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A close-up photograph of a silver stopwatch resting on a white computer keyboard. The stopwatch's face is green with white markings for minutes and seconds. The background is a solid green color with a white dotted line curving across it.

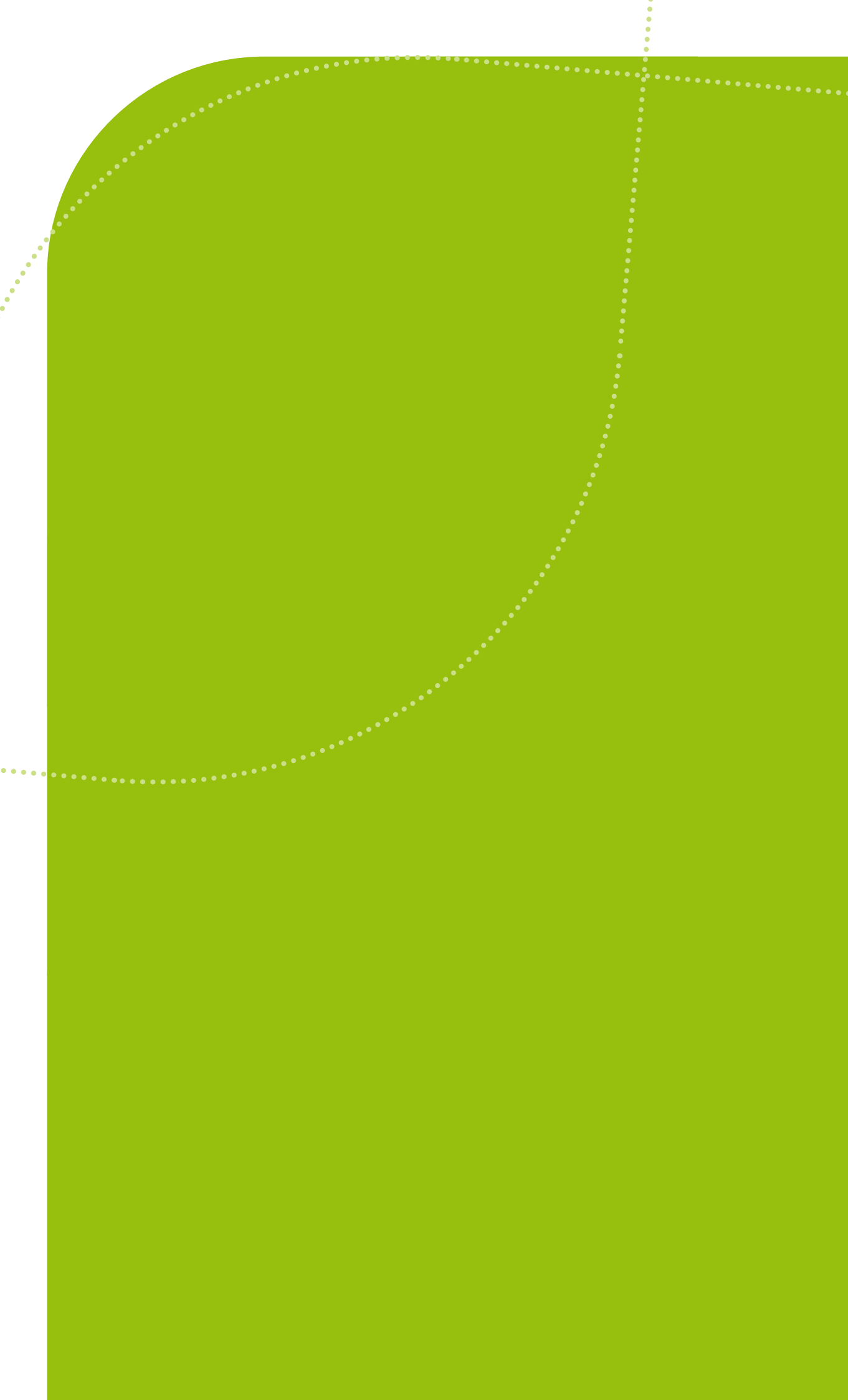
Work more? Work less?

What should be done
so that we can all work
and perform better?

Jean-Marie Perbost



The Greens | European Free Alliance
in the European Parliament



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we can all work and perform better?

Author: Jean-Marie Perbost

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Contents

Foreword	5
Executive summary	6
Context	9
1. The real level of underemployment in Europe	11
1.1 Crisis: an unprecedented level of unemployment	11
1.2 Insecurity on the labour market	14
1.3 Hidden unemployment: chronic underemployment	15
2. Who works the most? Working hours in the different European countries	21
2.1 The actual full-time working week	21
2.2 The average actual working week	22
2.3 Annual actual working hours	23
2.4 Taking into account annual productivity per employed active person	24
3. What is the link between working hours and unemployment in Europe?	27
3.1 No link between annual working hours and the unemployment rate	28
3.2 No link between the full-time working week and the unemployment rate	28
3.3 Link between the actual working week and the unemployment rate	29
3.4 The proportion and duration of part-time work explain differences in the unemployment rate	30
4. What form of job apportionment is the most effective against unemployment?	33
4.1 The three current models of job apportionment in Europe	33
4.2 Better job apportionment, more focused on full-time	34
4.3 Working time policy during the crisis: comparison between Germany and France	37
5. What new job apportionment policy should be introduced?	41
5.1 Faced with the rise in productivity and the fall in growth...	41
5.2 ...is it possible to improve job apportionment to boost employment?	46
5.3 Where to from here? Learning from past experience in Europe	52
5.4 Virtuous apportionment	55

Foreword

There are numerous reasons to assess 'work' in the context of the Green New Deal. Clearly, a central goal of the sustainable transformation of our economy is to create quality green jobs. However, if we want to ensure prosperity and a decent quality of life for all, within the physical limits of our planet, old recipes will not work. The Green New Deal proposes true change to a system based on creative and innovative thinking.

Working time could play an important role in this system change. Working less is likely to improve the quality of life for all, ensuring a better balance between work and leisure or family time. By giving priority to free time over productivity and consumerism, a collective reduction of working time could promote more sustainable consumption patterns, increase community involvement, and achieve a better distribution of roles between women and men.

Redistributing working time is a way to redistribute wealth between capital and work, as well as among workers, thus helping to promote social justice. It could also be a powerful tool to address the challenges of high unemployment in Europe, which this study specifically deals with.

This study focuses on new ways of sharing working time as a basis to build an alternative model of development and employment in Europe. Can the increasing level of productivity since the 1970s be used to help address unemployment?

The recent economic and financial crisis has had a major impact on workers and unemployed people. In Europe, the unemployment rate is unevenly spread, also across different sectors of the economy. Unemployment rates seem to remain at very high levels and public policies seem powerless. Is this really the case? What is wrong with the tools implemented during the last 20 years? Is a shift in the way public policies traditionally deal with working time and professional transitions necessary?

According to official statistics, the 35-hour working week in France created 350,000 jobs between 1998 and 2002. By creating new jobs, lowering precariousness and reducing the severity of working conditions, this policy has created the conditions to provide decent jobs for all.

Clearly, there are several challenges when considering this policy instrument. First, to establish an efficient system of vocational training in order to avoid skill shortage would be a must. The management of actual working time schemes is another issue: how should flexibility be organised at the micro and macro level in order to ensure collective as well as individual benefits? The supply of quality comprehensive public services is also essential as it can compensate a marginal loss of income for full-time employees, by providing services that improve quality of life. A flexible implementation of new working-time schemes would also be necessary, either via legislation or collective agreements between social partners. Finally, the question of financing needs to be looked into. Quite challenging, the equation will have to be based on a big fiscal reform, allowing a fair transition for all.

This study makes an important contribution to this necessary debate, relying on the reality in Europe's labour markets. It draws on examples from Germany, France and the Netherlands. This study includes a focus on how we could all work and perform better, making recommendations to policy-makers and all stakeholders. Work more? Work less? It is time to reopen the debate!

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Executive summary

A study by Jean-Marie Perbost for the Greens/EFA in the European Parliament
June 2011

Through an exclusive analysis of various variables on the European labour markets, this study aims to contribute to solutions to fight against unemployment and in favour of well-being at work, through work sharing.

1. The real level of underemployment in Europe

At the end of 2010, the official rate of unemployment in EU-27 reached an unprecedented 9.6%. At the same time, insecurity on the labour market (temporary contracts, low wages, etc.), which was already present across Europe before the crisis, has increased since 2008. Before the crisis, the unemployment rate was lower, with however strong disparities between countries.

The indicator *full-time equivalent employment rate of the active population* (i.e. the total number of full-time jobs in the economy divided by the total active population, or the actual amount of work offered by an economy per 100 people), shows that the actual rate of employment is similar in most European countries, despite different unemployment rates. They offer jobs (in full-time equivalent) to 84% of the active population and 61% of the working-age population. Consequently, when comparing European countries or designing social convergence policies, it could be relevant to use an indicator of total employment rather than the unemployment rate.

2. Who works the most? Working hours in the different European countries

Despite different norms, European countries are little different in terms of actual full-time working week (between 39 and 43h). However, the average actual working week varies more significantly, from 31.7h (the Netherlands) to 41h (Greece), because of differences in the number of people working part-time. Differences are also significant when comparing annual actual working hours, due to annual leaves or rest days differences. Finally, productivity rates of European

countries differ largely, the most productive countries being not necessarily the ones where one spends the most time at work.

3. What is the link between working hours and unemployment in Europe?

No link can be established between the average annual working hour or full-time working week and the unemployment rate. However, we can observe that unemployment increases with the average actual working week, which includes full and part-times. The way work is shared has a clear impact on unemployment. No European country managed to achieve a rate of unemployment which is below 6% without having a mix of at least 25% of part-time workers, with average working hours not exceeding 21 hours.

4. What form of job apportionment is the most effective against unemployment?

Europe presently has three main models for distributing employment. In the 'radical' model (Nordic countries, Austria, Netherlands and UK), work is shared out on the basis of three quarters full time and one quarter part time. No inherent limit is put to this logic; it is the bargaining and/or market forces that determine the division of work, with as a consequence 25% of workers on low salaries. The 'catch-up' model is the traditional model where part-time is still underdeveloped (Eastern and Southern countries). Finally, in the 'blocked' model, like in France or Belgium, the result is the rejection of large scale part-time work, with consequently a higher cost in terms of unemployment.

If we reject both massive part-time work and unemployment, the solution is to reduce full-time working hours. Two dangers of part-time work are also underlined. Firstly, below a certain level of part-time, an excessive fall in income opens the way to risky levels of personal debt. Secondly, part-time is nowadays largely 'feminised' and increases gender imbalances.

5. What new job apportionment policy should be introduced?

In 40 years, we have made more productivity gains than over the last two centuries. Yet, during this same period, growth has become too weak to create enough new jobs to compensate for the destruction of jobs due to productivity increases (in particular in the industrial sector). On the one hand, current trends reveal that it is illusory to count on a sufficient future growth increase to solve this problem. On the other hand, despite the possibility for a slow-down of productivity gains in some sectors (for example in agriculture), productivity gains are not likely to diminish in the economy as a whole. We must therefore adapt our economies to this matter of fact (low growth and high productivity) by sharing work differently. Since 1970, the high increase in productivity has indeed created a gap between supply and demand on the labour markets, creating structural unemployment, which a reduction of individual working time could partly solve.

It is important to note that reducing working time is not a new phenomenon, since all countries have, at different speed and with various modalities, sometimes recommended by the left and trade unions, but also through various so-called right wing politicians.

Each model of working time apportionment can be improved in favour of more employment, taking national specificities into account. The 'radical' model could be rebalanced by limiting

part-time to 25% of the total jobs, and by increasing their average working week to around 24 hours. For the 'blocked' model, a solution would be to organise a generalised reduction of full-time hours, whilst not exceeding 15% of part-time workers.

Finally, lessons can be drawn from various European experiences for a successful implementation. First, the example of the 'polder model' in the Netherlands underlines the importance of shifting from a culture of confrontation to one of cooperation in negotiation processes. Second, the Danish flexi-security shows the importance of envisaging all financial flows affected by job apportionment to assess its real benefits. The 35 hours law in France has demonstrated, at least theoretically, that when business subsidies are conditional on a certain amount of new recruitment, it is possible to hire more people with no extra cost to the State, the companies and the workers. Finally, the example of Kurzarbeit, successfully implemented in Germany in times of crisis, illustrates the possibility to quickly put in place simple and effective tools.

Due to the massive job creation which results from it, improving how working hours are currently shared out also means rebalancing society on at least four other aspects: reducing gender inequalities, a better work distribution between insiders and outsiders (in particular young people), more balance between professional and personal life, and a better distribution of added value between capital and work.

Context

In Europe today, unemployment has reached record levels. It is at its highest ever level since the euro area was created, at 10.1% of the active population in November 2010, with 15.9 million unemployed.¹ In the European Union (EU-27), the unemployment rate is 9.6%, or more than 23 million people. This represents an extra 4.3 million and 7.5 million unemployed, respectively, since the start of the crisis in mid-2008. Added to this are jobless workers who have given up looking for employment, as well as a dramatic rise in temporary and involuntary part-time contracts.

Although the severity of unemployment is without question, the means used to tackle it differ across Europe. While the IMF fears 'growth without jobs', and numerous economists have said that Europe, like Japan, is headed for a very long period of weak growth (average growth in Japan has only been 0.95% since the crash in the early 1990s), European trade unions want to reopen the debate on the reduction in working hours. This could be a 'defensive' reduction in working hours, as in Germany, where *Kurzarbeit* (short-time working) has prevented the loss of between 700,000 and 1 million jobs, or a proactive reduction, as proposed by the General Federation of

Belgian Labour (FGTB), which wants to reopen talks on the four-day week across all sectors of the Belgian economy. In Italy, Silvio Berlusconi's government encouraged firms to follow the German model and to cut working hours rather than lay off staff. By contrast, in France the government still wants to encourage overtime.

In many countries, and across the EU, the debate over working hours is still raging, yet it is often muddled, and it can be difficult for citizens and their elected representatives to form a clear understanding of it. For the European Trade Union Confederation, 'the economic crisis is giving a particular edge to the debate on working time and adaptability.... The logical thing to do is to promote solutions which keep as many workers as possible in employment, rather than putting pressure on some workers to make longer hours!'² Why is this 'more logical'? What are the 'solutions'?

Beyond ideological posturing and political slogans, what is the reality in Europe's labour markets? Can a change in working hours help tackle unemployment and improve working conditions?

Work more? Work less? What should be done so that we can all work and perform better?

¹ Eurostat, *Euro-Indicators* No 5, 7 January 2011.

² ETUC Executive Committee, 1-2 June 2010.

'Only a fraction of the available human labour in the world is needed for the production of the total amount of consumption goods necessary to life. Under a completely free economic system this fact is bound to lead to unemployment.

[...]

This same technical progress which, in itself, might relieve mankind of a great part of the labour necessary to its subsistence is the main cause of our present troubles.

[...]

There are, however, two respects in which this economic freedom ought to be limited. In each branch of industry the number of working hours per week ought so to be reduced by law that unemployment is systematically abolished. At the same time minimum wages must be fixed in such a way that the purchasing power of the workers keeps pace with production.'

Albert Einstein, The World As I See It³

³ Collection of documents written for the most part between the First and Second World Wars.
First edition: Europa Verlag AG Zürich, 1953.
Flammarion, 2009, for the French edition, pp. 106-110.
Chapter *POLITICS AND PACIFISM* / Text: *Reflections on the global economic crisis.*



1. The real level of underemployment in Europe

1.1. Crisis: an unprecedented level of unemployment

The current economic crisis has been accompanied by an exceptional rise in unemployment, which has reached record levels in Europe. At the end of 2010, unemployment in the European Union (EU-27) was 9.6%, or more than 23 million people. At the same time, unemployment was at its highest ever level in the euro area since its in-

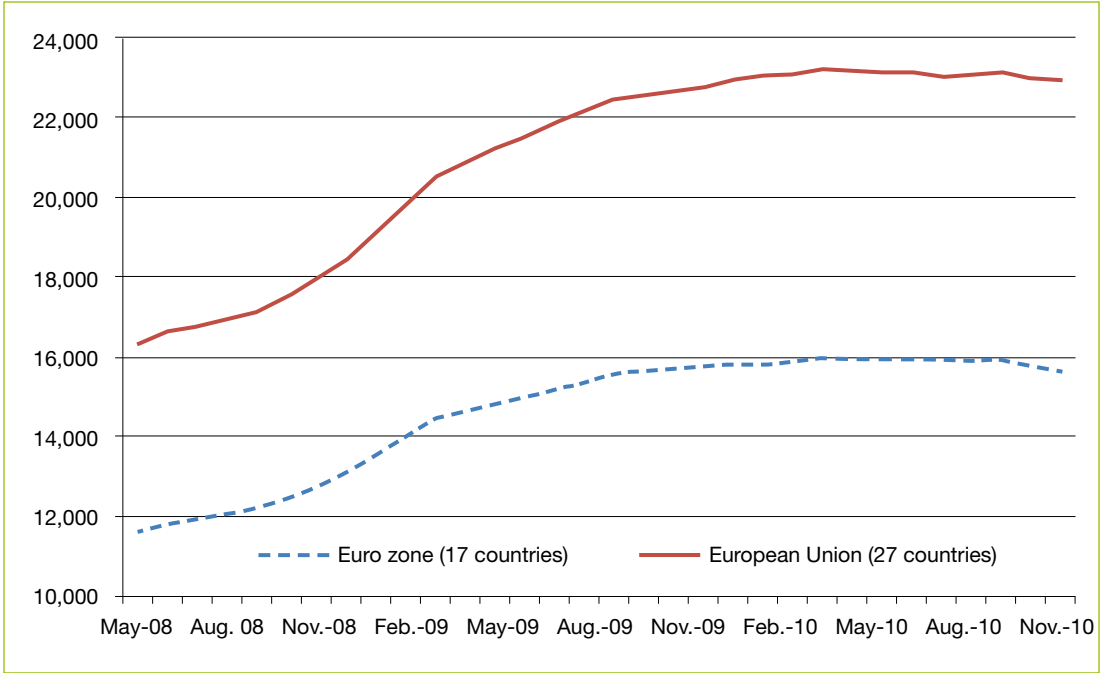
ception, with over 10% of the active population, or some 16 million people, unemployed.⁴ This equated to an additional 7.5 million and 4.3 million unemployed, respectively, since the start of the crisis in mid-2008. Such an increase is unprecedented.

