Changing Patterns of Working Time in Germany — From Shorter Working Hours to More Flexible Work Schedules

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RESUMEN:

La reducción del tiempo de trabajo promete sustanciales efectos sobre el empleo. La reducción del tiempo de trabajo, combinada con la flexibilización del tiempo de trabajo se ha mostrado como una buena experiencia porque permite reducir los costes laborales, mejorar la productividad y mantener el empleo. Los incentivos sobre las contribuciones sociales pueden contribuir no sólo a la mejora del empleo, sino también a reducir la carga del gasto público por desempleo. Sin embargo, esta política de reducción y flexibilización del tiempo de trabajo es también una fuente de conflicto por cuanto comporta reducción de salarios. El reto en la gestión del tiempo de trabajo es como "controlar la flexibilidad."

PALABRAS CLAVES:

Empleo; jornada de trabajo; intensificación del trabajo; flexibilidad tiempo de trabajo; horas extras; bolsas de tiempo; costes laborales; "flexibilidad controlada"

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ABSTRACT:

The reduction of working time promise substacials employment effects. The reduction of working time, combined with flexibilisation of working time shows as a good experience because allows reducing labour cost, improving productivity and maintained employment. The incentives on social contributions can contribute not only to improve employment, but also to reduce the burden of social public expense for unemployment. Nerveless, this policy of reduction and flexibilisation of working time also is a way of conflict because means also reduction of wages. So, the challenge it is how "control the flexibility."

KEY WORDS:

Employment; working time; intensification of working time; flexibility of working time; labour costs; time account models; extra working time; "controlled flexibility."

1. Introduction

For some years now, we have been able to observe a far-reaching transformation of working time regulations. Working time has not only become shorter but also more flexible. Variable models are now replacing the uniform working time systems that used to be the norm in many parts of industry. The reduction of the standard working week and the flexibilisation of the working time are going hand in hand. This process is still going on. At the moment, in Eastern Germany the workers of the metalworking industry are striking for the 35-hours-week. They want to get the same working conditions as their western colleagues.

The article is structured as follows: it begins with an overview on the development of the contractual working time (section 2), goes on discussing the effects on shorter working hours on employment and costs (section 3). The following presentation of flexible working time patterns starts with a definition and categorisation of time accounts (section 4). On the basis of these analytical considerations, it then presents a number of empirical findings that quantify the frequency of time accounts. This will be followed by an explanation of the cost-based advantages of time accounts compared to uniform standard working times (section 5).

- 2. Trends in and position concerning working time
- 2.1 STANDARD WORKING TIME

From the mid 1980s, when a new phase of collectively agreed reductions in working time began, up to 1997, actual working hours per employee (in West Germany)

fell by an average of 160 hours or 9,6% (see Table 1). The reduction in the collectively agreed working week made the biggest contribution to this development, accounting for about two thirds: since 1984, it has fallen from 40 hours in average for the economy to just under 37,5 hours in West Germany and 39,5 hours in East Germany. Another 25% or so of the reduction in working time is attributable to the steady expansion of part-time work, the proportion of which has risen from 13% to just under 19%. Furthermore, the number of overtime hours has fallen slightly by an average of 9 per year and is now 63,5 hours per year and employee.

In East Germany, employees work approximately 90 hours longer than in the West, at an average of 1,594 hours per year. However the difference, which was approximately 130 hours as recently as 1992, has been reduced substantially. The trend towards alignment is essentially the result of reductions in the collectively agreed working week from 40,5 to 39,5 hours, the expansion of collectively agreed holidays from an average of 26,8 days in 1992 to 30,a days five years later, and an increase in the proportion of part-time work from 72,% to 1,8%.

In West Germany the collectively agreed working week ranges from 35 hours in the metalworking and printing industries, on the one hand, to a good 39 hours in the horticultural and agricultural sectors, as well as the construction industry, on the other (see Graph 1). If not all sectors covered by collective agreements have reduced working time at same the pace, this is connected with the individual trade unions' different strategies on working time. Because of sector-specific age structures of the employees and working conditions, some gave priority first of all to collectively agreed early-retirement arrangements, and decided not to go for the 35-hours week until later on. In East-Germany the collectively agreed working week varies between 37 hours in the paper-processing industry and 40 hours in several sectors (post office, public service, chemical industry, etc.).

