LABOUR/MANAGEMENT PROGRAMME

WORKING HOURS

Report on a meeting of trade union experts
held under the OECD Labour/Management Programme

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Paris 1996
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(Paris, 5 February 1996)

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Under the OECD Labour/Management Programme for 1996, a meeting of trade union experts on "Working Hours" was held in Paris on 5 February 1996. The meeting was prepared in collaboration with the Trade Union Advisory Committee to the OECD (TUAC).

Below is an overall report of the discussions of the meeting of experts, prepared by Professor Gerhard Bosch who was designated as General Rapporteur for this activity.

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FINAL REPORT ON THE MEETING

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INTRODUCTION

1. As a result of the changes that have taken place in the last two decades, it is almost impossible to keep track of the great diversity of working time arrangements that now exist. This diversity reflects the fact that pressure for change has arisen for a variety of very different reasons. It is apparent that in all industrialised countries both employers and employees, albeit for different reasons, welcome more flexible working times, though not necessarily the same kinds. At the same time, policy makers in different countries have reacted to this change in very different ways, with the result that a wide variety of national working time arrangements has emerged. In addition, national traditions are different (e.g. long standing differences in industrial structure and differences in family structures).

In what follows, Part I outlines current trends in the development of new working time arrangements, the consequences of the increasing tertiarisation of the economy and the causes of national differences will be outlined. In the public debate on the subject, there is a great deal of controversy as to whether the redistribution of working time is in fact an effective instrument in the fight against unemployment. Part II, therefore, investigates the question of whether and under what conditions the redistribution of work can have positive employment effects. New working time arrangements have far-reaching consequences for work organisation. At the same time, a new balance has to be found between the interests of employees and those of firms. These problems are discussed in Part III. Part IV, finally, puts forward some policy implications.

I. RECENT TRENDS IN WORKING TIME ARRANGEMENTS

2. Employers' reasons for seeking more working time flexibility are threefold:

   a) the replacement of expensive working time arrangements by cheaper ones: it is not necessarily a question here of introducing innovative new working time models, but rather of making the existing working time structures cheaper by, for example, not paying overtime or night-work premia or employing part-time workers not subject to social security.

   b) the extension of operating hours: as establishments become increasingly capital-intensive and the rate of technical progress accelerates, firms seek to reduce unit capital costs by increasing operating hours. At the same time, fixed capital can be amortised more quickly, thereby reducing the increased investment risk caused by the internationalisation of competition.\(^1\) International comparisons show that the majority of increases in operating hours in virtually all countries are currently being implemented silently and without dispute through the introduction of a second shift, which has widespread acceptance among employees.\(^2\) Disputes are more likely
when employers seek to introduce night and weekend working, since such schedules are often unpopular with employees and in many countries require special authorisation. Even in the service sector, there are examples of expensive plant and equipment being used more extensively through longer utilisation and opening hours, such as operating theatres in hospital or aircraft and other means of transport. However, opening and operating hours in many service activities (e.g. hospitals, police, prisons, public services) are often determined not on economic but on social grounds. In private services, such as the retail trade, any extension of opening hours initially entails increased costs, mainly for staff. For individual firms, this is profitable only if sales rise proportionally, or by even greater amounts if marginal wage costs increase because of shift or weekend supplements.

c) annualised working hours: firms now find themselves increasingly less able to even out seasonal fluctuations by holding stocks. Product diversity has increased to such an extent that it has become too expensive to keep comprehensive stocks or to alternate between overtime and short-time working and/or temporary lay-offs. As a result, both the order book situation and disruptions to the production and supply chain impact directly on working time. Thus working time fluctuations become a replacement for stock holding, and workers become the real buffers in the system. In many cases, working time is adjusted to seasonal fluctuations on a collective basis, with any changes affecting all employees equally. A second, frequently overlooked reason for the introduction of annual working hours is fluctuating attendance patterns over the course of the year, which constantly give rise to unpredictable demands on staff to cover for absent colleagues. Certain characteristic patterns of absenteeism due to sickness have been recognised for a long time. The sickness rate is highest in the peak periods from February to April and before Christmas. In countries with high attendance rates, the use of individual annualised working hours to offset absences plays only a minor role. Japanese firms, for example, which do not tolerate absenteeism or the claiming of full holiday entitlement, base their manpower planning on an attendance rate of between 94 and 95.5% and are able to insist on rigid, homogeneous working time structures. In many European countries, however, the absence rate has risen considerably as a result of the increase in holiday and leave entitlement. Many European firms expect to achieve attendance rates of between 75 and 90%, and their organisational structures have to be equipped to deal with the constant coming and going that ensues. This problem can be resolved only by creating more room for manoeuvre in the organisation of individual working time.