In March 2011, the unemployment rate was still at 9.5% of the active population in the European Union (22.8 million) and 9.9% in the euro area (15.6 million).⁵

⁴ Eurostat, *Euro-Indicators* No 5, January 2011.

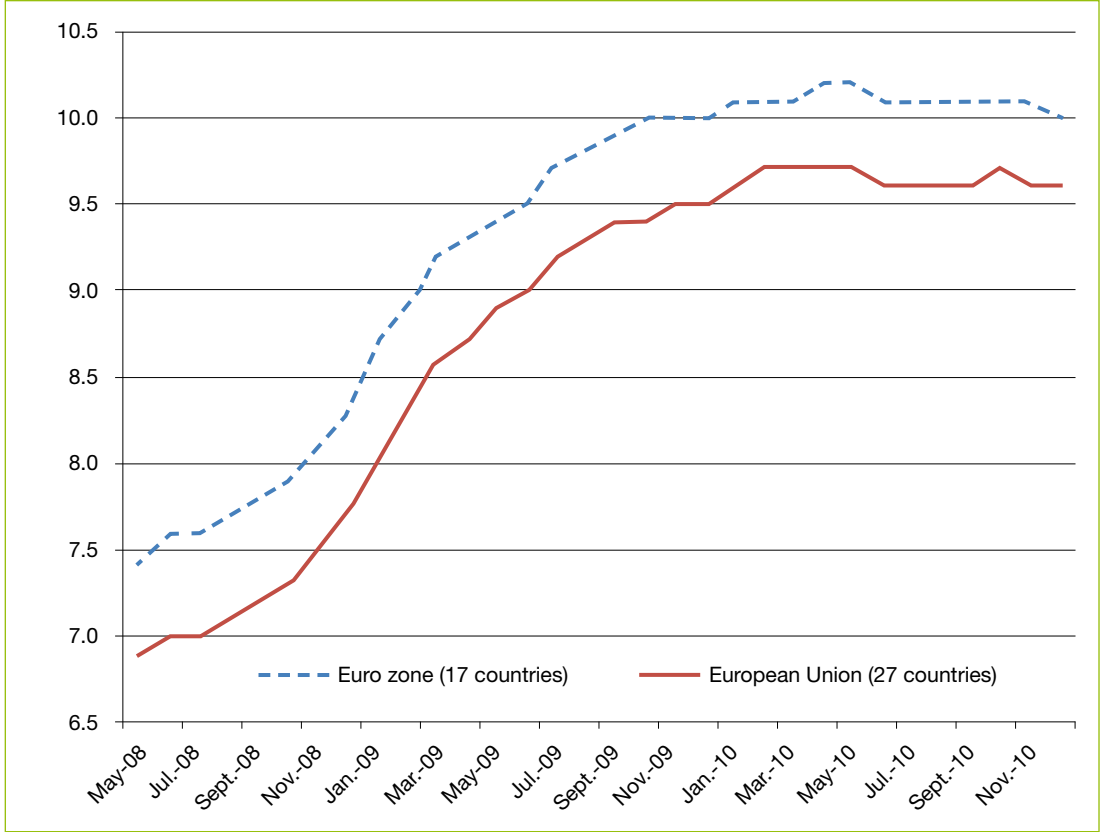
⁵ Eurostat, *Euro-Indicators* No 49, April 2011.

Evolution of the number of unemployed people in Europe (in thousands)



Source: Eurostat

Evolution of the unemployment rate in Europe (%)



Source: Eurostat

The employment situation in Europe is even more serious than ‘official’ unemployment figures, as published by the media each month, suggest. There are in fact three aspects which are not taken into account in the calculation of the ‘official’ unemployment rate: unemployed who, statistically, are classified in another category; unemployed who no longer receive benefits and are therefore not counted; and discouraged workers, who have given up looking for a job. When we include these groups, the ‘real’ unemployment rate appears much higher than the ‘official’ rate.

In all countries, the official unemployment rate measures the number of unemployed more or less according to the definition given by the International Labour Organisation (ILO). This means a person of working age (15 or more) who simultaneously satisfies three conditions: does not have a job, in other words has not worked, even for an hour, during the reference week; is available to start work within two weeks; and has actively looked for a job in the previous month or has found one which starts in less than three months. Therefore these are people who are looking for work and are not currently in any form of employment.

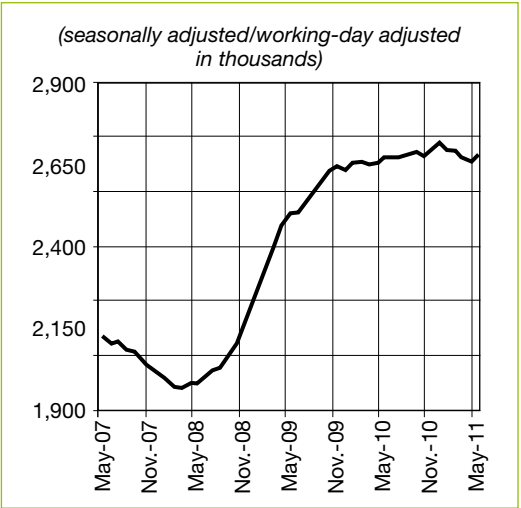
Job seekers registered with Pôle Emploi at month-end in categories A, B, C, D, E



Source: Dares

Take mainland France, for example. Official unemployment corresponds to category A of the French unemployment agency (*Pôle Emploi*), or ‘jobseekers not currently in employment who are actively seeking work’. In May 2011, this represented 2.68 million people. Then there are categories B and C, which include ‘jobseekers actively seeking work, having worked part-time for a short (B) or long (C) period of time’. These two categories total 1.39 million. This is a record since statistics began 14 years ago when headline unemployment was 4.078 million. In addition to this are categories D and E, ‘jobseekers not actively seeking work’, who, in the case of category D are ‘without work’ (due to an internship, training, illness, etc.) and in the case of category E are ‘in employment’ (e.g. on subsidised contracts). They total 580,000. Therefore, in May 2011, there were in fact not 2.68 million unemployed registered with the French unemployment agency, but in fact 4.66 million, or 2 million more than the latest figure released!

Job seekers registered with Pôle Emploi at month-end in categories A



516,000 people registered
as unemployed in one month.

We also need to look at the number of unemployed who leave the statistics each month, those who are no longer in any category. In May 2011, in France, the figures from Dares revealed an additional 45,000 unemployed for categories A, B and C, or 516,000 people who joined the statistics (the highest since May 2010) and 471,000 who left. Incidentally, this shows us to what extent we still face a social crisis: every month more than half a million people are still registering with the French unemployment agency.

What becomes of those who leave the French unemployment agency? The latest statistics available are for December 2010. That month, of the 459,000 people who left, it seems that only 43% found a job: in other words, less than half. That means that each month, between 250,000 and 300,000 people no longer appear in the statistics, but must be content with receiving either a basic allowance, for those who are entitled to it (earned income support, which 1.8 million households currently receive), or nothing at all.

It should also be borne in mind that the widespread recourse to use temporary contract staff (3.2% of employees in France in 2008) accentuates how quickly workers leave the job market. With 16 million contracts signed in 2008, the annual average volume of temporary work in France represented over 600,000 full-time equivalent jobs, according to the French national statistics office (INSEE). This already precarious workforce (the average duration of contracts is less than two weeks) has been hardest hit by the crisis: a 25% decrease in terms of volume of work between 2008 and 2009, back at its 1998 level.

Low wages in Germany, 2008

Germany, 2008	Millions of workers	Share of the total
Gross hourly wage below EUR 5	1.15	3.6%
Gross hourly wage below EUR 6	2.1	6.7%
Gross hourly wage below EUR 7	3.4	10.7%
Gross hourly wage below EUR 8	5	15.7%
Gross hourly wage below EUR 8.5	5.8	18.4 %

Finally, some people can be classified as 'discouraged workers'. In other words, they have given up looking for work. Some of them are unemployed who are excluded from the statistics each month, but they are not alone. The exact number of 'discouraged workers' is not easy to determine. For France, however, Eurostat estimates that of the total inactive population, 570,000 people 'would like to work but are not seeking work'. Overall, in a country like France, the reality is that more than 5 million people are unemployed.

We should stress that the French case, described here, is not an exception in terms of 'phantom' unemployment. Every country uses its own statistical tricks, creative accounting and administrative devices: 'disabled', 'ineligible', 'exempt from jobseeking', 'no longer registered', etc. In all European countries, the 'official' unemployment rate, already alarming, is in fact a very long way from describing the true scale of unemployment.

1.2. Insecurity on the labour market

As one might expect, with unemployment at this level, there has been no decline in job insecurity, which has inevitably soared. To get a sense of its scale, let's take the case of Germany and France.

GERMANY. In 2008, even before the start of the crisis, more than one fifth of German workers (20.7%) were on a 'low wage' (Niedriglohn), defined as less than two thirds of the average hourly wage, or EUR 9.50 in the former 'West German' states and EUR 6.87 in the states that were formerly part of the German Democratic Republic.⁶ This represented 6.55 million people, or 2.26 million more than 10 years before.

6 Institut Arbeit und Qualifikation at the University of Duisburg Essen; IAQ-Report 2010-06.

Temporary recruitment in France, Q1 2011

Q1 2011	Recruitment in millions	Percentage share of total
Temporary contracts of less than 1 month	3.18	62
Temporary contracts of more than 1 month	1.11	22
Permanent contracts (full-time and part-time)	0.83	16
Total recruitment in France in Q1 2011	5.13	100

Looking at these figures more closely, we can see that 1.15 million workers were paid a gross wage of less than EUR 5 per hour (3.6% of employees); 2.1 million less than EUR 6 per hour (6.7%); 3.4 million less than EUR 7 (10.7%), 5 million less than EUR 8 (15.7%) and around 6 million (or one employee in five) less than the French minimum wage (EUR 8.71 in 2008).

It should be emphasised that women are by far the worst affected by the dramatic increase in low wages: 30% of women are paid low wages (compared with 12.2% of men) and 70% of low wage workers are women.

FRANCE. If we look at the real nature of recruitment in France in the current context of the labour market crisis, the figures⁷ from the first quarter of 2011 speak for themselves. Of the 5.13 million workers recruited during the period, temporary contracts of less than one month represented 62%, and permanent contracts only 16%, or less than one new employee in six.

Unedic forecasts for 2011 support this trend: 138,000 fewer category A unemployed are forecast for the year, compared with 150,000 more in categories B and C. Only a reduction of 48,000 in the number of unemployed exempt from jobseeking resulted in a negative balance. This prompted Unedic president Gaby Bonnand to say: ‘The recovery has essentially relied on part-time jobs. This is particularly worrying, as they are often short-term contracts’.⁸

Across Europe, frequent recourse to temporary work was an underlying trend even before the crisis. The proportion of temporary work has remained stable over the past decade, at around one salaried post in seven. According to Eurostat, in 2008 temporary work represented 14.2% of salaried employment in the EU-27 (almost 26 million people) and 16.5% in the euro area. It was highest in Spain (29.3%), Poland (27%) and Portugal (22.8%). With the proliferation in the number of temporary contracts and agency work, it is apparent that for many of those who manage to find a job, the situation still remains highly precarious.

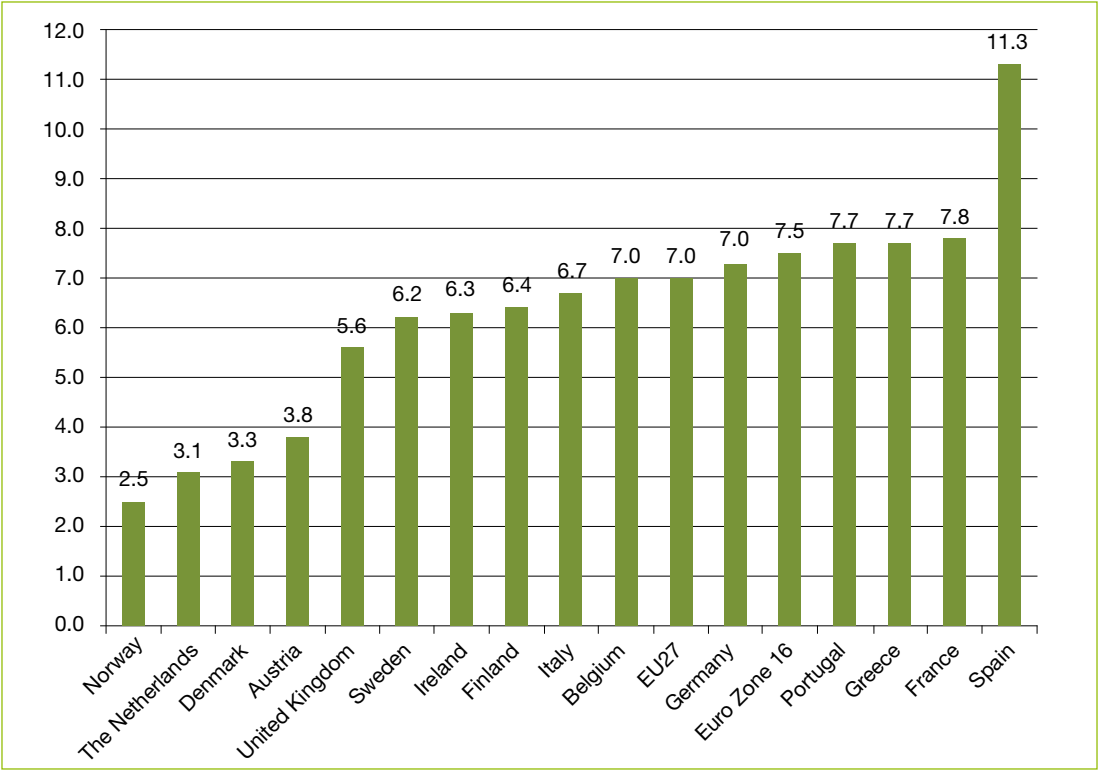
1.3. Hidden unemployment: chronic underemployment

The situation in the European labour market has worsened considerably with the crisis and official unemployment figures only partly reflect this. What is more, while a large number of unemployed are absent from the current statistics, employment figures are also misleading.

Before the crisis began, unemployment rates in the European Union were much lower than they are now, with considerable national disparities. Some countries even seemed close to full employment. Was this really the case?

7 Acoss – Urssaf, April 2011, Acostat No 125, provisional data.
8 In *Libération*, 25 May 2011.

Unemployment rate in 2008 (%)

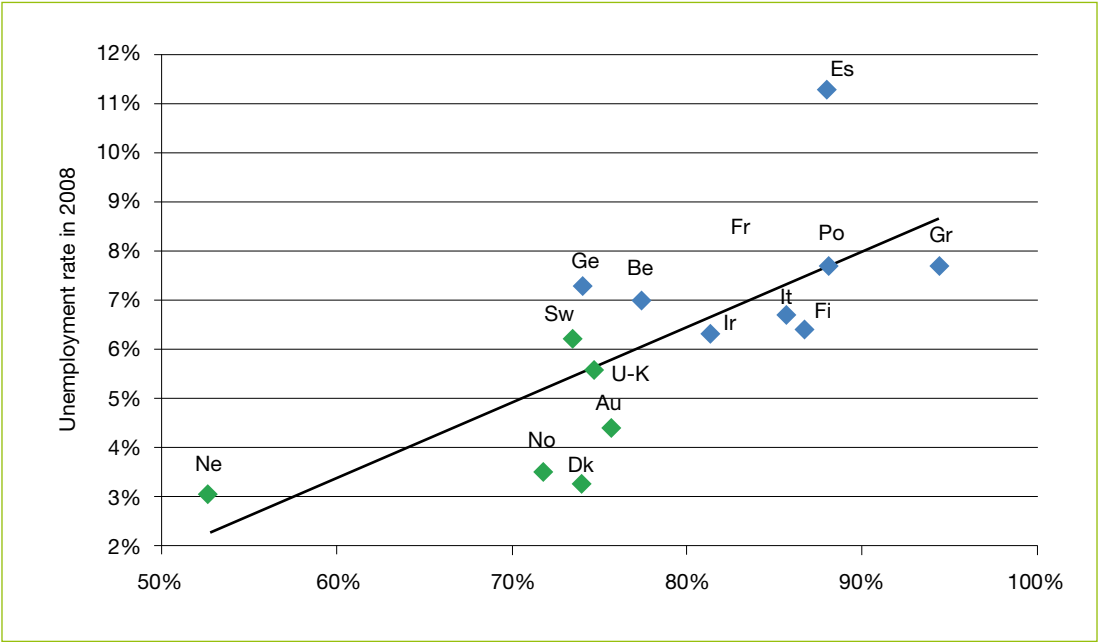


Source: Eurostat

It seems logical to consider that ‘full’ employment corresponds to ‘full’ employment of the active population, in other words on a ‘full-time’ basis. However, if we compare the unemployment rate

with the full-time rate as a percentage of total employment, we can see that overall, countries with the lowest unemployment are also those where there is the lowest proportion of full-time work.