However, the reductions in collectively agreed standard working time, which began in the mid 1980s, have ebbed away more recently. Since the metalworking and printing industries introduced the 35-hour week in autumn 1995, the trend in the collectively agreed working week has stagnated. Other sectors covered by collective agreements are not catching up.

2.2 Temporary working time reductions

As well as reductions in collectively agreed standard working time, implemented according to the traditional pattern, various sectors have tried new forms of temporary working time reductions in the wake of the sharp setback in economic activity in 1993. The model was provided by the Volkswagen AG collective agreement concluded in 1993 concerning a phased reduction of working time by 20% and/or the introduction of the four-day week. Born out of employment-related necessity, it represents an alternative to the existing staff management practice of mass redundan-

cies, and can be beneficial both for firms and for employees. In the meantime, this new model of reducing working time while safeguarding employment has found an number of imitators.

When compared with reductions in collectively agreed standard working time, the new models differ in several respects (Rosdücher/Seifert 1994): they are much more strictly regulated, and therefore can offer at most only partial wage compensation; they are temporary, and in this respect do not lay down a new standard for working time; and during their term they preclude dismissals for operational reasons. This last aspect in particular must have made the introduction of such agreements possible in the first place: employees forgo some pay in favour of secure jobs and additional, freely disposable time. In the medium and long term it is quite conceivable that the cuts in pay will prove no bigger than possible losses as result of the alternative which would otherwise have occurred: unemployment or a switch to another job with poorer pay.

Firms too can benefit from working time reductions which safeguard employment. They can immediately reduce labour costs, avoid protracted discussions about social compensation plans and the associated costs, do not make an already strained liquidity position any worse, and prevent the loss of experienced teams of workers with skills specific to the firm.

Finally, working time reductions which safeguard employment also benefit public budgets. The Federal Employment Agency saves on expenditure for unemployment benefits or short-time allowances.

- 3. PAST EXPERIENCE OF WORKING RIME REDUCTIONS
- 3.1 Effects on employment

Hardly any question in the past has proved as contentious as the one concerning the employment effects of working time reductions. This is undoubtedly related to the fact that, because of as yet unresolved methodological problems, there are difficulties in quantifying exactly the links between working time reductions and economic growth, productivity and employment. Nevertheless, the numerous estimated results which have been arrived at, based on various methods, leave scarcely any doubt as to the fundamentally positive effects of collectively agreed working time reductions. Even those sceptical about a policy of reducing working time cannot deny certain employment-boosting effects (Hunt 1996).

Numerous assessments ascribe positive employment effects to past reductions in working time (Seifert 1993; Stille/Zwiener 1997). Depending on the method, sector and time-span of the study, the results are scattered between about half and two thirds of the mathematical value of the reduction in working time. On this basis, the employment effect of cuts in the collectively agreed working

week from 40 to just under 37,5 hours, which have been implemented in the economy as a whole since 1984, can be estimated at about 800.000 jobs reserved or created. In other words, without the reductions in the working week, the unemployment rate in West Germany would today be about 3 percentage points higher, and would be well over 13% instead of 10%.

These employment effects do not include the effects of either early retirement, retirement severance pay or partial retirement arrangements, which together have reduced the burden on the labour market by almost 900.000 at peak times (Autorengemeinschaft 1998). Nor do these figures include agreements on sabbatical years, e.g. in the teaching sector, or arrangements on child-care leave. Even these methods of reducing working time have their origins exclusively or mainly (in conjunction with statutory regulations) in collectively agreed initiatives and arrangements. Finally, the proportion of part-time work, which has risen steadily (in West Germany) since the mid 1990s from 13% to 26%, is responsible for further positive employment effects of somewhere around 350.000.

