

THE WORK-SHARING BOOM: EXIT RAMP TO A NEW ECONOMY?¹

Juliet Schor^{©2}

To cope with the recession, some companies are cutting hours instead of employees. Will the trend have long-term effects? Twenty months into the United States' worst recession since the 1930s, standard approaches for putting people back to work are proving increasingly inadequate. Corporate bailouts, tax cuts, government spending, and stimulative monetary policy have been the mainstays of the government's response to the downturn. But unemployment has remained stubbornly high, and job creation has been far below what is needed to return the labor market to its pre-crash state.

There is one bright spot on the policy agenda: work sharing. Government policies that encourage companies to reduce hours rather than lay people off are getting a new look. Operated through the regular unemployment insurance system, state-based work sharing programs are a straightforward way of spreading and diffusing the impact of downsizing: Workers whose hours have been reduced in order to save jobs at their company are able to claim unemployment benefits for the lost hours, retaining a portion—typically half—of their lost wages. Companies have to maintain benefits for these workers; depending on the state, there can be some other requirements as well.

Shorter work time (SWT) schemes have been around for years, although they have tended to be a little known, even esoteric part of labor market policy. They are far more prevalent in Europe, where they originated in the early 20th century and expanded after World War II. SWT schemes didn't come to the U.S. until the late 1970s, when California implemented an informal version to cope with stagflation, followed by a formalized policy in 1982. Ten years later, the federal government made these schemes a permanent part of labor market policy through an amendment to the Social Security Act.

After the Crash: A Work-Sharing Boom

Work-share programs are probably the best way to respond to a short-term reduction in economic activity. But they also form a key pathway to a saner economy. The National Association of State Workforce Agencies estimates that work sharing resulted in 166,000 jobs saved in 2009—a record number, and almost triple the number from 2008. New York, in particular, has been aggressively pushing its program, and use has also exploded in a number of other states. Before the crash, 17 states allowed workers to collect unemployment insurance on the wages they lost when their hours were cut. (Those states were Arkansas, Arizona, California, Connecticut, Florida, Iowa, Kansas, Massachusetts, Maryland, Minnesota, Missouri, New York, Oregon, Rhode Island, Texas, Vermont, Washington). Two more states, Colorado and New Hampshire, have passed work-sharing policies in recent months, and both programs are already operating. Five more states—Pennsylvania, New Jersey, Hawaii, Ohio, and Oklahoma—are

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considering adopting similar policies. As of this writing, the Pennsylvania bill had passed the state's lower chamber and was awaiting action in the Senate.

Common Sense for Saving Jobs

SWT won't do too much to put today's unemployed back to work directly. But it can play an important role in preventing more layoffs, which in turn improves job prospects for all. Still, timing is crucial. SWT is most effective during the early months of a recession, when companies are deciding how to respond. If the economy goes into a double-dip and weakens even further, SWT could be an important stabilizer. Getting more states involved and expanding awareness of the programs that do exist should be urgent priorities.

Germany—which responded to the crash primarily through the adjustment of hours, and whose unemployment rate barely increased—is an outstanding example of how to do this. A federal scheme to replace lost wages (*Kurzarbeit*) accounted for about 20 percent of the reduction in hours; private bargains between employers and unions, canceled overtime, and flexible use of vacation and other time off was responsible for the remainder.

Productivity has been on the rise for decades, but we've been using the benefits of increased productivity to consume ever more stuff—which we often don't even have time to enjoy. Nor was Germany the only country to use schedule changes to cushion the collapse. Korea, Norway, and the Slovak Republic also used hours for more than 95 percent of their labor market adjustment; Belgium, Italy, Finland and Japan were also big “hours” (rather than jobs) adjusters. By contrast, in the U.S., employers responded almost wholly with layoffs.

Even with the growth in work-share programs, SWT has not yet been used in the U.S. nearly to the extent that it could be. Jack Reed (D-RI), has introduced a bill in Congress to encourage more states to join the program and to ensure its continued funding. The politics of work sharing are encouraging for their broader application in the U.S. Such programs are cost-neutral for badly-stretched unemployment insurance funds, so they don't run afoul of anti-spending sentiment. Though they have historically been associated with the progressive side of the fence, they appear ideologically neutral. Ben Bernanke has given them his seal of approval; businesses often like them because they save on re-hiring costs. They are also, rightly, perceived as fair—rather than concentrating the pain of unemployment in a small number of people, they allow it to be shared equally. In the parlance of the day, they're generally considered to be win-wins.

Exit Ramp to a New Economy

Work-share programs are probably the best way to respond to a short-term reduction in economic activity. But they also form a key pathway to a saner economy. Reducing work hours improves work-life balance for many overworked, overstressed employees. Americans frequently report that what they most sense to be missing from their lives is the time necessary to enjoy them; research on well-being also indicates that adequate time is at the core of a healthy, happy life. Overworked employees report more family tension, less happiness, and more stress. This is a particular problem for Americans, who work between 100 and 350 more hours each year than workers in comparably wealthy countries.

Instead of 10 percent unemployment, what if we worked 10 percent fewer hours? Surveys done before the crash indicate that between 30 and 50 percent of Americans say they would prefer to work fewer hours, even for less pay. However, the structure of the labor market—including the need to work full-time to receive benefits—has made that difficult. That's why taking advantage

of SWT now, at a time when hours have fallen due to the shortfall in demand, is a golden opportunity.

Reduced hours can also lead to smaller ecological footprints, as I explain in my recent book *Plenitude*. Productivity has been on the rise for decades, but we've been using the benefits of increased productivity to consume ever more stuff—which we often don't even have time to enjoy. Those additional material goods (not to mention those extra miles of commuting) have a major impact on the environment. Research shows that longer work hours are associated with more ecological degradation. Working less typically leads to reduced spending and also a shift to lower-impact forms of consumption: taking the bike instead of the car; cooking at home instead of buying fast food. For the ecologically aware, the preference for SWT over standard job creation measures such as stimulus spending or tax cuts should be clear.

By helping to institute a new, shorter hours regime, in which increases in productivity result in time off the job rather than more material output, work-sharing programs help maintain labor market balance even if economic activity is stable or falling. That's the win-win that has yet to factor into the mainstream discourse on shorter work hours—and the reason why reducing hours equitably in a recession is an exit ramp to a new economy.