Proportion of full-time workers in the occupied population in 2008



Source: Eurostat

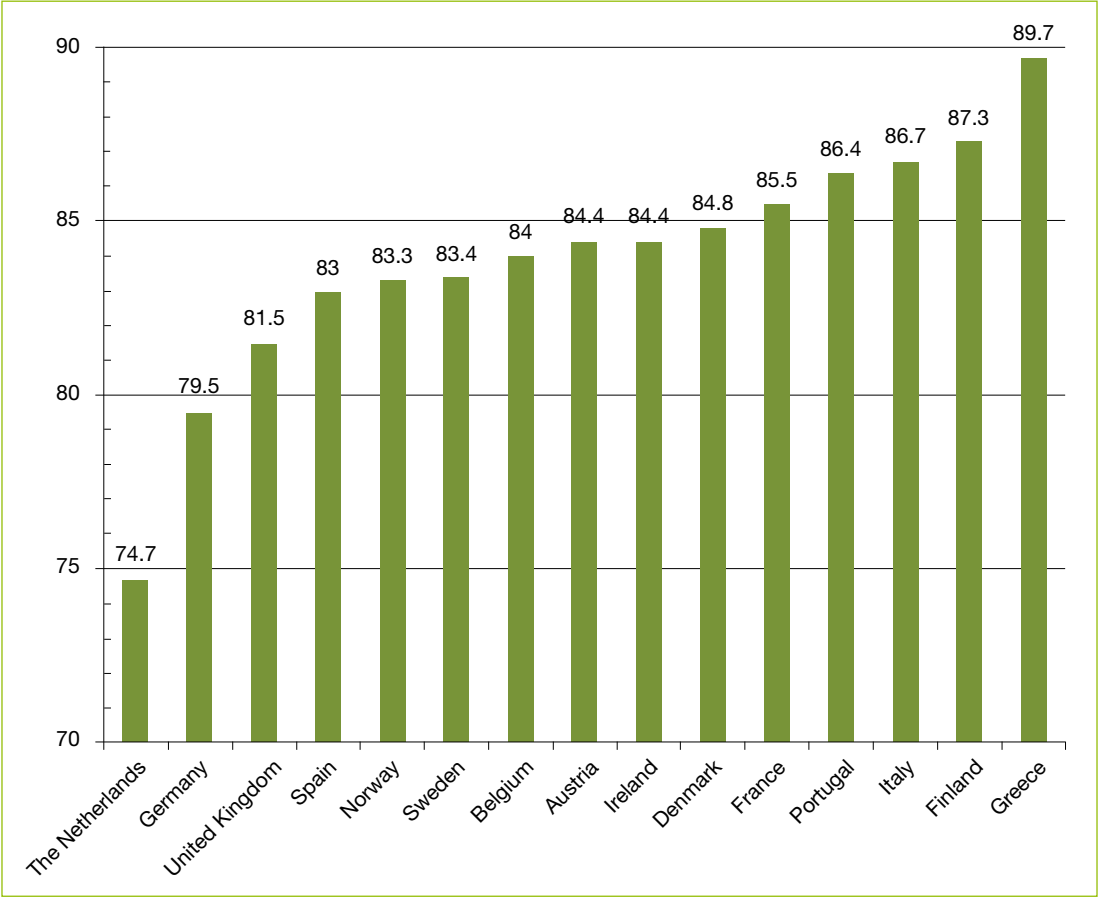
Can we still talk about ‘full’ employment to describe labour markets where one job in four is not ‘full-time’? While the majority of part-time work is voluntary, we should not overlook the part that is not. For France, INSEE has placed⁹ the number of people who claimed to be underemployed in 2008 as 945,000 women and 300,000 men, or 7.7% of the active female population and 2.2% of the active male population respectively (and 4.8% of the total).

In general, to determine the real level of employment in each economy, we need a new, more reliable indicator: the full-time equivalent (FTE) employment rate of the active population.¹⁰

We have calculated the total number of full-time jobs (including part-time work in full-time equivalent) divided by the total active population (employed + unemployed) for 2008 (before the crisis). The principle is that, for example, two part-time jobs will be counted as one full-time job.

This indicator thus consists of calculating the actual amount of work offered by an economy to 100 people on its labour market. It essentially reveals the true density of employment among the active population.

Occupancy rate in FTE in the working population (%)



Source: Eurostat – author’s calculation

⁹ INSEE employment surveys.
¹⁰ Calculation = % active population in employment * (full-time rate + part-time rate * duration of part-time / 40 hours).

It should first be pointed out that the majority of countries offer roughly the same amount of work to their active population, i.e. around 84% FTE employment. The true level of employment, and therefore of underemployment, is thus comparable in the majority of these countries, even though they have very different unemployment rates. For example, the difference between France and Denmark is less than one percentage point, whereas the rate of unemployment is twice as high in France as it is in Denmark.

Nevertheless, three groups can be identified. The first, which represents the majority, contains those countries with an FTE employment rate among the active population of around 84%. Note that a country such as France, which is slightly higher than this (85.5%), would see its rate automatically drop by around one percentage point if its unemployment rate fell back to around 7%, as 'discouraged' workers would then join the active population.

Southern European countries (Italy, Greece, Portugal) are also distinctive, since there is little recourse to part-time work, as well as a lower employment rate among women and a significant level of undeclared work. Their apparent performance must therefore be put in perspective. The final group is composed of three countries which trail behind, mainly due to frequent (Netherlands) or shorter-term (Germany, United Kingdom) part-time work.

The Netherlands case is particularly significant. Although in 2008 it reported the lowest level of unemployment in the EU-27 at 3.1%, it is in fact the country with the highest level of underem-

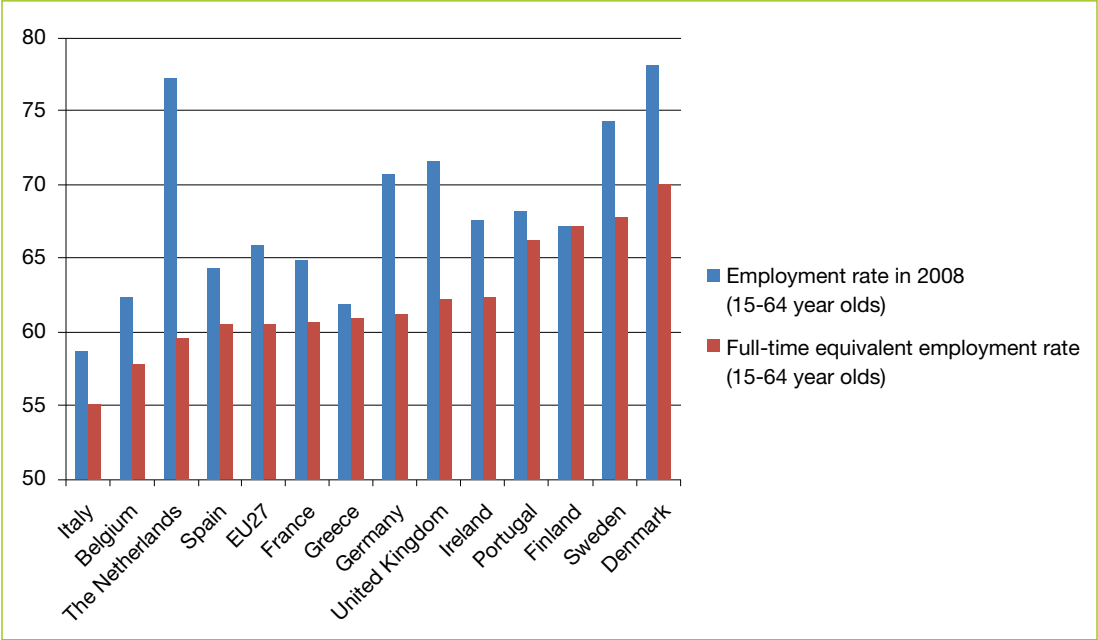
ployment. This is due to the fact that almost one job in two is part-time. In addition, while the country seemed like Europe's champion in terms of low unemployment, the reality is that the FTE employment rate of its active population is almost 10 percent lower than the average for comparable countries.

Finally, it should be noted that one country, Finland, stands out as having the lowest level of underemployment in Europe. It is in fact the **ONLY** country to combine a low unemployment rate AND a high full-time employment rate. Before the crisis, it was the closest country to full employment. Although in the past, the 'Swedish model' and the 'Danish model' were often touted, it would be fair to recognise the performance of the 'Finnish model' in terms of employment. We will come back to this later.

The key point is that, despite the sometimes rosy unemployment figures, **NO** country in Europe (with the exception of Finland) was close to full employment before the crisis. Indeed certain countries, though sometimes held up as an example, were much further away from it than others. This is particularly the case with the United Kingdom, Germany and the Netherlands.

This is observed by comparing the employment rate and the full-time equivalent (FTE) employment rate. The differences between countries are much less significant when we use FTE to assess the true density of jobs among the working-age population (15- to 64-year-olds, according to the ILO).

A comparison of employment rate and FTE employment rate for the working age population



Source: European Commission

Here too, when we use FTE, the results for the majority of countries are fairly similar, with an FTE employment rate of around 61%. Only three countries manage to exceed an employment rate of more than two thirds of the working-age population: Denmark (70%), Sweden (67.8%) and Finland (67.2%).

As observed with the FTE employment rate, the results can be quite unrelated to the unemployment rate. The Netherlands, which has an exceptionally low unemployment rate (3.1%) and a very high employment rate (77.2%), in fact reports a below-average FTE employment rate. Conversely, France’s high unemployment rate (7.8%) is not linked to a lower FTE employment rate, in which respect France is about average (60.7%).¹¹

Despite significant variances in unemployment rate, the majority of European countries considered have a fairly similar profile. In short, their economies offer employment (in FTE) to 84% of the active population and 61% of the working-age population.

These results have two tangible consequences on our understanding of employment policy in the European Union:

■ In terms of comparison between nations, on the one hand. Politicians often tend to refer to the unemployment rate of a particular country to decide or justify employment measures. We have just seen that this is risky. The employment situation in Finland is much more satisfactory than in the Netherlands, even though its unemployment rate is twice as high. Just as GDP is a limited indicator when it comes to assessing the true prosperity of an economy, so we must look beyond the basic unemployment rate to understand the exact state of a particular labour market.

■ In terms of social convergence, on the other. If Europe wants to define convergence criteria for employment, for example in the context of a social treaty, then choosing the right criterion is key. In this respect, the unemployment rate does not seem like a fair and satisfactory indicator. To define the full employment objective, European countries could, for example, aim for:

- an FTE employment rate of the active population of more than 87.5%, or a ratio of seven FTE jobs for every eight workers; and
- an FTE employment rate among 15- to 64-year-olds of more than 66.6%, or a ratio of two FTE jobs for every three people.

¹¹ This is a particularly good result for France, as it is not helped by the reference population used: 15- to 64-year-olds. The French effectively finish their studies later and retire earlier.

2. Who works the most? Working hours in the different European countries

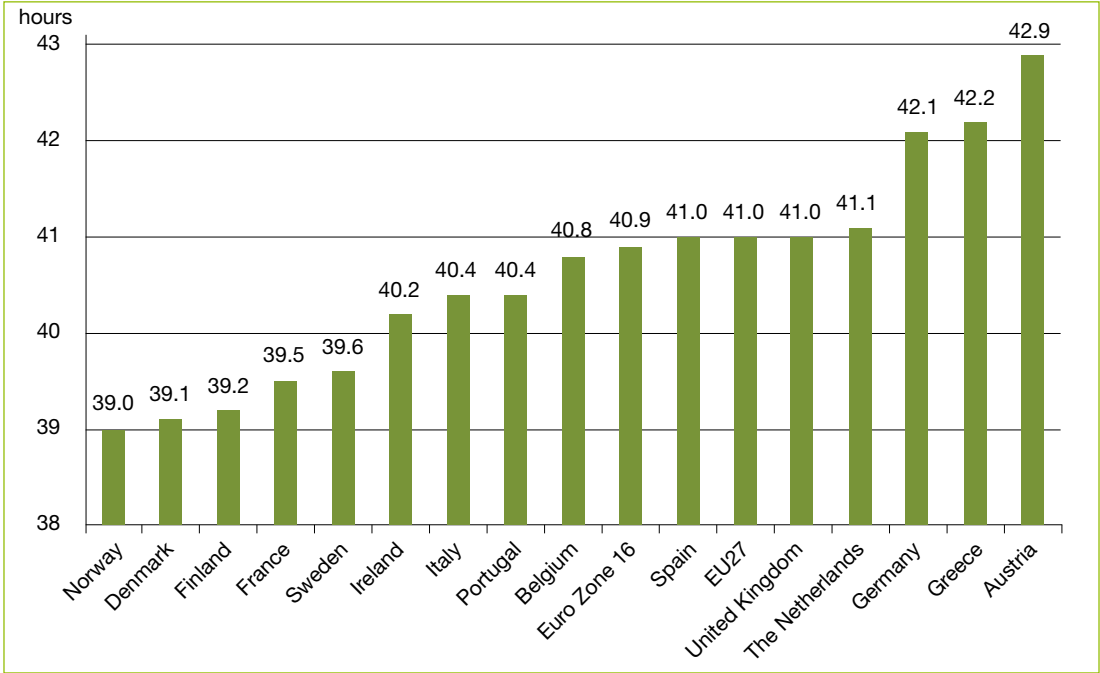


2.1. The actual full-time working week

Across Europe, whenever people mention working hours in France, they talk about the '35 hour week'. However, as we are about to see, the French do not work a 35 hour week. This is simply the threshold above which overtime starts to apply and below which the work is classified as part-time.

It is important therefore to clarify which weekly working period one is referring to. On the one hand, there are the hours 'usually' worked each week. This corresponds to the theoretical, legal or contractual duration of a normal week. On the other, there are the hours 'actually' worked each week. This corresponds to the hours really worked each week (for example, including overtime and the application of the reduction in working hours scheme). It is this period which is used to measure the actual working week.

Number of full-time working hours per week in 2008



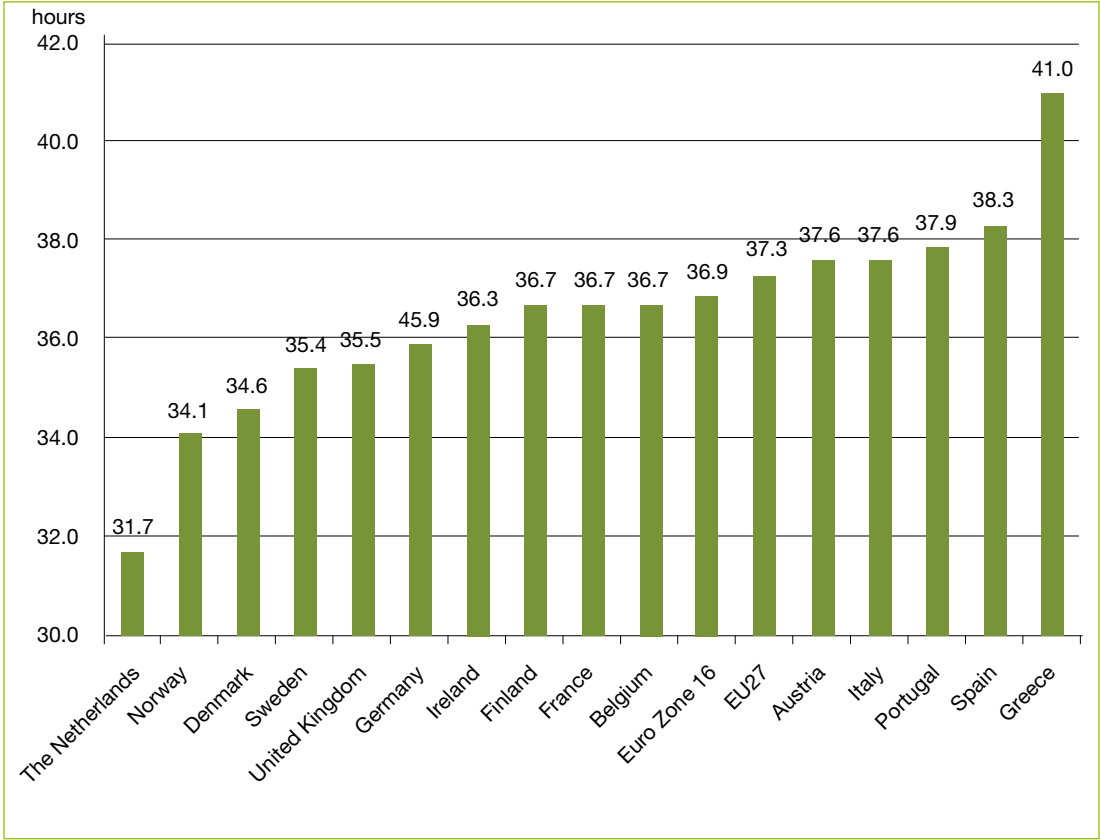
Source: Eurostat

It appears that differences between countries are fairly small. The difference between Norway, where the actual full-time period is the shortest (39 hours in 2008), and Austria, which has the longest (42.9 hours), is only 9%. Examining the data more closely, we can see that there are three groups of countries: Scandinavian countries and France, with fewer than 40 hours; Germany, Austria and Greece, with more than 42 hours; and the remaining nine countries, which are all within less than an hour of each other (between 40.2 and 41.1 hours per week).