While there is no disputing the effectiveness on employment of these methods of cutting working time, reductions in the collectively agreed working week are still denied equivalent wholehearted endorsement. The sceptics are at least prepared to concede minor employment-boosting effects, as long as the criterion of cost neutrality is met (Franz 1997). These analyses make no allowance for the effects of working time reductions in safeguarding jobs, which can constitute a considerable part of the overall employment effect especially in times of slow economic activity. Moreover, the cost reductions resulting from lower payments for short-time allowances and unemployment benefit are frequently disregarded, but these have a beneficial effect on contributions and/or ancillary wage costs. In addition, the assumption that working time reductions would increase the amount of overtime, and thus diminish the employment effect and trigger excessive increases in costs, cannot be proven empirically in respect of the past.

Another analysis confirms that working time reductions are responsible in the short term for quite substantial employment effects, which do however decline sharply in the course of time (Klauder et. al. 1996). This trend is explained by a pattern of wage formation which is determined by bargaining power: shorter working hours would reduce unemployment, the improved labour market position would enable higher wage deals to be concluded and thus would ultimately have a negative effect on prices, economic growth and employment. In the medium term, this chain of effects would once again negate a good proportion of the quite considerable initial successes of working time reductions.

These doubts can be countered with a collective bargaining policy which is gea-

red to medium-term growth and employment targets, and which defines the calcula-

ble margins for increases in leisure time and income. Firms would not only gain planning certainty, they would also have time to organise themselves to implement working time reductions and also to recruit, train and incorporate additional staff, and to utilise the machinery of labour market policy for this purpose.

The more critical analyses concede that there may be positive employment effects only as long as working time reductions are made without wage compensation. Empirically, it is difficult to answer the question as to wage compensation, since it is not known what wage settlements trade unions and management would arrive at, or would have arrived at, without working time reductions. Past collective settlements have agreed reductions in working time and wage increases at the same time, and have allowed for both components in the framework of an overall distribution package. In other words, without working time reductions, wages and salaries could have risen more sharply given the appropriate scope (determined by productivity trends) for distribution. On balance, past collective agreements show that the growth in the two components taken together did not fully exhaust the neutral scope for distribution, which can be seen from the much lower wage ratio. In any case, as far as the past is concerned, the argument put forward against working time reductions, to the effect that they would trigger a sharper rise in labour costs than would be the case with purely monetary wage settlements, has proved to be unsound, as is also shown by recent simulated calculations (Stille/Zwiener 1997: 83 ff.).

3.2. Intensification of work

Admittedly, the on the whole considerable employment effects cannot obscure the fact that past reductions in working time were linked with a further intensification of work. As the various assessments, of the employment effects show, only about half to two thirds of the mathematical value of working time reductions do in fact haven an impact on employment (Seifert 1993). Firms have been able to absorb a not inconsiderable proportion of the reduction in working time by means of increases in productivity, especially by further intensifying work. However, this offsetting should be attributed less to decreasing symptoms of fatigue as a result of shorter working time than to the effects opportunities for a flexible organisation of working time, conceded in exchange for shorter working hours. In particular, the opportunities for variable distribution of working time, introduced in various forms by way of time accounts, have proved to be an effective means of rationalisation (Klenner 1998; Seifert 1998). They allow the deployment to labour to be synchronised with a fluctuating order book more accurately than is the case with traditional, rather rigid standard working hours; they also allow idle periods to be reduced and savings to be made in storage costs and overtime premiums.

From the employees' point of view, it is probably not always possible to determine precisely whether the intensification of the pace of work over the last few years

should be attributed to cuts in or greater flexibility of working time, especially since changes in both time dimensions have partly gone hand in hand. Although the assumption that, under the influence of globalised competition, firms would have resorted to rationalising and intensifying work even with unchanged standard working hours, seems plausible and is substantiated by experience in sectors with constant working time, in future a credible working time policy will be unable to avoid the difficult problem if performance monitoring and limits. From this point of view, the specific form in which working time reductions are implemented plays an important role. At the same time, there is the question of to what extent a further rise is possible at all, given the present high degree of labour intensity, and whether many sectors have not already reached limits which it would be counter-productive to exceed (shortcomings in product quality).