3. Employees’ working time preferences are becoming increasingly divergent. The main reasons for this are as follows:

   a) Increasing labour market participation among women: in all OECD countries, female participation rates have risen considerably in recent decades. Since women continue to shoulder most of the responsibility for housework and childcare, they are often not in a position to work full time. As a result, women have shown considerably more interest than men in part-time work. The flexibility of this particular supply of labour is largely determined by the availability or non-availability of child-care facilities. If such facilities are inadequate, then female part-timers with young children are often completely inflexible in the duration and scheduling of their working hours, contrary to certain widespread preconceptions. In Denmark, where there is very extensive state provision of childcare facilities, 49% of mothers aged between 20 and 39 work full time, compared with only 5% of their economically active counterparts in the Netherlands.

   b) Combining education and work: the number of students in further and higher education has risen rapidly in all industrialised countries. In “West” Germany, for example, there were only about 232,000 students in 1961. Today, the number has risen to over 2 million. An increasing proportion of these students, and many secondary school pupils as well, have to finance their studies by working. This has given rise to a potential labour force of considerable size, prepared to work part time and at unsocial times (evenings or weekends), i.e. outside normal school and university hours.
c) Increasingly diverse lifestyles: more and more economically active people now live in one or two-person households. Many couples have fewer children than their counterparts in the past, or even none at all. As a result, they have more time at their disposal and, with fewer financial commitments, even middle-income groups have greater scope to organise their lives in a more individualistic way. This has gone hand in hand with a decline in traditional ties and the individualisation of social attitudes.

d) Rejection of night and weekend work: numerous studies have shown that unsocial hours at night or at weekend are being rejected, particularly by core workers. The free weekend became widespread throughout Western Europe in the 1960s and 1970s, and even earlier in North America. In those countries in which Saturday was until recently a regular working day, standard working time has been and is being restricted to Monday to Friday (Japan, Spain, Portugal). The free weekend, together with the avoidance of shift work, is seen as an indicator of affluence that employees are reluctant to give up. Firms are reacting to these changes, and as they extend operating hours, they frequently offer employees attractive compensation packages by means of which they are able to increase interest in working at unsocial times.

These various trends in workers’ preferences cannot be easily summarised, since there are several different trends running counter to each other. Firstly, there now exists a substantial minority of workers prepared to work non-standard working hours. Secondly, permanent workers are on the whole less willing than in the past to work non-standard hours. Thirdly, high unemployment makes it harder for many individuals to achieve the working times they would prefer. The fact that, in many countries, increased unemployment has been accompanied by an increase in involuntary part-time working is good evidence of this.

4. Both employers and employees have an interest in more flexible patterns of working hours. Undoubtedly, there are fortunate situations in which the interests of employers and employees coincide. Flexitime, for example, is popular in all countries. In many cases, however, the interests of the two sides do not converge. This is particularly true when employers seek to vary working hours unilaterally and at short notice, withdraw premium payments for overtime, night and weekend working or demand a high level of flexibility from employees without giving employment guarantees in return, for example, through the use of fixed-term contracts. Much of the sting can be taken out of these potential conflicts by the negotiation of reasonable compromises.

These declining transparency of working time: in industrial centres in the past, the start of work, breaks and the end of work for the whole town would be announced by sirens. Now that a common standard working time no longer exists, it is virtually impossible for factory inspectors to check whether regulations on maximum working time are being observed. If, in extreme cases, each employee works different hours, then even plant-level trade union representatives or works councils will find it difficult to monitor exactly what is happening in terms of working time. At that point, only individual workers and the employer will have an overall view of hours required and actually worked. This decrease in transparency, and the decline in opportunities for monitoring by state authorities and employee representatives, will lead to a fundamental shift in the balance of power in favour of employers unless new organisational structures based on mutual trust are put in place at establishment level. Such high-trust organisational structures, in which employers do not unilaterally exploit their power advantage, exist at present only in a minority of establishments. Moreover, organisational structures are constantly being changed, raising the question of how interests are to be protected in this process of change.