2.2. The average actual working week

As the active population is not just composed of full-time workers, it is important to know the average working hours of an active person who is not unemployed. In other words, this means the average working hours of people in employment, including both full-time and part-time.

Average number of working hours per week, 2008



Source: Eurostat¹²

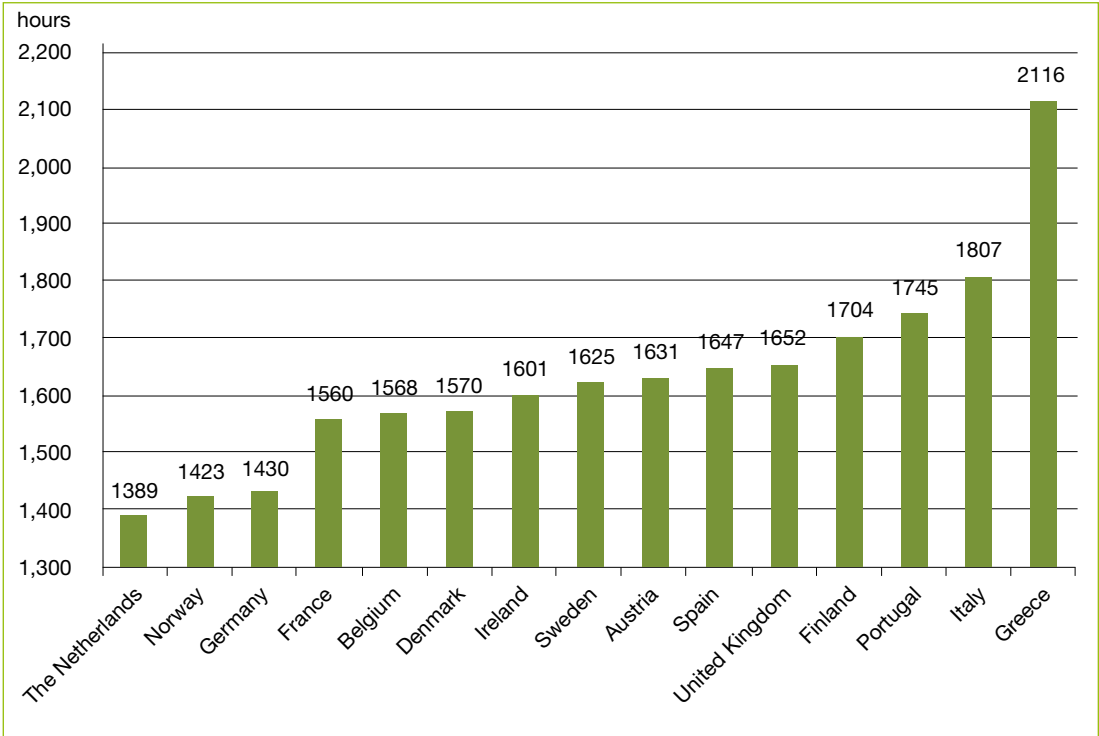
This time we can see that the differences between the countries are more significant. The difference between the Netherlands, where the actual working week of employed people is the shortest (31.7 hours in 2008) and Greece (41 hours) is 25%. Here too we can see three groups of countries: countries with between 34 and 36 hours, i.e. the Scandinavian countries, Germany and the United Kingdom; countries that work 36 hours, i.e. Ireland, Finland, France and Belgium; and countries which work more than 37.5 hours, i.e. Austria, Italy, Portugal and Spain.

2.3. Annual actual working hours

Because European countries do not have the same amount of holidays, annual leave or rest days, we need to compare annual working hours to find out to what extent this corrects the differences recorded in the working week.

12 http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsa_ewhan2&lang=fr

Annual number of working hours, 2008



Source: OECD statistical portal

Once again there are significant differences, similar to those recorded for the working week. The first group works fewer than 1,430 hours (Netherlands, Norway, Germany). The second group works just over 1,560 hours (France, Belgium, Denmark). Then come the countries that work between 1,600 and 1,650 hours: (Ireland, Sweden, Spain, Austria and the United Kingdom). Finally, there are tranches of around 50 hours which separate the following countries: Finland (1,704 hours), Portugal (1,745 hours), Italy (1,807 hours) and Greece (2,116 hours).

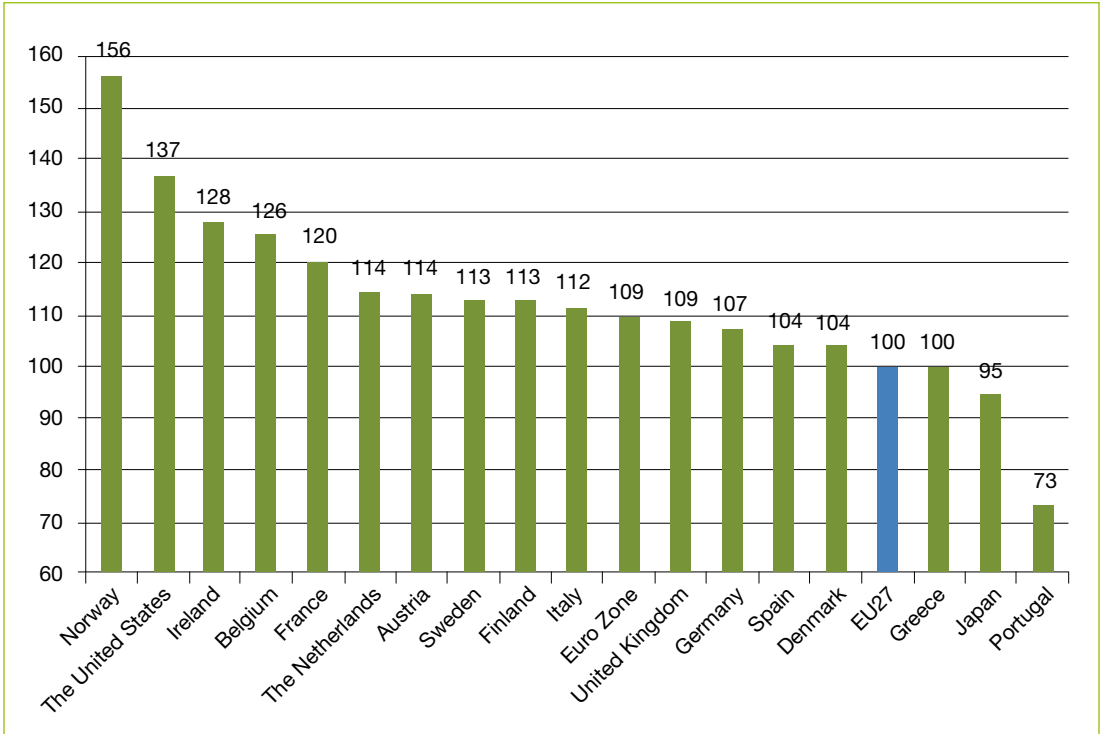
2.4. Taking into account annual productivity per employed active person

The question ‘who works the most?’ cannot boil down to the question ‘who spends the most time at work?’, even though this is a key factor. Effectively, if working means producing goods or serv-

ices, this cannot be reduced to the duration of the work. Let’s take a simple example. Who worked the most out of a worker who made 10 shirts in an hour, and another who only made eight in an hour and a half? In economic terms, it is clearly the former, the person who made the most shirts (the shirts are identical in both cases).

The correct question should therefore be ‘in which European country does a person make the most number of shirts per year?’, rather than ‘in which European country does an employee spend the most time in the workshop?’. This introduces the concept of productivity; in other words, the quantity of wealth produced for a given period, in this case a year. To obtain this, we multiply the annual average working hours by the average quantity of wealth produced in one hour (hourly GDP).

Annual productivity (annual GDP per employee), 2008, EU 27 = 100



Source: Eurostat

This changes the ranking. The countries where people work the most (where the most wealth is produced per year per worker) are not necessarily those where people spend the most time at work. In many cases, the shorter annual period is more than offset by the additional wealth produced during each hour at work. The four countries where a worker will on average produce the most wealth in Europe are, in no particular order, Norway, Ireland, Belgium and France.

It is worthwhile pausing for a moment to examine the characteristics of the first three – Norway, Ireland and Belgium – which have ‘made up’ for the lower-than-average annual working hours. The exceptional productivity of Norway (approximately 50% more than the EU-27) is essentially due to its unique position in Europe in terms of energy resources: the country is the world’s second-biggest exporter of gas and sixth-biggest exporter of oil (2008 figures). In terms of the productivity of Ireland and Belgium (approximately 25% more than the EU-27), there is another plausible explanation: the fact that special tax breaks attract companies to each of these countries, thereby increasing the wealth recorded.

The differences between the various countries are fairly sizeable and need to be examined more closely. For example, if the annual average productivity of French workers falls below the level of German or British workers (e.g. by 10%), theoretically 2.5 million additional people would have to be employed in France to continue producing the same quantity of goods and services. In Italy, it would take an extra 1.7 million people with the annual average productivity of the Danish, or all unemployed Italians, according to the ILO.



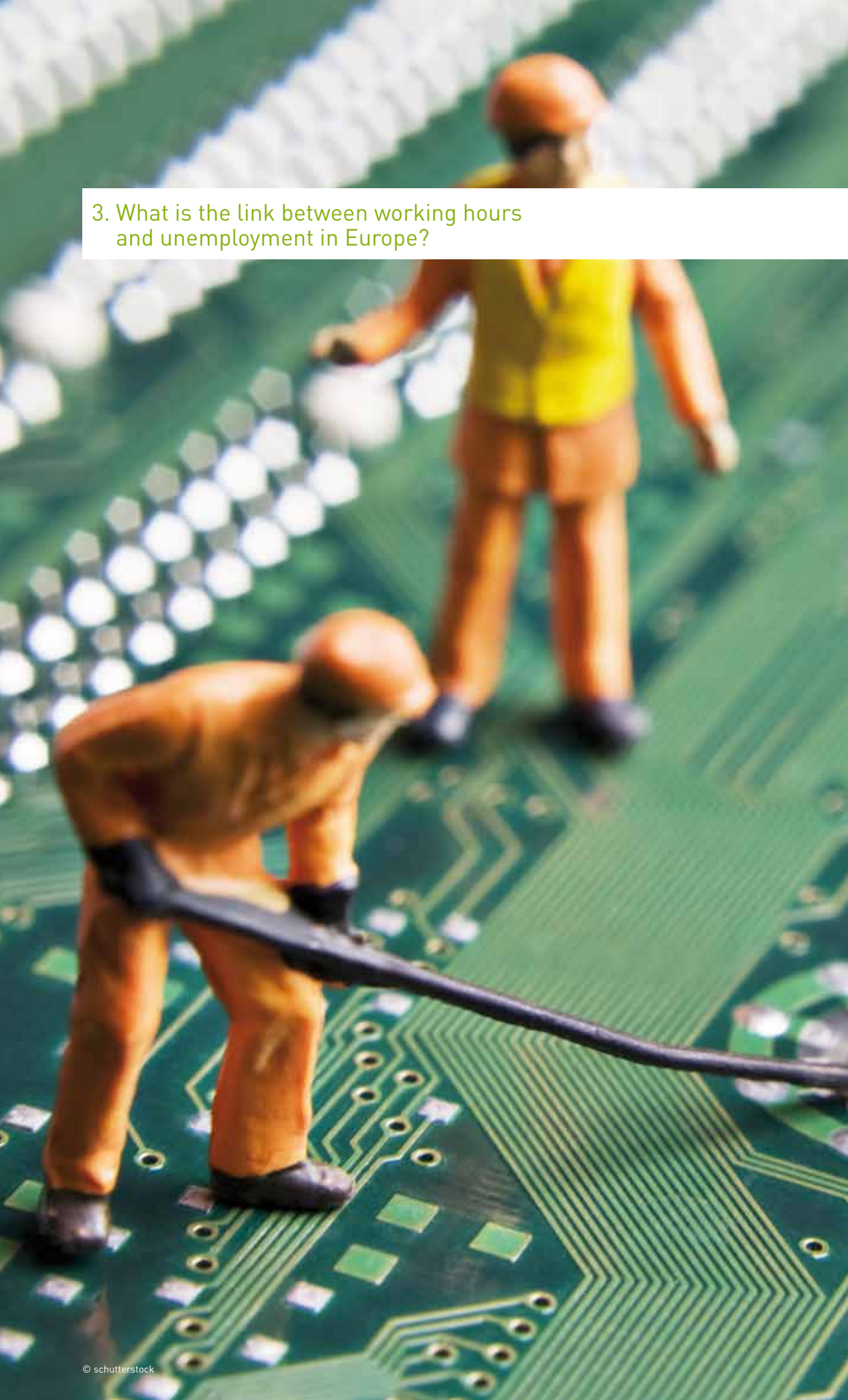
To conclude the debate on working hours in France, the figures speak for themselves. It is not because France has a ‘35 hour week’ that it is the country which works the least, as we often hear people saying.

■ First, France *does not have* and has never had a ‘35 hour week’. The working week for full-time workers was still 39.5 hours in 2008 and 39.8 hours in 2010 (Eurostat). In terms of all employed workers, the average full-time equivalent working week was 37.8 hours in 2008 and 38.0 hours in 2010.

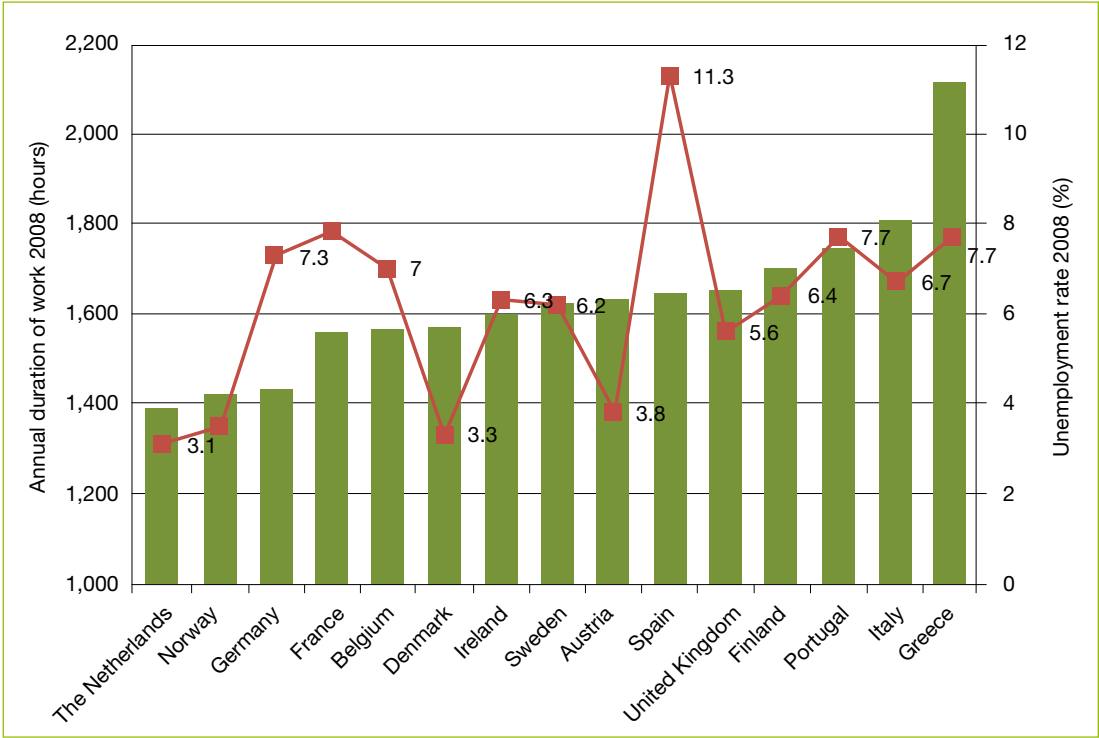
■ Next, regardless of whether it is an average of all workers or for full-time workers alone, the actual working week in France is not the shortest, nor is this the case if we consider the hours worked each year. In short, regardless of the comparison method, several countries 'work less' than the French.