4. Flexibilisation of working time

4. 1. TIME ACCOUNT MODELS

"Time account" is the term used to describe a system based on traditional bookkeeping methods for measuring the working hours of an individual employee. Registration of actual time worked becomes necessary as soon as working hours are unevenly distributed over time and could therefore deviate in an upward or downward direction from collectively or individually agreed average working times. It is above all these deviations from the notional standard or average working time that need to be recorded and balanced out. For this reason, time accounts – like monetary accounts – have credit and debit sides for time owed by company and time owed by the employee. The "account balance" shows the accumulated deviation from the accumulated standard or average working time.

Although time accounts are managed as individual accounts like personal bank accounts,¹ they differ from the latter in several ways:

- In contrast to the situation with bank accounts, management of these accounts is generally not solely in the hands of the account holder. The companies can also influence the point in time and extent of movements (deposit/withdrawal) on the time accounts of employees.
- Most account systems provide for balancing of the account statuses within a defined period. Permanent time debts or credits are (still) generally inadmissible.
- Debit and credit lines (or top and bottom limits) limit both the credit and debit sides of most working time accounts.
- Finally, it is still anything but common for interest to be accrued on time credits or debits. This means that time credits are like an interest-free loan given to the companies by the employees, while the employees (as debtors) benefit when they owe time.

There are different types of time accounts. The "pioneers" were the flexi-time models created in the 60s. They led to the creation of the first time accounts, opening up the way for variable distribution of working time. This "original type" has meanwhile become established in a variety of forms. It is possible to distinguish between the following basic models (Seifert 1998):

- (1) Flexi-time models: with this model, the start and end of daily working time can fluctuate around a minimum working time (core working time) within defined corridors (framework times). The potential for time-based flexibilisation has been on the low side to date but is gradually increasing (Herrmann et al. 1999).
- (2) Overtime accounts: as an alternative to the traditional practice of compensation for overtime, time accounts provide the option of subsequent time-based compensation.
- (3) Saving models: these models are primarily based on special methods for implementing collectively agreed working time reductions that work as follows: despite collectively agreed working time reductions, the effective standard daily or weekly working time initially remains unchanged. The difference between actual and agreed standard working time is accumulated on time accounts and balanced out at a later date by means of corresponding leisure time periods.
- (4) Bandwidth models: in this model also called corridor model the agreed standard working time permits deviations within defined bandwidths; these deviations are recorded on time accounts and must be balanced out relative to the standard working time within set periods.

These basic models, together with numerous sub-variants, have now become commonplace in modern companies. The models mainly differ in terms of the specific "use types" or time elements that can be recorded as well as with regard to the way they are organised²). There are differing provisions for account management both in collective agreements and company-level agreements (Bispinck 1998). In some cases, different accounts are managed parallel to one another. Other models also comprise options for the transfer of time elements between different account types (from short-term to long-term accounts – similar to the transfer of money from current to savings account). In some cases, it is even possible to convert time credits into monetary categories.

4.2 Distribution levels

We are gradually starting to close the information gap on the question of the spread of time accounts. We can now draw on the findings of two company surveys (DIHT 2000; Bellmann/Ludewig 2000³), two staff surveys (Bundesmann-Jansen et al. 2000⁴; Federal Statistics Office 2002), and two surveys of works councils (Seifert 2001⁵); these surveys were conducted during a relatively short time-span between 1999 and 2002. As the surveys differ markedly in terms of methodology⁶, it is not

surprising that their findings for the quantitative presence of time accounts also differ. Depending on the survey, working time accounts are in place in somewhere between 30% and 70% of companies (or cover the corresponding percentages of the workforce).

Notwithstanding these methodology-based differences, the available surveys agree that the spread of working time accounts has increased rapidly in recent years. Moreover, they all confirm that the presence of these time accounts is largely dependent on size of company – and that their existence differs from sector to sector.

According to the WSI works council survey⁷ conducted in 2002/03, 71% of companies (with works council and at least 20 employees) make use of time accounts to regulate working time (Figure 1). The sector with the highest score (92%) is the capital goods industry, with "other services" (61%) and trading (64%) at the other end of the scale. The spread of working time accounts also depends on the size of company (Figure 2), although even the majority of small companies (with between 20 and 50 employees) have introduced working time accounts. In companies with works councils at least, working time accounts are now a standard feature of everyday working life.

