For consideration is a modified retirement age for occupations with bad working conditions (shift workers etc...) or for the physically handicapped.

Early and voluntary retirement by older workers has one important advantage over other work-sharing measures. In general, older people hold positions of greater status in a company. Their retirement sets in motion a reshuffle which improves the opportunities for advancement of the younger employees. The posts left by the latter can more easily be filled by people previously unemployed, who do not possess the qualifications for that particular firm, or not to a sufficient extent. The bottleneck in qualifications, which is seen as a possible drawback of work-sharing, could thus be more easily avoided.

Extension of the period of schooling and training

Vocational training measures have proved their worth in earlier economic recessions. They not only draw potential workers off the labour market, but at the same time equip them with better qualifications for future jobs and thus reduce their susceptibility to unemployment. The experiences of recent years in some Member States indicate, however, a decline in the numbers following vocational training courses. Some countries have changed the arrangements governing aid for such courses because the target groups hoped for the "unskilled" were not taking part.

Apart from further increases in retraining and further training, the principal measures now under discussion are those intended to contribute to the alleviation of youth unemployment, which is causing increasing concern in the Member States.

These opportunities for improving youth employment through additional training or longer periods of work experience, could in general ease their transition to working life and provide them with useful qualifications at the same time. There is more and more discussion (*) on giving up the traditional order of separate life-phases - first training, then work, in favour of continual interaction between the two functions.

We shall go only briefly into the demand for longer compulsory schooling. The effect of this on employment would be limited by the fact that considerable differences exist between the statutory and the actual school-leaving age. This fact became very clear in the debate on the proposed legislation to lengthen compulsory schooling to sixteen in Belgium. Longer schooling is also a problem in view of the noticeable school-weariness among the age-groups involved. Additional years at school appear more justified if they are clearly orientated towards a preparation for employment. Discussions are taking place in Germany on the possible introduction of a tenth basic training year and ideas are also moving in this direction. Germany is the only country where a measure of this kind is being seriously discussed at the moment.

(*) See F. BEST, B. STERN; "Education, work, leisure: must they come in that order?" Monthly Labor Review 7/1977.