■ Finally, France is one of the countries in Europe which works the most full-time (83%) and where annual productivity (and not just hourly productivity) per worker is the highest: 20% higher than the average for the European Union and almost 10% higher than the average for the euro area.

3. What is the link between working hours and unemployment in Europe?



A comparison of average annual hours worked and unemployment rate



Source: Eurostat

3.1. No link between annual working hours and the unemployment rate

Is there a link between annual actual working hours in a country and its unemployment rate?

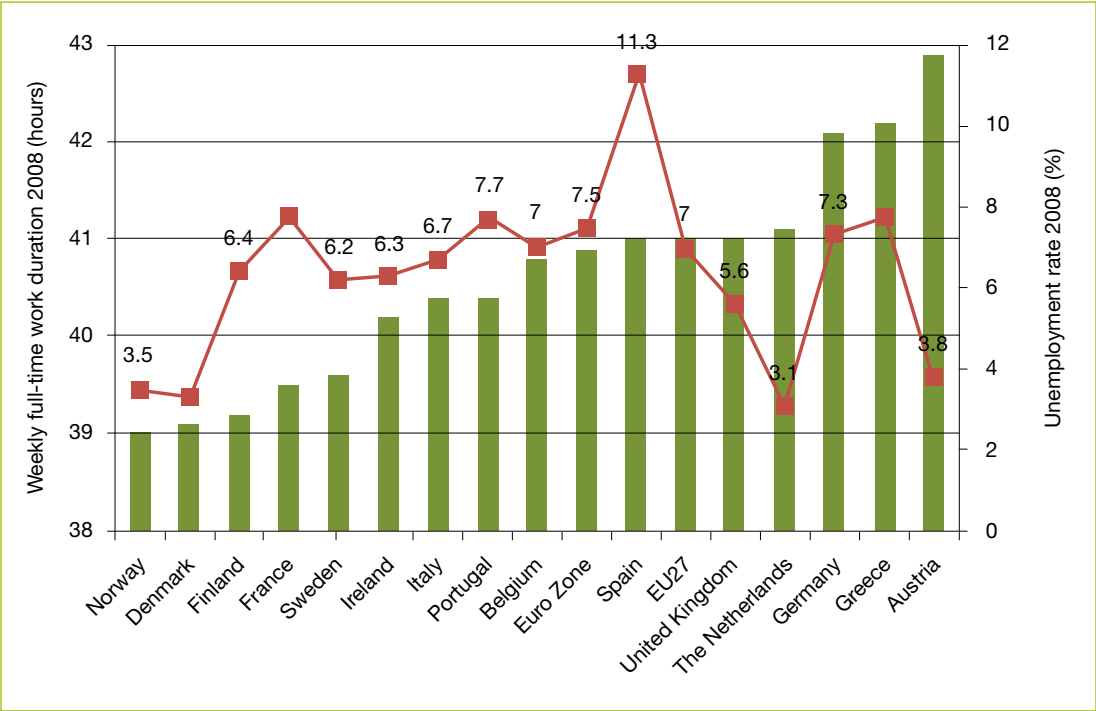
Clearly it is impossible to establish a link between the annual actual working hours and the unemployment rate. Effectively, the two countries where the annual working hours are shortest are those that have the lowest unemployment (Netherlands and Norway), although the next three (Germany, France, Belgium) have an un-

employment rate which is twice as high, at more than 7%, which is approximately the level of the three countries that work the most (Greece, Italy and Portugal).

3.2. No link between the full-time working week and the unemployment rate

Can the actual working week in the various countries help explain the differences recorded between them in terms of their unemployment rate?

A comparison of the full-time working week and unemployment rate



Source: Eurostat

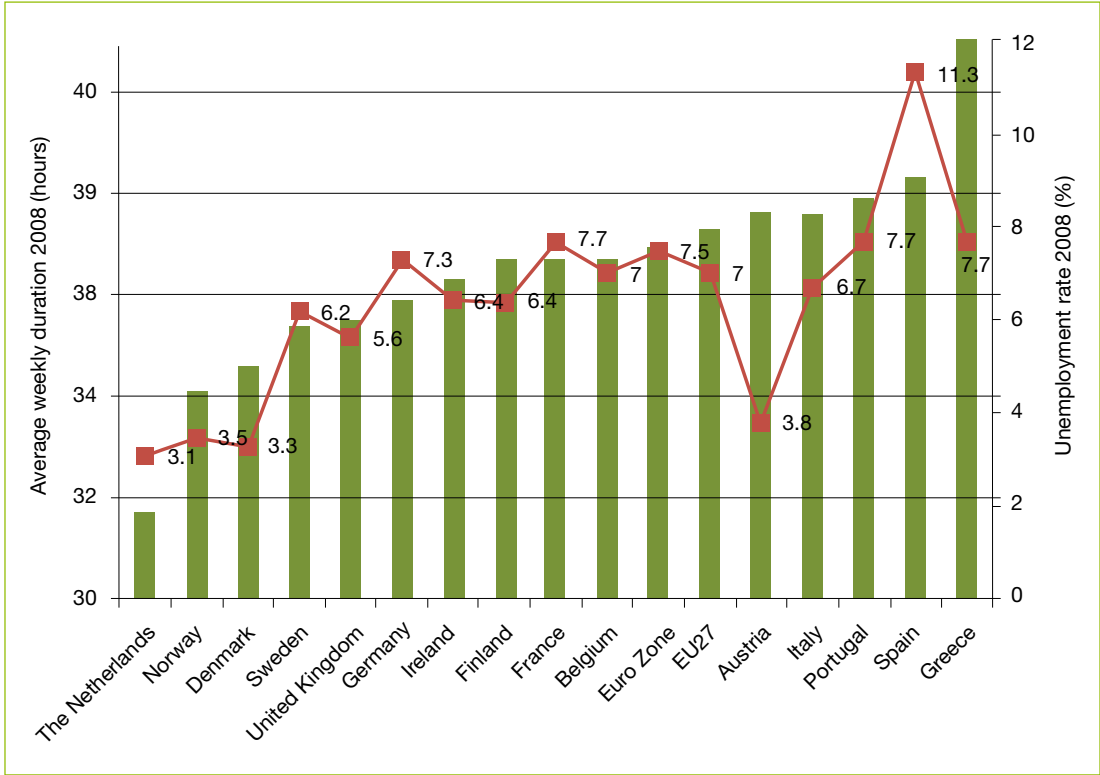
Yet again, it is evident that there is currently no link between the full-time working week and the unemployment rate. Of the four countries that have the lowest unemployment (< 5%), two (Norway and Denmark) have the least number of hours (39 hours), and two are among those that work the most (> 41 hours).

We should note here that the full-time working week is where there are the least differences between European countries (maximum deviation of 10%).

3.3. Link between the actual working week and the unemployment rate

Conversely, the average actual working week of employed workers varies dramatically from one country to another, with differences of more than 20%. Does this mean that there is a link between the two?

A comparison of the average weekly hours worked (full-time and part-time) and unemployment rate



Source: Eurostat

A link emerges between the average working week and unemployment rate: the trend indicates that unemployment increases with the length of the working week.

■ The five countries that have the lowest unemployment rates (< 6.5%) are also those that on average work fewer than 35.5 hours per week (actual working hours). Within this group, the three countries that have less than 4% unemployment are the only ones which work fewer than 34.6 hours per week on average.

■ The three countries (Greece, Spain, Portugal) that work the most are also among the four with the highest unemployment.

While we can say that the countries that work the least have the lowest unemployment, and those that work the most have the highest unemploy-

ment, it is not possible at this stage to establish an exact correlation for all countries.

It is therefore necessary to define what the average actual working week consists of: in other words, the average full-time and average part-time working hours. Having seen that full-time working hours do not provide a sufficient explanation for the differences in unemployment rate, we must therefore analyse part-time employment.

3.4. The proportion and duration of part-time work explain differences in the unemployment rate

The impact of part-time employment on a labour market will depend on two factors: the proportion of total employment and the average working week.

	Proportion of part-time employment (%)	Average part-time working week (%)	Unemployment rate (%)
Netherlands	47.3	20.6	3.1
Denmark	24.6	20.0	3.3
Norway	28.2	20.8	3.5
Austria	23.3	20.1	4.4
United Kingdom	25.3	18.4	5.6
Sweden	26.6	23.5	6.2
Ireland	18.6	18.8	6.3
Finland	13.3	19.9	6.4
Italy	14.3	21.0	6.7
Belgium	22.6	22.9	7
Germany	25.9	18.1	7.3
Portugal	11.9	18.9	7.7
Greece	5.6	19.9	7.7
France	16.9	22.7	7.8
Spain	12.0	18.8	11.3

In terms of part-time employment, we can find two characteristics common to the five countries that have less than 6% unemployment in Europe (Netherlands, Norway, Denmark, Austria and the United Kingdom):

- the proportion of part-time employment as a percentage of total employment is more than 23%;
- the average part-time working week is shorter than 21 hours.

We can also see that the four countries that have the highest unemployment have a proportion of part-time work which is less than 17% of total employment.

For the other countries, if the proportion of part-time work falls below 25% and/or its duration

exceeds 21 hours, the unemployment rate increases. Only Germany is an exception to this rule.

It is important here to understand the importance of how jobs are shared for employment and thus unemployment. This has major consequences, as we will see with the example below.

We have applied the average portion of part-time jobs in the overall employment figures in countries with low unemployment to a country like France. In 2008, how many additional jobs would be needed if part-time was based on [25%, or 19.6 hours] rather than [17%, or 22.7 hours], in order to do the same number of hours work (23.28 million full-time equivalent)?

Job apportionment in France, 2008

	Share of total employment	Employed active persons in millions
Full-time	83%	21.3
Part-time (22.7 hours)	17%	4.4
Total employment	100%	25.7


Simulation of the introduction of ‘Scandinavian job apportionment’ in France, 2008

	Share of total employment	Employed active persons in millions
Full-time	75%	20.03
Part-time (19.6 hours)	25%	6.67
Total employment	100%	26.7
		Gain: 1 million jobs

In France, 1 million additional people would have to be employed if the jobs were distributed based on ‘three quarters full-time and one quarter part-time’, as in countries with the lowest unemployment rates. A million jobs is a huge number: it is almost 3.5 percentage points of unemployment. It would automatically lower the unemployment rate in France from 7.7% to around 5% (including the involvement of ‘discouraged’ workers), a rate that France has not seen for 30 years. And this without a single extra hour being worked in the French economy, and without improving FTE employment of the active population. One million additional jobs, simply by changing the way in which working hours are divided.

No country in Europe has managed to achieve a rate of unemployment which is below 6% without adopting a division of work on the basis of ‘three quarters full-time and one quarter part-time’; in other words, by having at least 25% of workers part-time, with average working hours not exceeding 21 hours.

Yet should the conclusion be that this way of distributing jobs on the basis of ‘three quarters full-time and one quarter part-time’ should become a political objective in countries which have a higher rate of unemployment? Is this really the best solution? We are still unsure.



4. What form of job apportionment is the most effective against unemployment?

4.1. The three current models of job apportionment in Europe

Europe presently has three main models for distributing employment: a radical model, a catch-up model and a blocked model.

The 'radical' model is where work is shared out on the basis of 'three quarters full-time and one

quarter part-time'. This is essentially a Scandinavian model, although Austria also belongs to this group of countries. The Netherlands takes this model to the extreme, with one in two jobs being part-time. Sweden is the most moderate, with its peculiarity of having the longest average part-time hours in Europe (23.5 hours, or nearly a three-day week).

We can define this model as radical because it does not impose any inherent limit on itself. It allows bargaining and/or market forces (particularly in the United Kingdom) to determine how working hours are distributed. Hence the mini-jobs averaging only 18 hours a week in the UK and only 50% full-time employment in the Netherlands. Although this encourages a high employment rate, particularly among women, it also results in a lower FTE employment rate of the active population. As a consequence, this has two disadvantages: 25% of income is also 'part-time' (on average a quarter of workers only receive half a salary); this model, contrary to expectation, is further from full employment than the rest of Europe.

The 'catch-up' model is the traditional model, where part-time work is still relatively uncommon. This model is found in southern and eastern European countries, the latter 'lagging' even further behind. Because these countries were particularly affected by the recession, and especially the sovereign debt crisis, it remains difficult to predict the pace of change in their labour markets.

The 'blocked' model is in some ways the incomplete Finnish model. It is also, in different ways, that of France and Belgium: two countries with an annual productivity per worker which is significantly higher than the European average; two countries which in 2008 had exactly the same actual working week as Finland (37.6 hours on average); two countries where part-time hours are particularly long (almost 23 hours).

It is almost as if these three countries had rejected the Scandinavian large-scale part-time model. Finland is content with one in seven workers being part-time, taking into account its lower productivity. In addition, before the crisis, it had an unemployment rate of 6.4% and, logically, the highest FTE employment rate at 87.3%. For their part, France and Belgium have in some ways allowed the percentage of part-time work to creep

up, although not in proportion to their high productivity. This is why these two countries are to a certain extent 'stuck' in the middle. They have rejected the part-time approach without adopting an alternative. The end result of their failure to act has been a higher cost in terms of unemployment. Consequently, if we reject both part-time work and unemployment, there is only one solution left to improve the way employment is shared out: reduce full-time working hours.

4.2. Better job apportionment, more focused on full-time

There are two key strategies for job distribution:

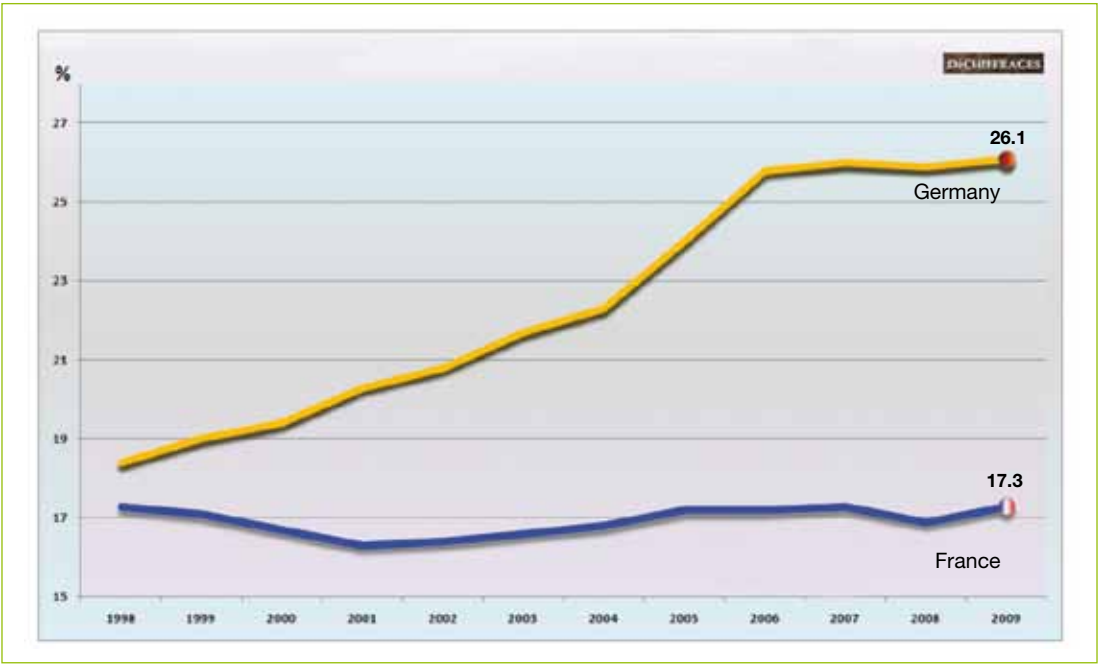
- dividing some full-time jobs into two or three part-time jobs;
- dividing all full-time jobs into shorter full-time jobs.

The first strategy gives priority to the overall number of jobs, the second to the individual quantity of work. Today, these two concepts coexist in Europe, but neither is balanced: too many mini-jobs on the one hand, too many unemployed with zero hours on the other. In both cases, any improvement will require a shift in the centre of gravity of job distribution towards full-time work.