b) Decentralisation of negotiations, especially in the service sector: standard working hours can be negotiated centrally. Flexible working hours systems, however, have to be tailored to the needs of particular establishments and work-forces. Thus only outline regulations, such as upper limits for daily and weekly working time or compensation for employees if certain limits on working time are exceeded, can be laid down at
industry level. However, conditions in individual industries vary so widely that it has become increasingly
difficulty for legislators to formulate and implement general standards. In many countries (Belgium, France,
Germany and Sweden) statutory or collectively agreed regulations can be supplemented or even replaced by
establishment-level regulations. Employees’ interests cannot be asserted in establishment-level negotiations
unless those interests are effectively represented at that level. This can certainly be assumed to be the case with
German or Dutch works councils operating in large and medium-sized establishments and with Scandinavian
trade union organisations at establishment level, which have even gained in importance and influence in recent
years as a result of the decentralisation of working time policy. However, the weakness of establishment-level
representative structures in France is well known, and in North America and Japan the interests of most
employees are not represented at establishment level. And virtually nowhere in the world are employees’
interests effectively represented in small firms. This is particularly true of small firms in the service sector,
where there is no tradition of collective action. Thus weak trade unions constitute the Achilles heel of any
attempt to find adequate compromises between the interests of employers and employees in the introduction of
flexible working time arrangements. As a result, the decentralisation of working time regulation has been
associated in many countries with a shift in the balance of power in favour of employers.

The declining transparency and the decentralisation of working time regulation has been associated in many
countries with a shift in the balance of power in favour of employers; this trend is being reinforced by
unemployment.

5. In all countries, there are considerable differences between the various sectors, between groups of
employees and between firms of different sizes. The flexibilisation of working time started in the service sector.
Since services cannot be stored, it has always been necessary to react directly to demand. As the service sector
grew, it drew in large numbers not only of women but also of students. After the deregulation of shop opening
hours in many countries and the extension of leisure activities into the previously sacrosanct Sunday, the service
sector accounts for a high proportion of the unsocial hours worked. While the working time of manual and
white-collar workers in the lower and intermediate pay brackets is governed in many countries by collective
agreements or statutory regulations, an increasing share of more highly skilled workers in research and
development, administration and management are working significantly longer hours than previously. In this
sense, employers are using employees’ professional interest in their work to their own advantage.
Professionalism is often linked to the simplest form of annualisation, namely the payment of an annual salary
regardless of hours worked. When people are simply paid by the year, employers have an incentive to organise
work in such a way that employees put in as many hours as possible in the course of a year. This may be one
reason for the increasing amount of unpaid overtime being worked. Small and medium-sized firms have quite
different working time arrangements from large ones. Many of them already have the flexibility that large firms
can achieve only in the context of changing regulations or deregulation. This is also one of the reasons why
large firms are increasingly being broken up into smaller units.

6. Despite comparable general trends, working time arrangements in the OECD countries vary quite
considerably. These differences are connected in part to cultural traditions and social structures (e.g. the family).
However, in addition to the varying degrees and effectiveness of establishment-level representation, these
traditions and structures are also very much influenced by working time standards at three levels:

a) Existence or absence of a general mechanism for establishing minimum working time standards: In
North America and Japan, as well as in the United Kingdom, there are few legal or industry-wide regulations on
working time. As a consequence, there are great differences in working time between companies, plants and
individuals. Working time is sharply polarised between a group of people with very long hours and one with
very short hours, or as it is often expressed in academic debate, between the overworked and the underworked®.
In most Western European countries, minimum standards on working time are laid down in company
agreements or industry-wide collective agreements. Placing upper limits on working hours results in a much
more even distribution of working time, although there are also high proportions of workers with low hours in some European countries, such as Denmark, the Netherlands and Norway. This also has far-reaching consequences for earnings. About half of the wide difference in earnings between the USA and Sweden can be explained by the greater polarity in the duration of working time. It can be concluded, therefore, that an egalitarian distribution of work is one of the most effective means of fighting poverty.

b) To date, the efforts of trade unions to organise workers on different schedules have met with variable degrees of success. Part-time employment (a largely female province) is often quoted as an obstacle to unionisation. Investigations in Germany and the Netherlands, for example, have revealed large differences in trade union density between part-time and full-time workers. In the public sector in the Netherlands, and controlling for part-time work, trade union density among women is even higher than among men. In Japan, part-timers and those on fixed-term contracts are not generally members of company trade unions, so that their interests are not represented at all at plant level.