4.3Cost aspects

The organisation of working time using time accounts generates major cost advantages for companies compared to the traditional system of "standard working hours". Time accounts enable the companies to adjust work volumes to suit the current order situation. However, need-oriented time management does have certain preconditions. It is dependent both on the bandwidth for variable working time organisation as well as on the power to make the necessary decisions in the area of account management. Depending on the agreed regulation procedures and leeway for variabilisation, the planning of work deployment using time accounts can help to tackle a wide range of problems and can serve as a functional equivalent to traditional forms of flexible work planning. Time accounts extend the company leeway for internal adjustment flexibility to suit demand requirements and can supplement or replace external numerical flexibility (above all in the form of fluctuating workforce size).

Based on the length of the adjustment intervals, we can distinguish between different purposes for time account-controlled variable working time distribution: (1) short-term, regular or erratic (due to employee absence) or (3) fluctuating cyclical order volumes and personnel requirements. Depending on the problem in question, time accounts can then serve as a functional equivalent to overtime, leasing of employees, limited employment contracts, short-time working, or the see-saw between redundancies and new recruitment. To the extent

to which companies succeed in using time accounts to synchronise work deployment with demand curves and/or customer frequencies, it will also be possible to reduce the cost of stocks and downtimes. If the time accounts are based on collectively agreed bandwidths for variable distribution of standard working time, it will also be possible to reduce the number of overtime hours for which extra wages have to be paid, and thus reduce labour costs. In the typical seasonal sectors, work deployment planning using time accounts could render limited employment relationships superfluous, avoid the cost of recruiting and instructing seasonal employees, and help to convert limited employment relationships into permanent ones. If time accounts are used to cushion weak economic cycles and avoid or at least reduce short-time working, the companies can save on the social insurance contributions that they would otherwise have to pay for time not worked during short-time work phases. If they even succeed in avoiding redundancies, they also avoid redundancy costs (as well as subsequent recruitment costs when the economy picks up). This mechanism, which primarily controls work deployment via internal flexibility, becomes even more effective with increases in the limits for time credits and debts as well as balancing periods. A further precondition is that the management of time accounts and the saving and expiry of time credits are closely synchronised with the economic cycle. However, this kind of work distribution based primarily on cyclical criteria can conflict with the personal time needs of employees.

The introduction of an efficient time account management system (setting up, managing and monitoring of time accounts) certainly costs money (Autorengemeinschaft 2000). However, these costs are probably easily offset by the cost benefits resulting from time accounts. Then there are the costs arising from the change in work organisation routines and the necessary extension of qualification measures. Above all, this expenditure will be necessary if time accounts are designed to balance both company requirements and the time-based interests of employees. The more autonomous the system of work organisation, the flatter the company hierarchies, and the broader the qualifications of employees (enabling them to stand in for each other when there are time bottlenecks) – the more likely this difficult tightrope act is to succeed (Seifert 1991). Functioning flexibility has its price.

5. Conclusion

To sum up, it can be said that working time reductions certainly promise substantial employment effects, but if they are to remain neutral in terms of distribution they are likely to encounter acceptance problems among employees because of income restrictions. This obstacle could be overcome by means of public aid which has neutral costs, along the lines of the incentives introduced in France in the field of social insurance contributions.