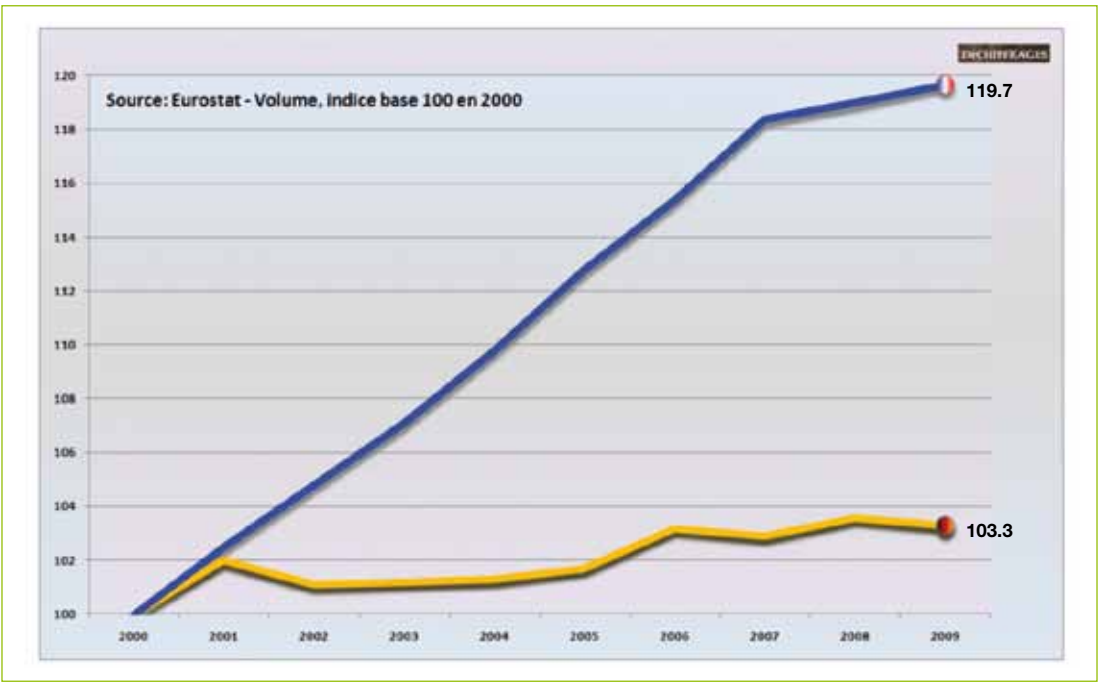
Although national characteristics, particularly in terms of bargaining culture, can predispose a country to favour one of these job-distribution strategies over the other, we should point out that these strategies do not have the same consequences.

First, in terms of macroeconomic impact: people are effectively paid *pro rata*, with the number of hours worked in relation to full-time. Too much part-time work and part-time hours which are too short have the effect of reducing income and thus penalising demand. It is striking for example to compare changes in the proportion of part-time work and household consumption in Germany and France over the last decade.

Proportion of part-time workers in France and Germany



Household consumption in France and in Germany



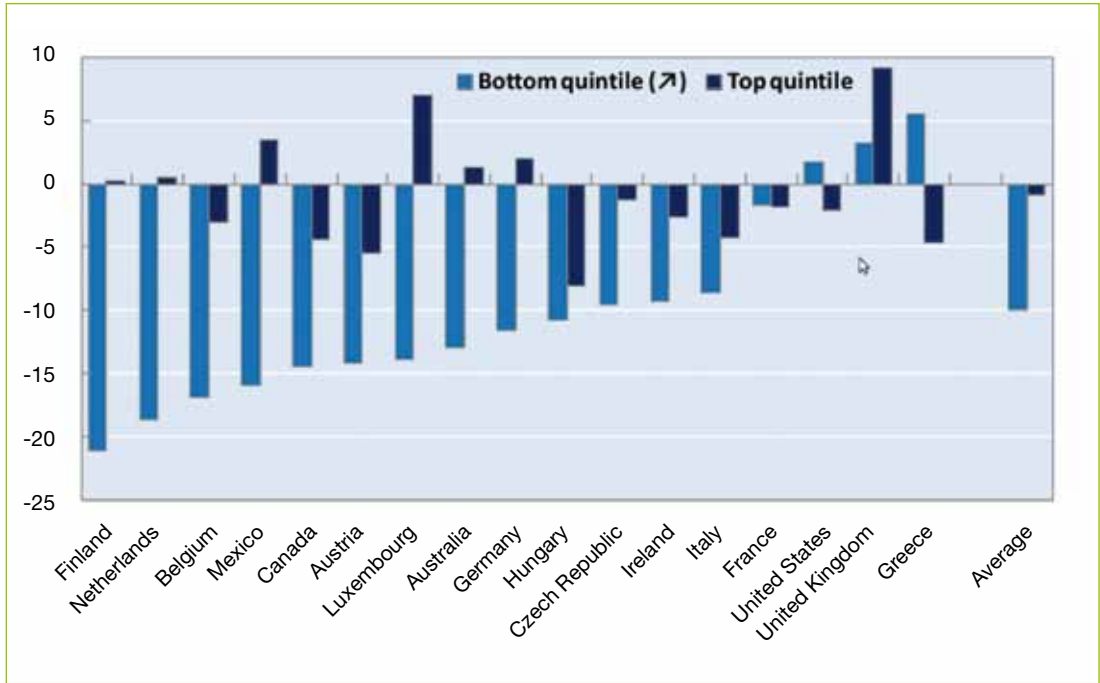
Source: Eurostat – Graphs: JM Couvrat’s blog at <http://dechiffrages.blog.lemonde.fr>

It is very clear that the dramatic rise in ‘mini-jobs’ in Germany (Mini-jobs and 15 Stunden Arbeit [15-hour jobs]) prevented consumption from rising in the 2000s (when it rose by barely 3.3%), while in France, where part-time employment remained stable, consumption rose by 20% over the same period. Although this is not the only explanation,

we can see that when one in four workers receives a partial salary, instead of one in six, this has to affect purchasing power.

To avoid a growth model where credit is a structural replacement for lack of earnings, it is important for management and politicians to be mindful of

Change in annual hours worked between the mid-1980s and late 2000s (%)



Source: OECD statistical portal (2011)

the level of part-time employment (both in terms of percentage and duration) below which an excessive fall in income opens the way to risky levels of personal debt.

This is particularly because, according to an OECD study, it is primarily low-income workers who have seen their hours cut, which further undermines their solvency. The decrease in annual hours worked between the mid-1980s and the end of 2000s is much higher for the bottom quintile of incomes than for the top quintile.

In general, in-work poverty remains a challenge for European countries. The risk of in-work poverty¹³ is high, equivalent to 8.6% in the EU and 8% in the euro area in 2009. Widespread recourse to part-time work is a key factor in these inequalities.

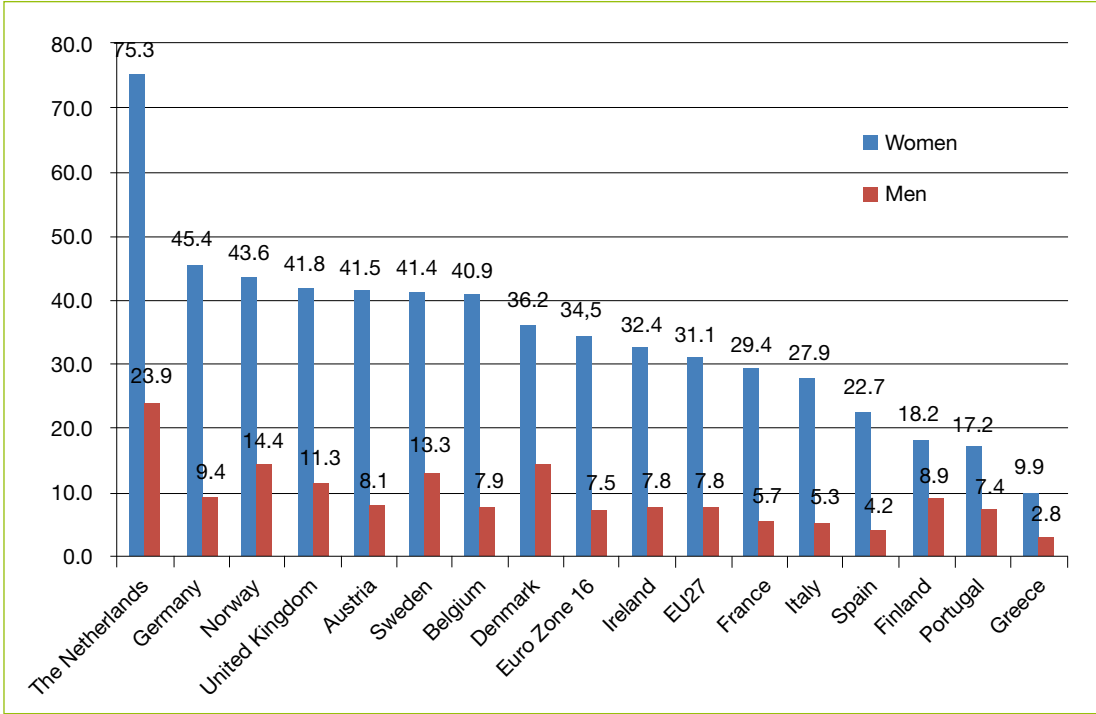
Another reason why opting for job apportionment with a significant proportion of part-time

work poses a problem is due to its feminisation. In the European Union, four times more women (31.1%) than men (7.8%) work on a part-time basis. In France, 82% of part-time jobs are held by women;¹⁴ for a third of them, this is because they cannot find full-time work.

We can see that in the group of Scandinavian countries, with jobs distributed on the basis of 'three quarters full-time and one quarter part-time', the percentage of part-time employment amongst women exceeds 40%. The Dutch are Europe's champions of part-time work: three out of four women work part-time. The average household in the Netherlands is therefore a 1.5 worker household. Although several countries have a rate of less than 33%, Finland stands out again with a particularly low rate of 18.2% (compared with 8.9% for men): once again, it also outperforms the rest in terms of gender convergence.

13 Proportion of people who work and have equivalent disposable income below the poverty line, set at 60% of the national median equivalent disposable income (after social benefits). Source: Eurostat.
14 Source: INSEE, Reference.

Percentage of occupied population in part-time work according to gender, 2008



Source: Eurostat

We have seen that behind ‘good’ unemployment statistics, the incidence of part-time employment is higher and the number of hours shorter. We can now add that this is also synonymous with another type of unspoken job apportionment: the division between men and women. Men enjoy full-time employment and full salaries, while women account for the vast majority of reduced hours and wages. This type of job apportionment is therefore particularly unequal.

There is therefore a third characteristic common to the five European countries which have an unemployment rate of less than 6%: over 36% of women work part-time. We therefore need to qualify the Scandinavian job-apportionment model as ‘three quarters full-time and one quarter part-time, with 40% of women part-time’.

4.3. Working time policy during the crisis: comparison between Germany and France

Although in the 2000s Germany allowed its labour market to become more precarious, and even expedited it with the Hartz IV reforms, it successfully introduced another job apportionment policy during the crisis.

While unemployment rocketed in Europe due to the crisis, German unemployment remained virtually stable: 7.5% in 2009, compared with 7.3% in 2008. By comparison, while in 2009 Germany experienced a recession which was twice as severe as in France (-4.7% and -2.3% respectively), the number of unemployed ‘only’ increased, between mid-2008 and the end of 2009, by 220,000 in Germany, compared with 640,000 in France (and there was an increase of almost 1 million across all five of the French unemployment agency’s categories). How do we explain this difference?

The first reason stems from a change in Germany’s definition of unemployment, introduced on 1 January 2009, which statistically lowered the rate of unemployment by around half a percentage point. Since then, jobseekers over the age of 59 who are out of work for at least a year and those undertaking vocational training in order to re-enter the labour market have no longer been classed as unemployed. However, this made a minor contribution to the stability of German unemployment during the crisis.

The fundamental explanation for Germany’s employment success during the crisis is known as *Kurzarbeit*, or short-time working. Politicians

and social partners opted for a strategy in which redundancies had to be the exception, with the utmost being done to keep workers in employment. For this, numerous adaptations and extensions to the existing 'structural short-time working' scheme were made in early 2009.

■ The duration of the scheme was increased from 12 to 18 months on 1 January 2009, and then to 24 months on 5 January 2009. This period applies to companies collectively (and not to individual employees) and starts from when the company begins using the scheme. A new period can only begin after at least three months have elapsed without the company resorting to any short-time working.

■ It only takes one employee to reduce his or her hours by 10% for short-time working to have been used, compared with one third of the workforce previously (1 February 2009).

■ Since 1 February 2009, the wage-related portion of social security contributions for hours not worked has been fully covered by Germany's federal employment agency. If the employee takes part in training, all social security contributions, including the employer's contribution, are covered. From the seventh month of the scheme, all social security contributions are covered, even if the employee is not undergoing training.

■ The federal employment agency subsidises much of the training for part-time staff, with full coverage of training costs with a view to obtaining a vocational qualification for unskilled workers, including the costs of travel and childcare, and coverage of 25% to 80% of training costs, depending on the type of training, for skilled workers.

A 31% reduction in working hours

Such major adjustments to the scheme have led companies to rely heavily on it. At its peak, *Kurzarbeit* affected 1.53 million people, with an average reduction in their working hours of 31%.

The wage subsidies paid by the federal employment agency represented 60% of the net wage loss that the employee would have incurred (67%, if the employee had at least one child).

In its Global Wage Report 2010/11, the ILO estimates that 'with average redundancy payments and hiring costs for skilled workers, 500,000 redundancies during the crisis and re-employing a corresponding number of workers after the crisis would have cost firms a total of €22 billion. Short-time working, by contrast, is estimated to have cost firms €5 billion, while the Federal Labour Agency paid €6 billion'. We can therefore see that, even in financial terms, the *Kurzarbeit* solution was by far the most desirable.

In France during this time, the use of short-time working remained marginal, with the impact on employment that we have seen. President Nicolas Sarkozy has stuck to his ideology of 'working more to earn more', with a policy conducive to overtime. France is thus second from the bottom of the list of countries that resorted to short-time working during the crisis, with only 0.8% of the active population affected in the second quarter of 2009, compared with 3.2% in Germany, 3.3% in Italy (through the *Cassa Integrazione Guadagni*) and 5.6% in Belgium (through temporary economic lay-offs).

The French national audit office (*Cour des comptes*) devotes an entire chapter of its 2011 public report to criticising this decision: entitled 'Short-time work: an underused tool', it explains that in 2009, France allocated 100 times less funding than Germany to short-time working, or EUR 61 million, compared with EUR 6 billion. At its height, the scheme only affected 275,000 people in France, or 1.2 million fewer than in Germany. In terms of results, the difference is even more apparent, according to an OECD study quoted by the national audit office report, claiming that *Kurzarbeit* had saved 14 times more jobs than in France, with 20% less cost per job saved in Germany.

Job apportionment during the crisis	<i>Kurzarbeit</i> (short-time working) in Germany	Short-time working
Maximum number of workers affected	1.53 million	275,000
% of active population mid-2009	3.20%	0.80%
Budget for the scheme in 2009	6 billion	61 million
Cost per job saved	EUR 27,088	EUR 33,888
2009 growth	-4.70%	-2.30%
ILO unemployed mid-2008 – end 2009	+ 220,000	+ 640,000

This does not mean that *Kurzarbeit* was idealised: trade unions, for example, have criticised the fact that it was mainly the industrial sector (80%) that benefited from it, while in services, unemployment and job insecurity continued to rise. While it could doubtless have been deployed more widely, this job-apportionment policy centred on full-time employment proved to be effective during the crisis.

It is now a question of examining the success factors of this kind of proactive job apportionment:

in other words, how it might benefit those who are permanently unemployed. There is, in fact, no reason why what works as a defensive measure, i.e. to prevent a rise in unemployment, cannot also work to reduce permanent unemployment, as the same scheme would be used. Likewise, there is no reason, other than ideologically, why a solution which successfully prevented the loss of 1 million additional jobs *during* the crisis would not be effective in tackling the millions of unemployed *from before* the crisis.



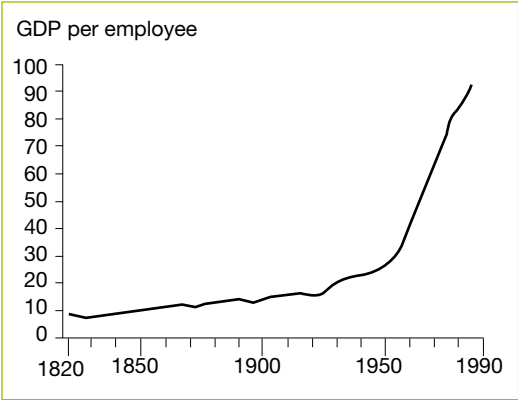
5. What new job apportionment policy should be introduced?

5.1. Faced with the rise in productivity and the fall in growth...

To understand fully why unemployment and job insecurity have soared in Europe over the past 40 years, we need to grasp the nature of the eco-

nomic revolution which has taken place: in the last 40 years, more productivity gains were made than in the previous two centuries. The productivity revolution means that we are capable of producing more and more wealth with increasingly less labour.