c) Support for the integration of women into the labour market: the Scandinavian countries have been the most enthusiastic advocates of women's integration into the labour market, and have made available a wide range of options for both men and women, including parental leave, temporary reductions in working hours with a right to return to full-time work, increased provision of state nurseries and extended school hours. In consequence, participation rates, particularly for women with children, and the average number of hours worked by part-time workers have increased. In other countries, the public provision of childcare may be less adequate (e.g. USA, Germany and the Netherlands), provision for parental leave very restricted (e.g. USA and UK) or school hours so short that female part-timers with children are able to work mornings only (Germany, the Netherlands). In these countries, mothers with small children operate on the fringes of the labour market.

II. REDISTRIBUTION OF WORKING TIME AND EFFECTS ON EMPLOYMENT

7. It is barely conceivable that the mass unemployment that blights many countries can be reduced without a redistribution of work. The historical trend towards the reduction of individual working time has slowed down at the moment. In some cases, the working time of full-time employees has even been extended. Thus in the manufacturing sector in the USA, for example, a long-term rise in overtime accompanied by a stagnation in standard working time can be observed. However, productivity gains in the economy must in the long term be passed on in the form of wage increases, price reductions and working time reductions, so that they can be converted into growth through increased demand for goods (effect of wage increases and price reductions) and a redistribution of work in a way beneficial to employment. The reorganisation of working time is an independent and additional source of productivity gains. In the short term, this leads to job losses. Thus the reduction and the flexibilisation of working time must be linked.

8. A policy of work redistribution will not necessarily be successful. Research shows that the results vary widely. In many cases, the employment effect of working time reductions has been absorbed by increased overtime. In order for working time reductions to have a beneficial impact in employment policy terms, the following conditions must be met:

a) Reductions in working hours must take place in the context of greater flexibility. Rigid restrictions on overtime can cause a great deal of economic damage; however, essential overtime must be offset at a later date by additional time off. Without a shift to annualised working time arrangements, or to systems that average out working time over even longer periods, restrictions on overtime are inconceivable. It is not possible to argue against annualised working hours while at the same time demanding restrictions on overtime. However,
research on working time shows that only paid, and not unpaid, overtime can be converted into increased employment.

b) The distribution of work must also be reflected in management planning: homogeneous working time systems, in which everyone begins and ends work at the same time, will have to be broken up. The wide-ranging and important implications of this important conclusion should not be underestimated. In many countries, companies base their entire organisation on the homogenisation of working time. This applies, for example, to the lean production systems in Japanese and most North American automobile plants. In such systems, the redistribution of work has a favourable employment effect only if it is implemented in the form of free days and longer plant shutdowns, since workers cannot then be obliged to work additional overtime. However, this has negative effects on operating hours.

c) The redistribution of work must be accompanied by an active training policy: when skill shortages develop in the labour market, overtime is increased. This was the case, for example, in the British engineering industry. Although weekly working time was reduced to around 38 hours, results from the 1992 European Labour Force Survey show that 33.4% of male employees worked far in excess of 45 hours per week. Despite even greater reductions in working time, the figure for Germany was only 3.6%, since the 1980s training offensive aimed at those born in the years of high birth rates had ensured an adequate supply of skilled labour. In the USA, where less training is made available, skilled workers in the automobile industry work between 500 and 1000 hours of overtime per year. In particular, when skill requirements change in periods of rapid technological change, skill shortages emerge in the labour market that can give rise to an increase in overtime.

d) Barriers to recruitment must be low: surprisingly, the highest levels of overtime are found in deregulated labour markets, such as those in the USA, Canada, the UK and Japan. This relationship between overtime and deregulation has not yet been fully investigated. It is possible that too little attention has been paid in the debate on labour market flexibility to rigidities in decentralised labour markets. One of these rigidities arises out of the fact that when training is firm-specific and not provided in accordance with industry-wide standards, internal labour markets become divided off from each other.

e) The State, the trade unions and the various bodies representing interests at plant level need to co-operate in the redistribution of work: in countries with a more egalitarian distribution of working time, there are either statutory or collectively agreed restrictions on overtime (Belgium and France) or shorter working times for shift and weekend workers (Scandinavian countries). In the case of Germany, works councils ensure that the implementation of a cut in working time does not lead to increased overtime. In periods of declining pay increases, it becomes more difficult for trade unions and works councils to argue against overtime.

f) Working time reductions should be incorporated into long-term bargaining packages: neo-classical economists usually recommend part-time work rather than reductions in standard working time as the only acceptable means of work sharing, since it does not increase wage costs. Most working time reductions in recent decades (e.g. in Germany, Belgium and the Netherlands), however, were traded against long-term wage moderation, with most of the agreements running for long periods. Such long-term packages have the advantage of making it possible to use the productivity increases achieved over a long period to finance wage compensation; in this way, not only can cuts in real wages be avoided but it may even be feasible to agree wage increases. The rapid increase in employment in Germany was combined with such wage restraint. These facts call for a revision of the conventional assumption that a reduction in agreed hours is always an expensive strategy.  