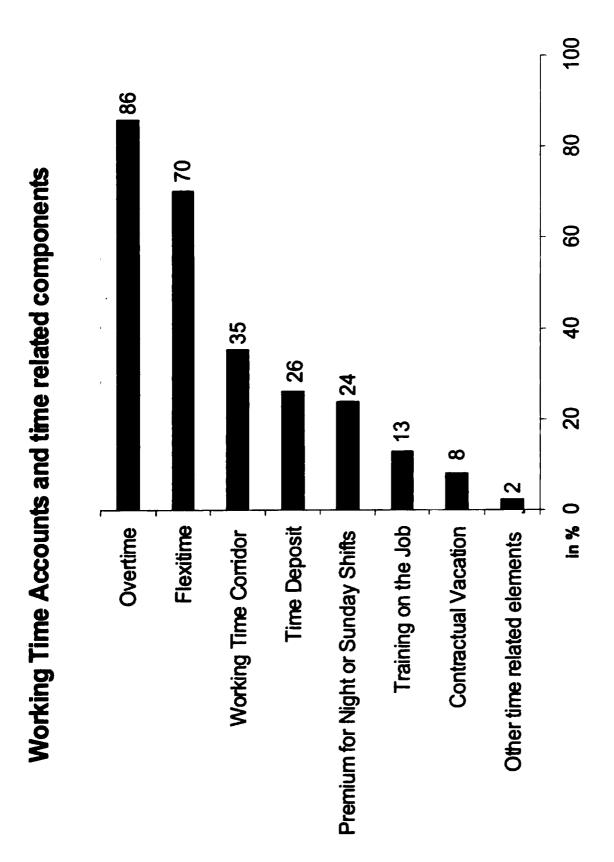
If working time reductions are rejected, the high costs of unemployment will be a permanent burden on both public and private budgets. They will also prevent any perceptible reduction in ancillary wage costs and thus limit the scope for alternative investment in training, research and development or other infrastructure areas aimed at promoting growth. In this context it is a positive experience, that working time reductions can be combined with working time flexibilisation. This combinations of shorter and more flexible time patters can help to reduce labour costs as well as to boost productivity.

In view of the available empirical findings, it appears justified to describe the replacement of standard working time by the increasing practice of time accounts as a process of "controlled flexibility". At least in the companies with works councils, the introduction of time accounts mainly goes hand in hand with a fixed framework with defined limits and stipulations for the organisation of variable working hours. Companies can increase their internal flexibility, while employees enjoy increased leeway to coordinate working and non-working time.

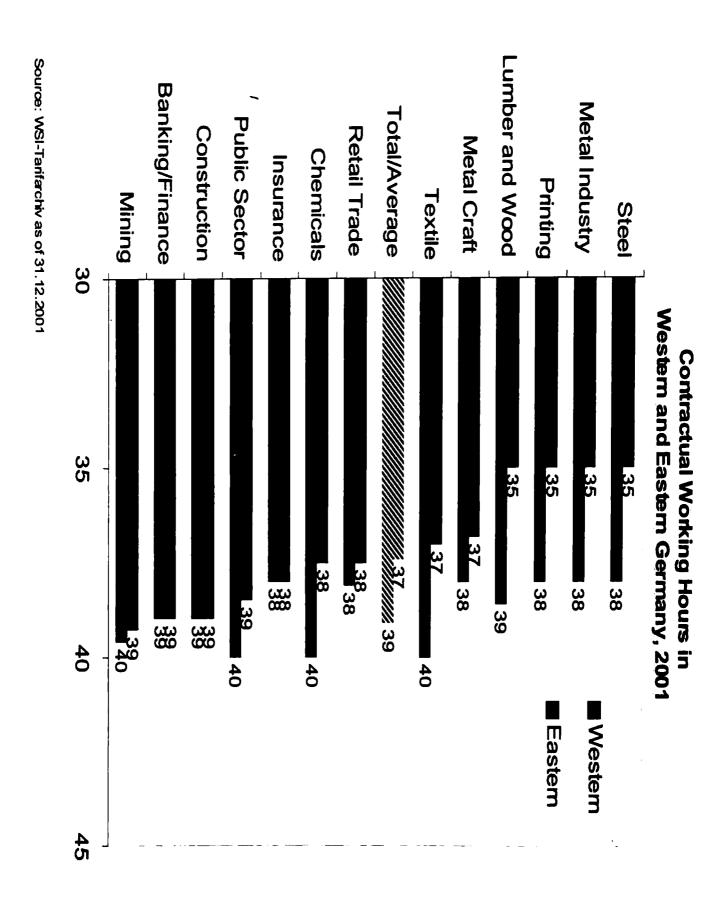
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- 1 This analogy appears to be practical for our purposes, as the time credits and debits are monetary claims that the employee can assert vis-à-vis the company for a service that has already been provided but not yet paid for or vice-versa.
 - 2 In particular, the maximum limits for saving and owing are set at different levels.
 - 3 Referred to below as the IAB survey.
 - 4 Referred to below as the ISO survey.
 - 5 See footnote 1 on the second survey of works councils.
- 6 Both the company and works council surveys specify the percentage of companies in which time account systems are practised, whereas the staff surveys measure the percentage of employees who have time accounts. In contrast to the company surveys, the works council surveys exclude companies with fewer than 20 employees as well as companies without works councils, and it can therefore be assumed that the latter figures tend to overstate the percentage of companies which operate time accounts. Moreover, the different surveys use different definitions of "time accounts". The ISO survey, for example, does not take account of the aforementioned saving models. The microcensus is also based on a narrow time account definition and does not include annual working times. Consequently, the last two surveys can be expected to understate the incidence of time accounts. The IAB survey does not use hard-and-fast definitions, meaning that we do not know whether it covers all types of accounts.
- 7 The empirical findings outlined below are from the WSI surveys of works/staff councils dated 1999/2000 and 2002/03. (See Schäfer 2001 for information on methodology)