Productivity in France since 1820



Source: INSEE, *Deux siècles de travail en France*

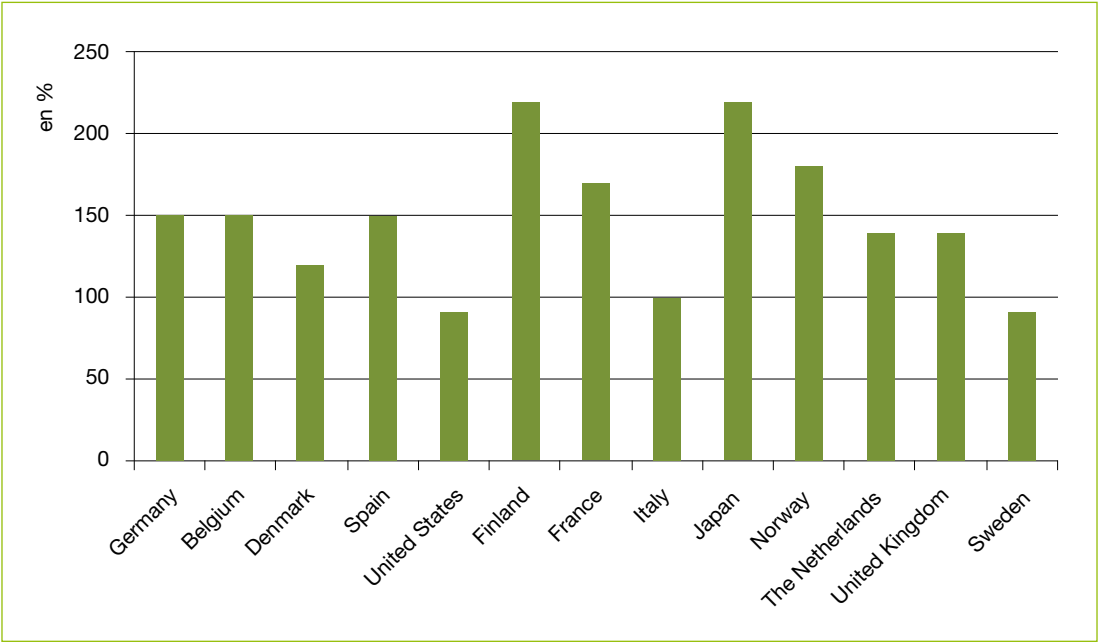
Productivity is not an abstract indicator. There have been profound changes in our core production methods across the majority of sectors. In agriculture, productivity means tractors, seed selection and fertilisers. In industry, productivity means machines and robots. In services, it means computers and software. But productivity does not boil down to technical progress within companies; it is also progress in education, training, research, infrastructure and health. For 40 years, this has been prodigiously improving our ability to produce more with less labour.

Since 1970, in euro area countries, workforce productivity has on average been multiplied by a factor of 2.5. In France, despite two industrial revolutions, it took more than a century for it to double (from 1820 to 1930). Thanks to the enormous progress achieved, the wealth that we can produce in one hour has increased by 150% in just 40 years.

It is this dramatic increase in productivity which has had serious repercussions in terms of employment, and more importantly unemployment. As Jeremy Rifkin explains,¹⁵ the old adage whereby technological advances and productivity gains destroyed old jobs but created new ones is no longer true today.

The industrial sector is particularly useful for understanding how productivity destroys jobs. Economist Patrick Artus has studied¹⁶ changes in industrial production in Germany and in southern European countries (France, Italy, Spain, Portugal and Greece). Contrary to some received ideas, we can see that industrial production has remained fairly stable in recent years, with slight growth in Germany and a slight fall in southern countries.

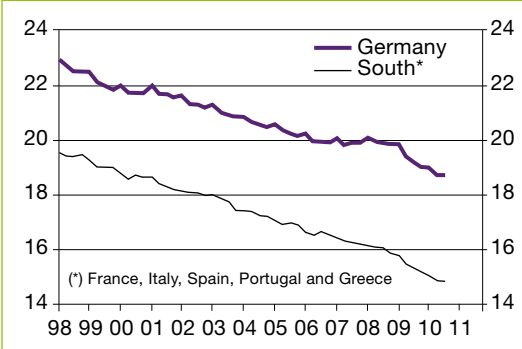
Increase in work productivity between 1970 and 2008 (measured in real terms 2000)



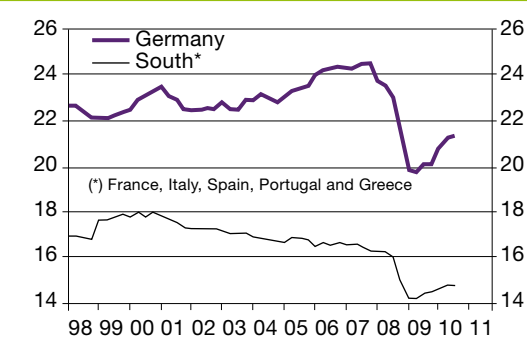
Source: OECD statistical portal

15 In *The End of Work*, 1995.
16 P. Artus, Direction de la Recherche CDC Ixis, February 2011.

Manufacturing jobs
(as a percentage of total jobs)



Manufacturing value added
(as a percentage of total added value)

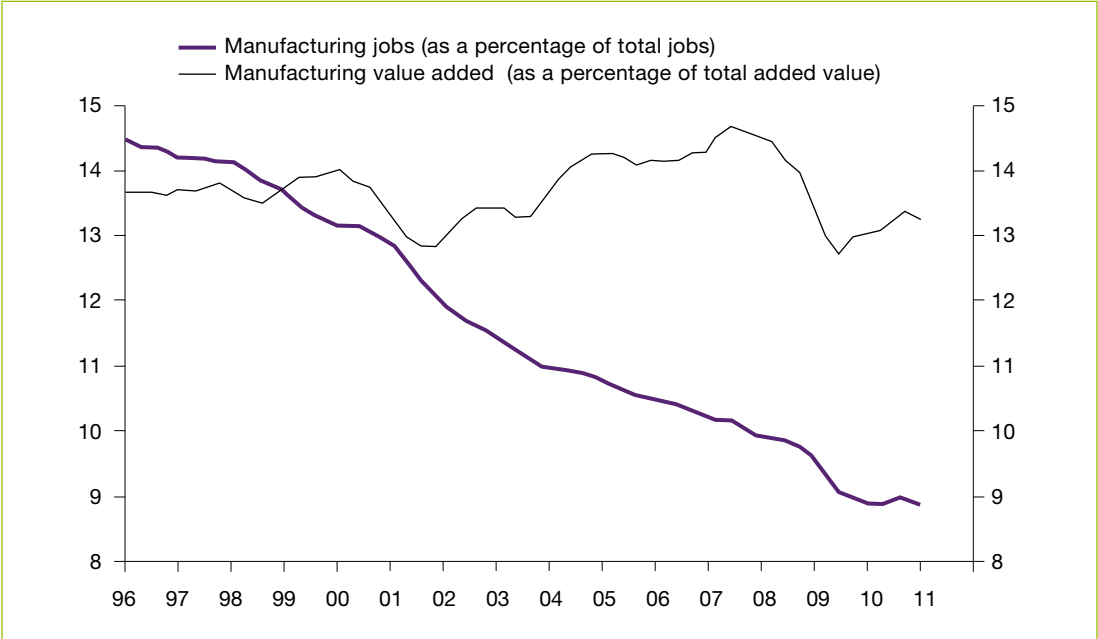


Sources: Datastream, Eurostat, NATIXIS

As we might expect, the share represented by industry is slightly higher in Germany (shown in purple on the graph) than in southern countries (shown in grey). However, there has not been a sharp decline in industrial production in countries such as France, Italy and Spain. Conversely, a real reduction in industrial employment is observed. This means that industry in these countries is managing to maintain its production levels while employing fewer workers. This is what we call 'productivity gains'.

The phenomenon is the same whether we look at the United States¹⁷ or Japan.¹⁸ According to a recent comment made by Hal Sirkin from the Boston Consulting Group, in the manufacturing sector, we get the impression that the United States no longer manufactures anything. Yet it has increased production by a factor of 2.5 in 40 years, while the workforce has contracted by 23%.¹⁹

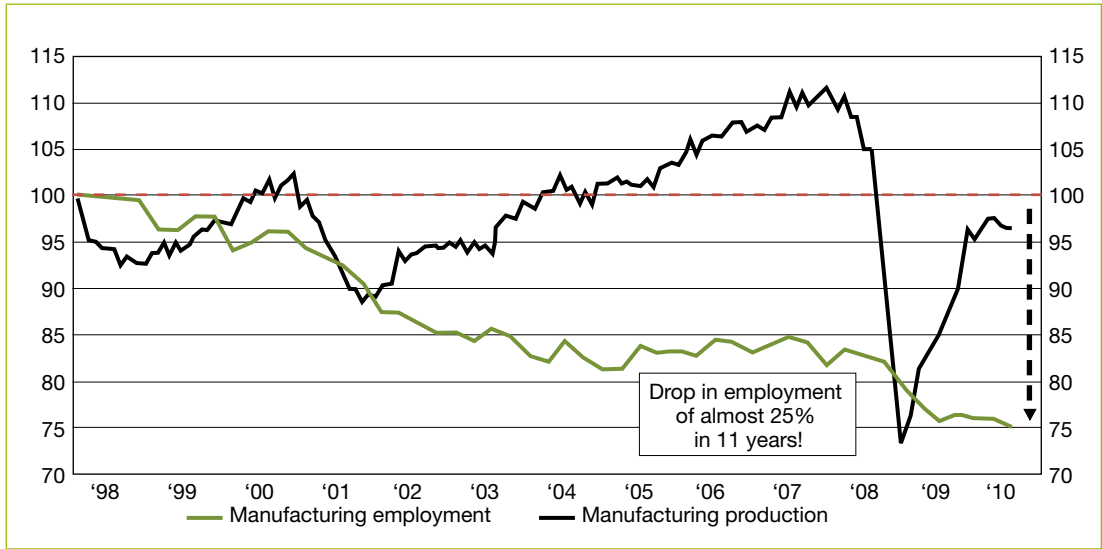
United States: employment and manufacturing value added



Sources: Datastream, NATIXIS

17 P. Artus, Direction de la Recherche CDC Ixis, February 2011.
18 Jean-Luc Buchalet, Primeview, November 2010.
19 Les Echos, 11 May 2011.

Japan – Manufacturing employment, base 100 in 1990



Source: OECD statistical portal

Even in 2006, the impact of this phenomenon was summarised in French newspaper *Le Figaro*:²⁰

‘Productivity gains leave little room for job creation. Last year, even with 9% growth, China only saw its total hours worked increase by 1%. We must stop complaining about relocation, which only affects a tiny percentage. Many more jobs are destroyed by productivity gains.’

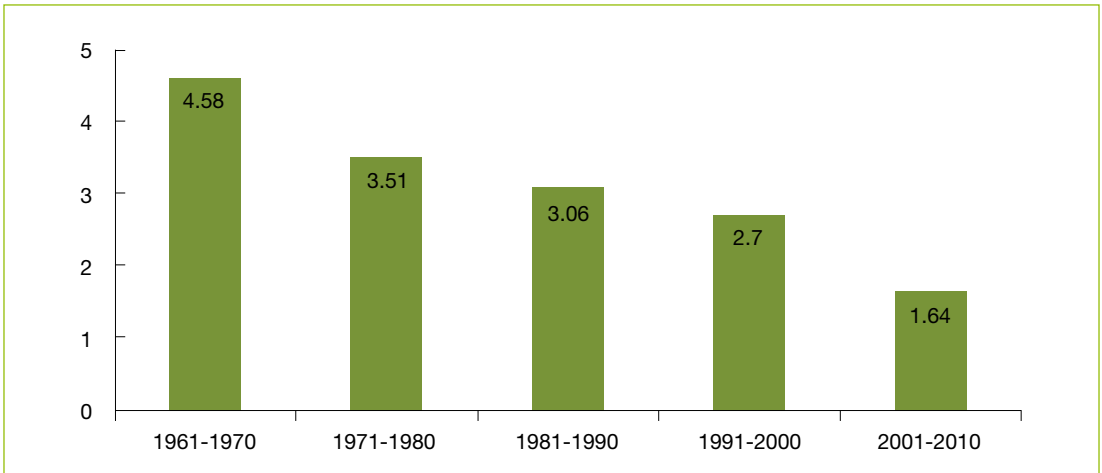
Economist Daniel Cohen recently summed it up by saying that between 10% and 15% of industrial

jobs lost are linked to global trade, and between 85% and 90% to productivity gains.²¹

If unemployment has soared, it is because faced with job losses linked to the rise in productivity, growth has become too weak to create enough jobs for the net balance to be positive. European countries have been unable to further their social contract as a result.

In addition, focusing primarily on the return to growth in order to tackle unemployment seems increasingly unrealistic.

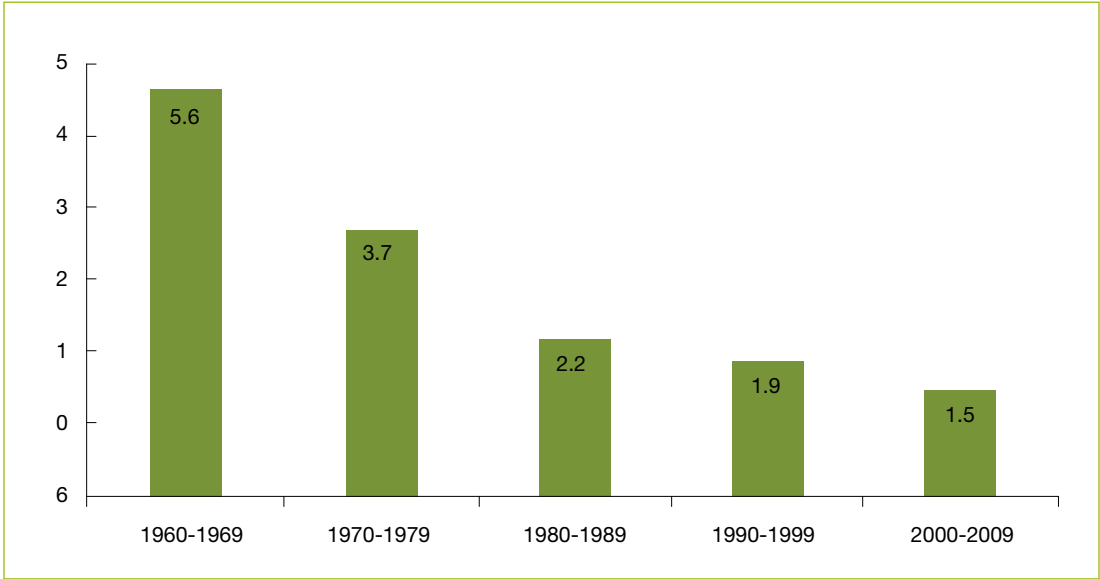
Average annual GDP growth rate per decade, for OECD member countries (%)



Source: OECD statistical portal

20 *Le Figaro Economie*, 27 January 2006.
21 *Alternatives Economiques*, No 303, June 2011.

Average annual GDP growth rate per decade, France (%)



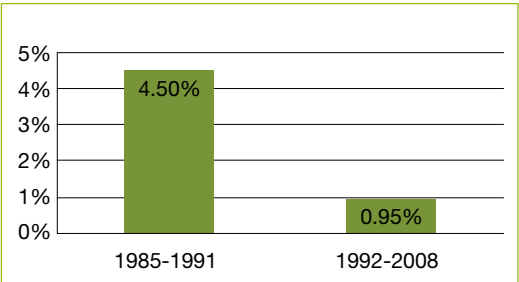
Source: INSEE

Furthermore, there is nothing to suggest that this long-term trend for weaker growth could be reversed in the years to come. The IMF, for example, talks about²² sluggish activity which is ‘insufficient to make a significant dent in high unemployment rates’. Meanwhile the World Bank talks about²³ a growth rate which has little chance of eliminating unemployment.

We could even see annual growth rates continue to fall. This is what Xavier Timbeau from the OFCE (French Institute of Economic Policy) feared at the end of 2009, when he said that the most favourable prognosis was an end to the Japanese-style crisis. So what does this mean? Since the Japanese crash in the early 1990s, the annual average growth rate in Japan has been less than 1%, despite efforts to stimulate growth, with more than 3% of GDP invested in research, a public deficit equivalent to 6% of GDP due to a series of recovery plans, and rock-bottom interest rates.

Many economists believe that even before the crisis, the growth of some countries was artificially fuelled by debt and was therefore already unsustainable. For Michael Spence,²⁴ winner of the 2001 Nobel Prize in Economics, the ‘Unit-

Average annual growth rate, Japan, 1985-2008



Source: OFCE

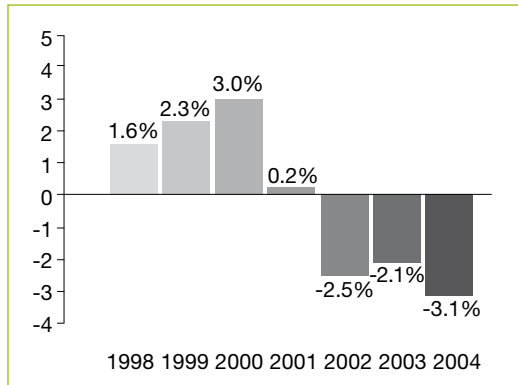
ed States was on an unsustainable growth path for at least a decade – probably longer – before the crisis’. He also observed that ‘the economy lacks sufficiently powerful growth engines’. Italian economist (and former Minister of Economics and Finance) Tommaso Padoa-Schioppa agreed: ‘everyone is focused on returning to pre-crisis growth, forgetting that it is this very growth which led to the crisis’.²⁵

Patrick Artus made the same observation with regard to the euro area: ‘in 10 years private debt has risen from 75% to 145% of GDP. Without household debt, the euro area would have seen

22 World Economic Outlook, 25 January 2011 – a diagnosis which was confirmed on 20 June 2011 by Olivier Blanchard, chief economist at the IMF, who said that growth in developed countries was not enough to reduce high unemployment rates, which have a significant social cost.
23 Six-month forecasts, 12 January 2011.
24 Project Syndicate, November 2010.
25 Quoted in the report by the Centre d’Analyse Stratégique, ‘France 2030: 5 scénarios de croissance’.

zero growth since 2002'. A study by Jean-Luc Buchalet and Pierre Sabatier shows for example that, without an increase in household debt, the United Kingdom would have entered a severe recession in mid-2001.