9. The effects of taxation systems on working time and a policy of working time redistribution are unclear and, to date, little studied. This also applies to indirect labour costs. It might be assumed that indirect labour costs might also influence working time in the long run. In so far as these costs are fixed, firms obviously have a
greater incentive to increase the number of hours their employees work than to hire new workers. Thus if indirect costs are proportional to earnings, this effect does not come into play. However, a recent study questions the relationship between indirect labour costs and working time, by comparing the levels of both in a number of OECD countries. On this basis, little relationship is found. “There seems if anything to be an inverse relationship, with those countries with the lowest levels of indirect cost having the highest average hours worked per year (the UK and Ireland, in particular), while the two countries with the shortest average working year, Belgium and Sweden, have the highest level of (adjusted) indirect costs. Moreover, the two countries with among the most regressive schedules of employer contribution rates, the Netherlands and Germany, also had among the shortest working years”.

10. A work redistribution policy cannot have a significant impact on employment levels if it remains confined to individual plants. In many countries, however, the industrial relations system no longer allows trade unions to conclude agreements covering whole industries, regions or even countries. The only option open to trade unions in such decentralised bargaining systems is to rely on initiatives introduced by the state. If such initiatives are not forthcoming, their only course of action in many cases is to react defensively at establishment level. Because of the lack of any real opportunities to have a genuine say in the planning of new working time arrangements, they are usually sceptical about any proposals to flexibilise working time, realising that they will serve only to undermine their already weak position even further. In countries with decentralised bargaining on working time (USA, Canada, Japan), the unions have in the past twenty years lost control over working time at establishment level. Workers’ desire to boost their earnings has won out over more general employment policy objectives and solidarity with the unemployed. However, while the Working Time Law of 1987 and subsequent regulations make the 40-hour week compulsory for all firms in Japan until 1997, the few working time standards still in existence in the USA have been further diluted. One of the first acts of the Reagan Administration in 1981 was to revoke the salary test adjustment defining the exemption for executive, administrative and professional employees under the Fair Labour Standard. As a result, the salary test for executive and administrative employees is now equivalent to $6.25 per hour. In consequence, there are many employees working long hours who are not really executives or professionals. Moreover, federal government research and development procurement bids were set to the expectation of a 60-hour working week for “exempt” employees. The weakening of trade union power, relaxation of working time standards and decentralisation of negotiations on working time make a policy of work redistribution almost impossible to implement. It is in countries like Belgium, Germany and the Scandinavian states, with highly centralised bargaining systems and well-developed representative structures at plant level, that the trade unions are more likely to take an optimistic view of their ability to influence working time policy. In Sweden, for example, the regulations on working time are fairly rigid, but they can be, and frequently are, amended by collective agreements. Compromises are found that satisfy the interests of both employees and employers. This “negotiated flexibility” can produce win-win situations, in which both sides profit, which is not the case when working time flexibility remains unregulated.

11. There are numerous vehicles for the implementation of work redistribution policies. They include a reduction in standard weekly or annual working time, the conversion of overtime worked (or at least the bonuses paid) into extra time off, the conversion of night and weekend premia into extra time off, temporary working time reductions in crisis periods in order to save jobs (as at Volkswagen), various forms of part-time work (e.g. phased retirement programmes), the promotion of parental and training leave and the granting of sabbaticals. Some of these methods are feasible only with State assistance (e.g. parental leave). These various forms of work redistribution vary considerably in their effects and ease of implementation. For example, a reduction in working time is most likely to be accepted by workers if it helps to safeguard jobs. This was the case with the reduction in weekly working time at Volkswagen to 28.8 hours, which prevented the loss of 30,000 jobs. On the other hand, reductions in weekly working time for employees working in research and development will not in fact to lead to a real reduction in overall working time because of the tight time schedules within which projects have to be completed and the particular demands of the work. A redistribution of work in areas such as this can be implemented only by granting sabbaticals between projects. This was why a triennial period for averaging
the length of the working week was agreed for project workers in the German chemical industry. The above-mentioned differences in working time between industries and firms of different size and with different numbers of employees require specific solutions.