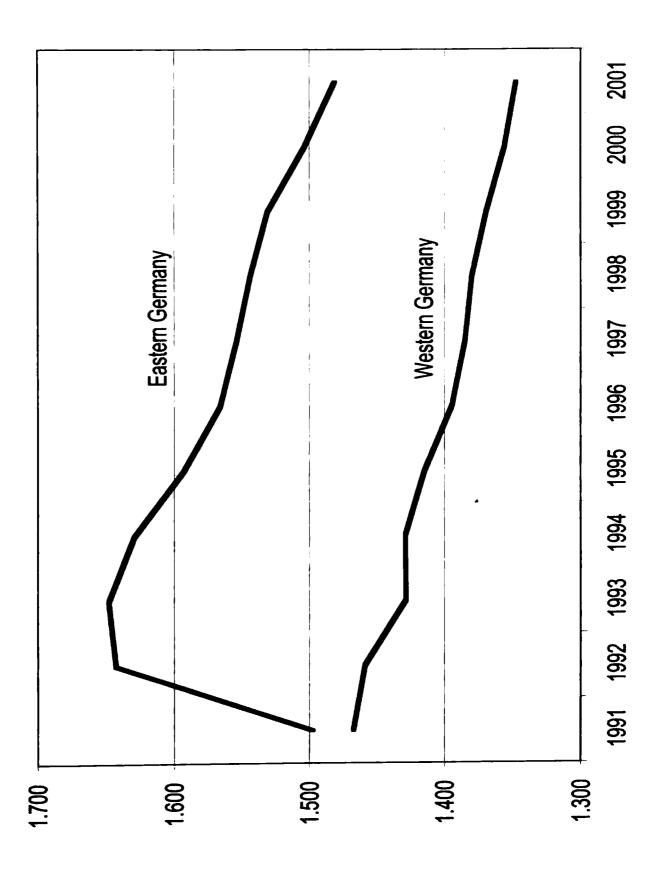


Source: WSI Works Council Survey 2002/03.

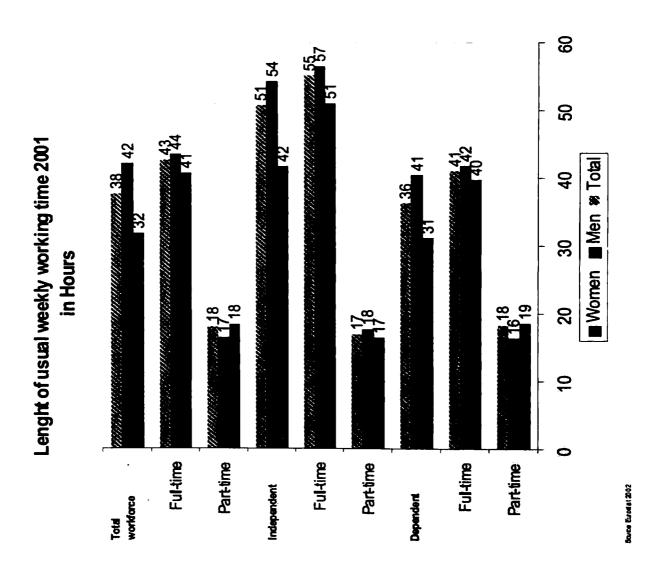


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Average annual working hours







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