12. In many countries, restrictions on overtime are a much-discussed topic in the debate on work redistribution. The German trade unions, for example, have put forward the notion of an “alliance for work”. They have declared themselves willing to peg wage increases to the rate of inflation provided that firms create new jobs. In the short term, such jobs could be created by making it compulsory to offer extra time off as “payment” for overtime worked and by offering more training places. In exchange, the unions have also offered to relax restrictions on the conclusion of fixed-term contracts and the scheduling and duration of the extra time off. Up to now, the negotiations have been characterised by considerable resistance from firms to any reduction in overtime. In recent decades, overtime has become increasingly cheaper for them relative to recruitment costs. The reason for this is that overtime premia have remained more or less constant, while non-wage employment costs have risen considerably. As a result, overtime supplements no longer have any deterrent value. In the USA, they have become an annoying employment cost rather than an effective restraint. Now, when an employer asks employees to work 10 hours overtime, hourly compensation costs increase only by between 1 and 2.4% depending on occupational group (clerical, blue-collar, service). In Japan, overtime premia in the car industry are 30% of hourly rates. However, according to estimates by the Japanese Ministry of Labour, new hiring are not financially worthwhile for firms unless overtime premia are higher than 62.9% of the hourly rate. The same argument also applies to night and weekend premia, which have become relatively cheaper for firms, thus making the extension of operating hours an attractive proposition. This is why many trade unions are now demanding a considerable increase in overtime premia as well as statutory and collectively agreed limits on the amount of overtime that can be worked.

III. INNOVATIVE WORKING TIME ARRANGEMENTS

13. Every practitioner at plant level knows that existing working time structures are vigorously defended by employees, even when they cannot be defended in ergonomic terms and are associated with many disadvantages. Each individual adjusts his or her private life to these time structures and the associated level of earnings and is reluctant to accept changes that may affect many areas of daily life, from shared travelling arrangements to childcare. It often takes a long time for new, more advantageous working time arrangements to gain acceptance. Management is also frequently reluctant to embark upon a reorganisation of working time, on the grounds that it is a massive task that will have wide-ranging implications for the entire system of work organisation. At establishment level, this often leads to alliances between the various conservative elements. Innovative working time arrangements are introduced only when there is pressure for change. Such pressure usually arises out of company crises, recruitment problems, major new investment programmes, legal restrictions on working time, collectively agreed reductions in working time or compulsory restrictions on overtime.

14. Compared with the classic Taylorian structures, some of the more important characteristics of innovative working time arrangements, which also promote employment, are:

a) An increased emphasis on teamwork and multi-skilling: Since employees are not always at work at the same time, they increasingly need to cover for absent colleagues. As a result, employees have to perform a wider range of tasks than previously and to be trained accordingly.

b) The decentralisation of decision-making processes and the delegation of working time management to individual teams: Firms are increasingly unable to manage flexible working time systems at central level, so that management of such systems is devolved to individual work teams. Thus, for example, in many banks, in the
administrative departments of industrial firms and in the civil service, first-generation, individual flexitime systems first introduced in the 1960s and 1970s have now been replaced by so-called "function times". Each team must guarantee to be available to customers at certain times, but the team itself can decide who is present at any one time. Experience shows that conflicts of interest are more easily resolved in teams of mixed composition (in terms of age, sex, family situation), since such groups have a wider range of preferences with regard to their free time.

c) Employees are compensated for their flexibility: Such compensation may be offered, for example, in the form of attractive blocks of free time (long weekends) or through the introduction of a four-day week.

d) Guaranteed levels of earnings: Employees all receive a monthly wage, so that fluctuations in working time do not lead to fluctuations in wages. The transfer from hourly wages to monthly salaries can also be used by many firms to abolish the outmoded distinction between manual and white-collar workers, which is both divisive and an obstacle to co-operation. And workers interested in flexible working times over the working life can now be offered stability of earnings as well. Such employees can save up working time in order to take a year off by working four years full time for 80% of their wage and then taking a year off while retaining the same income.

e) Transparency and employment promoting mechanisms are built into the working time system: One example of such a mechanism might be an arrangement whereby the actual duration of working time is reported regularly to the trade unions or works councils, with negotiations on the recruitment of new workers being held once a certain level of additional hours has been reached. Only through such mechanisms can there be any guarantee that annualised working time arrangements generate positive employment effects. The employment effects vary depending on whether weekly working time fluctuates around 35, 40, 45 or 50 hours.

f) Consultation with employees and the various bodies representing interests: New working time arrangements have a profound impact on existing social structures and require more active participation on the part of individual employees. In progressive firms, not only employees but also their families are given a chance to express their views on the advantages and disadvantages of any changes both before and after the introduction of new working time systems. In order for such changes to gain acceptance, company management should consult the various bodies representing interests at plant level and the work-force, take their objections seriously and give them due consideration in formulating new arrangements.

All these elements of an innovative working time policy can be implemented only in a high-trust organisation, in which employees themselves take more responsibility and can also be confident that due account is taken of their interests.

IV. POLICY IMPLICATIONS

15. It is barely conceivable that the current mass unemployment can be fought effectively unless work redistribution policies are included among the many measures that need to be taken. Such policies cannot be implemented mechanically but have rather to take account of the requirements of firms and employees in respect of flexibility. Consideration must be given to the development of new forms of redistribution, such as annual or pluri-annual working time arrangements with positive employment effects, the granting of extra time off in exchange for overtime, the conversion of night and weekend premia into free time, phased retirement schemes, greater security for part-time workers and the development of parental leave.
16. In completely deregulated labour markets, there seems to be a trend towards increased overtime and a high degree of segmentation between internal and external labour markets. As a result, working time structures become polarised with a consequent impact on earnings distributions. The State and the social partners should consider how, on the one hand, overtime can be restricted and, on the other, barriers to recruitment can be reduced. One quite important starting-point is an active training policy that ensures that working time reductions do not lead to skill shortages. In this context, consideration should also be given to training leave.

17. In decentralised industrial relations systems in which statutory working time standards have also been relaxed, trade unions have little opportunity to influence working time policy. They tend simply to react defensively by fighting changes to existing standards, which often represent their last opportunity to exert any influence in matters of working time. Under such circumstances, the flexibilisation of working time means a shift in power in favour of the employer. Sufficient account is not taken of employees’ interests in the reorganisation of working time. In order to ensure that the restructuring of company working time and work organisation structures leads to sustainable developments rather than the short-time maximising of advantages for the employer, the trade unions must be helped to take a proactive approach. For example, the state can, as in Sweden, Belgium or France, draw up working time standards that can be amended in negotiations between the social partners. In such negotiations, due account can be taken of the specific needs of particular industries and firms, there is sufficient room for manoeuvre to develop new, creative working time systems and employees themselves can help to shape such systems. The precondition for sustainable development in matters of working time is to move from a situation in which one side holds all the cards to such win-win situations.

18. Flexible working time systems are negotiated at plant level. In many countries, however, the work-force is not effectively represented at that level. Clearly, labour law needs to be modified in order to encourage and support the necessary forms of representation at all levels. Effective employee representation can help to improve the communications flow between employers and employees and persuade firms to take greater account of their employees’ working time preferences. This satisfies some of the important requirements for the establishment of high-trust organisations, which are themselves a precondition for innovative working time arrangements.

19. One of the key challenges is how to encourage the diffusion of innovative working time arrangements. The research programmes on the reorganisation of work in the manufacturing and service sectors that exist in many OECD countries should give much greater consideration to working time. In modern organisations, teams or groups will increasingly have to deal with problems of working time. The social partners should agree on ways in which innovative examples can be publicised.

20. There should be deliberate attempts to use certain instruments of working time policy to alleviate insider-outsider problems in the labour market. In the light of increases in long-term unemployment and the ensuing negative consequences for the fabric of society and the hysteresis effects on the labour market, the integration of the unemployed should also be made a priority. Such measures are being tested in the job rotation scheme in Denmark, where government support is provided for firms to hire unemployed people to cover for employees on sabbatical leave.
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NOTES


5. See, for example, Infratest (1989), New Forms of Work and Activity, 5 volumes, Munich.


The following are the threshold values for different sizes of firm: for firms with more than 500 employees, 74.45%; for those with between 100 and 499 employees, 61.6%; and for those with between 30 and 39 employees, 47.4%; Rodohakusho, Labour White Paper 1986.