Growth in the United Kingdom without an increase in household debt



Source: Buchalet and Sabatier, 2006 (Jean-Luc Buchalet, *The Outlook*, le cnam, April 2006)

Growth rates sufficient to reduce unemployment now seem unattainable. Some people, such as the current German Finance Minister, go even further, and believe that it would be dangerous to try to force the pace of growth at any cost. Wolfgang Schäuble,²⁶ in an interview with German newspaper *Die Zeit*, said, 'We must be realistic and recognise that for Germany, growth rates of more than 1.5% or 2% are neither viable nor particularly desirable'.

In its report²⁷ entitled 'France 2030: 5 scenarios for growth', the Centre for Strategic Analysis forecast potential long-term growth rates (2010-2030) of between 1.2% and 2.1%. Bearing in mind that France needs growth of around 2.5% to reduce unemployment, even the most optimistic scenario is insufficient. And in three of the five scenarios, growth would not exceed 1.7%.

Everything points to the fact that we can no longer rely on sufficient growth to resolve the problem of mass unemployment. Politicians who continue to insist on this risk entering a vicious economic circle: while waiting for a return to growth, the number of unemployed, mini-jobs and low wages

would increase. This would weigh on demand, and growth would slow even further. To stake everything on a hypothetical return to growth is therefore no longer a realistic option.

Growth no longer offsets the productivity gains achieved: how do we solve this equation? What should be done? On the one hand, we can no longer count on a sufficient increase in growth. Yet on the other, we can no longer avoid reducing productivity gains. We can of course correct them marginally by avoiding certain management methods or regulating excess productivity, but we cannot unplug computers, make people less intelligent or go back to using candles.

It is conceivable however that in some sectors, productivity gains could slow considerably in future decades, for example due to a sharp rise in energy prices. It is equally possible that there could be negative productivity gains in some areas of agriculture, due to a renouncement of more intensive farming methods. What would be the exact scale of these phenomena? At the present time, no one knows. Conversely, what is certain is that the stock of productivity to be 'purged' is such that European economies cannot remain passive without penalising employment.

We must thus tackle the massive productivity gains already achieved. These are not in themselves a bad thing, unless we pretend that they do not exist, by failing to adapt economically to the situation.

In order to tackle unemployment, it therefore seems crucial to have employment policies which reflect the reality of these productivity gains: if we want everybody to work, we must find an alternative way of apportioning working hours.

5.2. ... is it possible to improve job apportionment to boost employment?

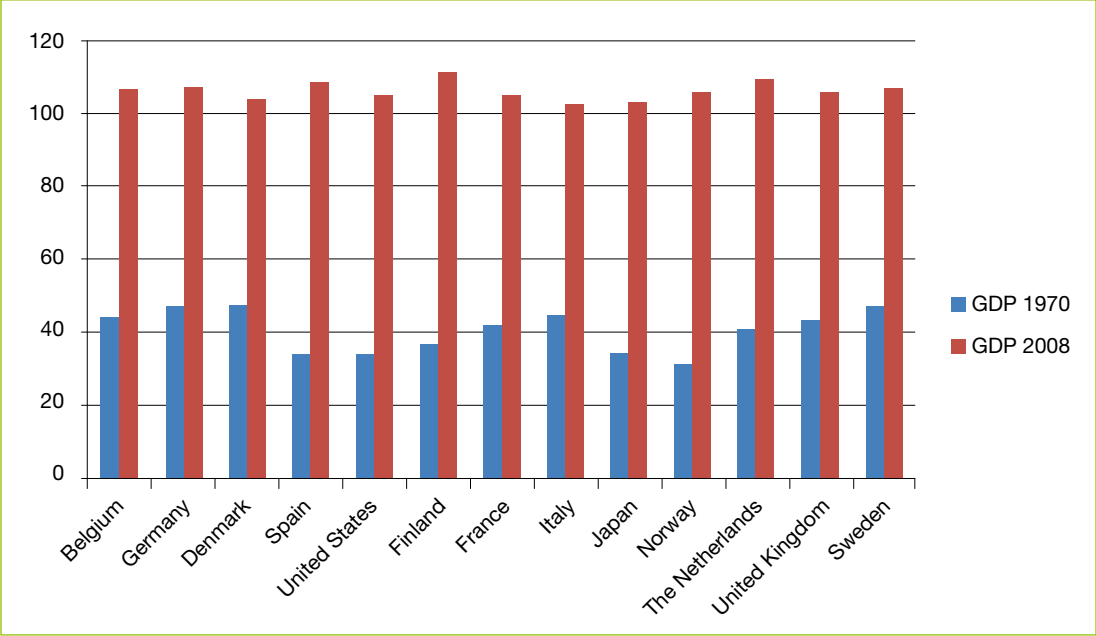
We need to understand how productivity gains have created serious imbalances in labour markets. Between 1970 and 2008, we managed to produce around 2.5 times more wealth per year in Europe, an increase of +150%.²⁸

²⁶ *Die Zeit*, 10 February 2011. 'Wir sollten uns realistischerweise dazu bekennen, dass für Deutschland mehr als anderthalb bis zwei Prozent Wachstum weder nachhaltig möglich noch unbedingt wünschenswert sind'.

²⁷ CAS, French Treasury Department, April 2011.

²⁸ Source: OECD statistical portal.

Actual GDP (2005 = 100) in real terms



Source: OECD statistical portal

On a like-for-like basis, producing 150% more wealth in a year would take 150% extra workers or 150% extra hours worked annually. It could also be a mixture of the two. This is evidently not what has happened since, as we have seen, productivity has soared.

In fact, the active population has grown much less than 150%. At the same time, the number of hours worked in the economy has either fallen or else has increased very little (depending on the country).

Due to this productivity, a gap has opened up between the supply of labour (the active population) and the demand for labour (the working hours the economy needs), which the reduction in individual working hours has not made up for.

In France, for example, the active population rose by 33.4% between 1970 and 2008. Over the same period, the total number of hours worked in the economy fell by 6.6%. A 40% gap has therefore been created between labour supply and demand.

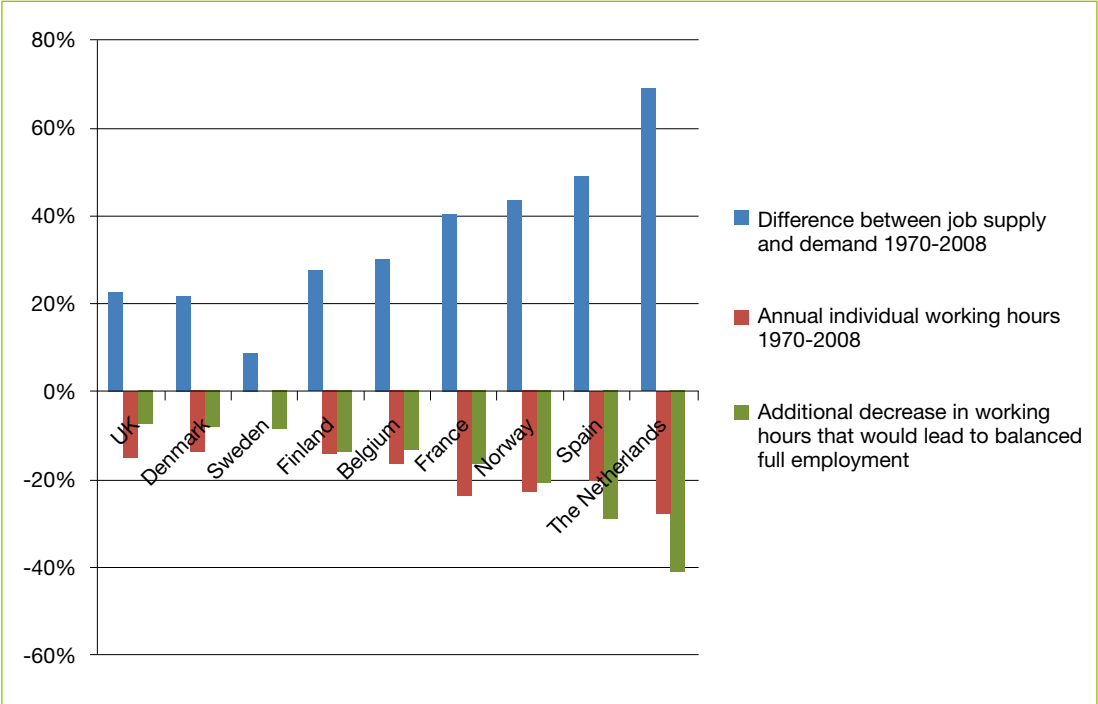
This means that if the annual number of working hours per person had fallen by 40%, there would have been no additional unemployment since 1970. However, the annual number of working hours per person per year has only fallen by 24%, from 2,048 hours to 1,560 hours.²⁹ An additional 16-point fall is still required, therefore, in order to reach break-even point.

France	1970	2008	Change
GDP (in millions of constant USD) ³⁰	694	1738	+150%
Hours worked each year (in billions)	43.22	40.37	-6.60%
Active population (in millions)	21.36	28.5	+33.40%

Source: OECD statistical portal

29 Source: OECD statistical portal.
30 Constant prices and PPP, reference year 2000.

Imbalance on the labour market



Source: OECD statistical portal and authors' calculations

In 1995 the Boissonnat Report considered for example that France still needed to reduce its working hours by 20-25% over 20 years. However, since 1995, the annual average working hours have fallen by less than 10%.³¹

The sharp rise in productivity has created an imbalance in the labour markets. A further reduction in individual working hours would absorb much of the structural unemployment which has resulted.

But before looking at the best way of improving the current apportionment of working time to boost employment, we should perhaps remem-

ber that the reduction in working hours is not an isolated or random experiment. Our economic history has long been closely associated with a reduction in working hours.

Is the reduction in individual working hours a new thing? No, working hours have halved over the past 150 years, falling from 3,000 hours per year to the current level of 1,500 hours. In some ways, today's workers are part-time compared with workers in the latter half of the 19th century. We can observe for example that, even in the United States, the average number of hours per week has continued to fall steadily for almost 50 years.³²

31 9.4% exactly: 1,651 hours in 1995 compared with 1,560 hours in 2008. Source: OECD statistical portal.
32 Ministry of Finance, *DP Analyses Economiques* No 51, October 2004.

Average weekly working hours in the United States

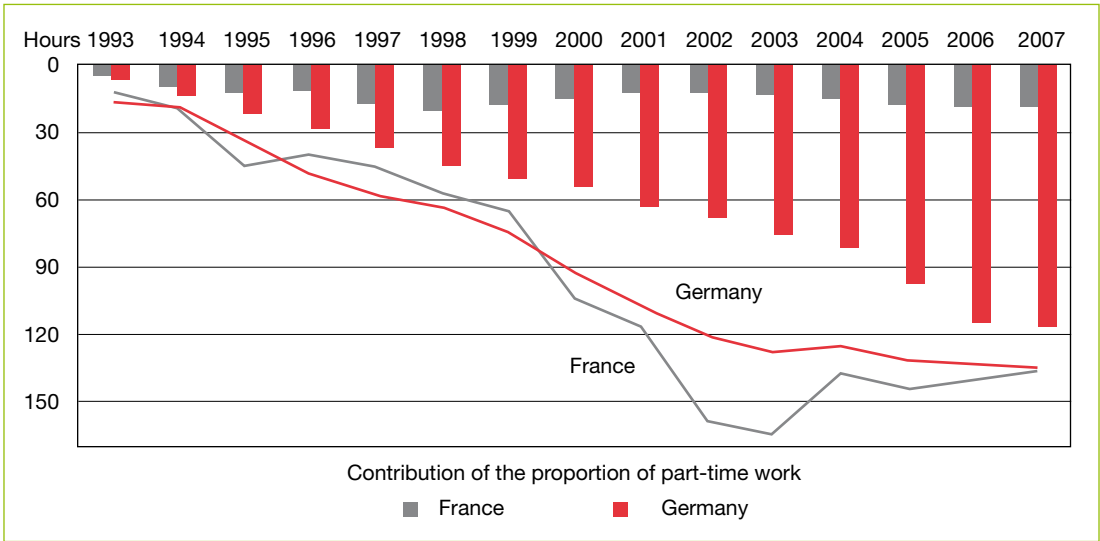


Source: BLS, Bureau of Labor Statistics

Historically, how has the decrease in working hours happened? It has happened in different ways at various periods throughout history. First, it concerned a reduction in daily hours (restriction on night work, then the 12 hour day, followed by the 10 hour day). This was followed by the introduction of a weekly rest period (Sunday, then Saturday), and then annual leave (holiday). Finally, two models have coexisted since then: the reduction in collective full-time working hours and the

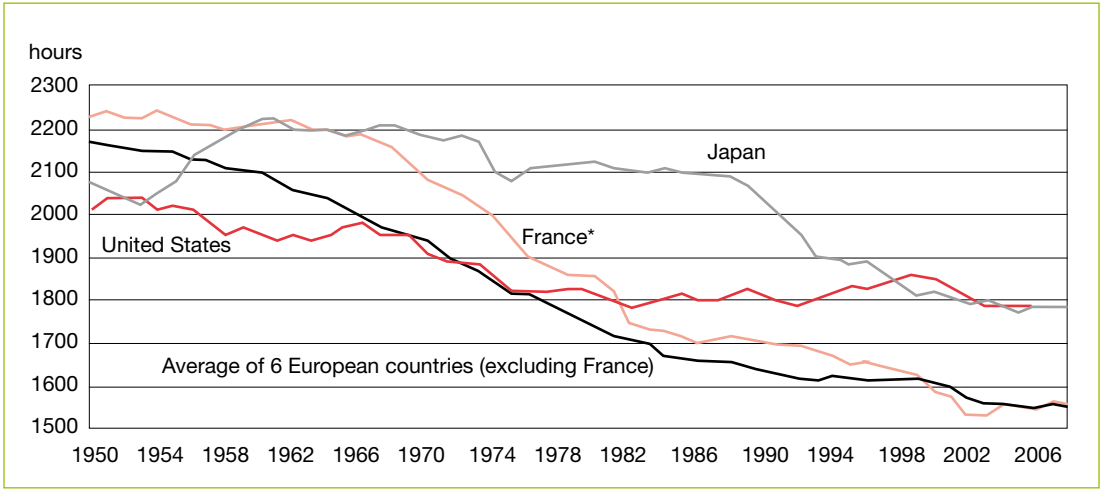
increase in part-time work in varying proportions, depending on the country and according to the job-apportionment models adopted.

This graph³³ shows that France and Germany both reduced their annual working hours between 1993 and 2007 (by around 135 hours). However, the contribution of part-time work to this reduction was minor in France, but a decisive factor in Germany.



Source: INSEE

33 INSEE Première No 1273, January 2011 – Soixante ans de réduction du temps de travail dans le monde.



Source: INSEE

Have all countries witnessed a reduction in individual working hours? Yes, since the end of the Second World War, annual working hours have fallen in all developed countries. In almost 60 years, the figure has fallen by around 25%, as indicated by the graph above³⁴ for a panel of 10 countries with the highest GDP per capita.

This fall was driven by four factors which, to varying degrees, affected all developed countries:

- the introduction of salaries;
- expansion of the tertiary sector;
- reduction in the working week;
- an increase in part-time work.

Interpretation: in 2007, the annual hours worked were 1570 hours in France and a simple average of 1555 hours in six other European countries (Germany, Italy, Netherlands, Spain, Sweden and the United Kingdom).

Can one country alone decide to reduce individual working hours? Clearly there is nothing to stop several countries from waging a concerted action. This would doubtless have two advantages: reassure public opinion and send a strong political signal at the European level in terms of employment. However, in practice we know that for reasons linked with the electoral calendar and the practical aspects of coordination, it is not that easy. That said, there is nothing to prevent a country from introducing a proactive policy to tackle unemployment. Indeed, historically this is what has always happened. One country starts

the movement, and one by one others follow. Below are two examples: the weekly rest period and the eight-hour day.

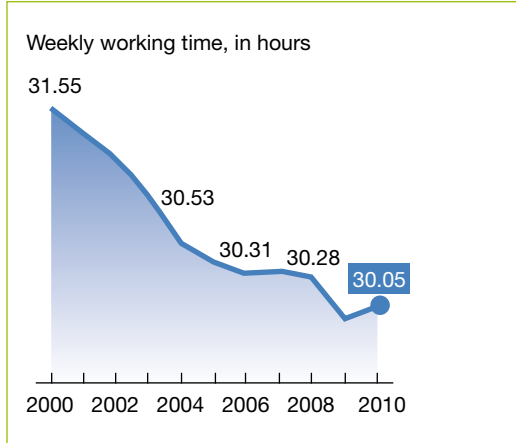
Weekly rest period	Year
Germany	1869
United Kingdom	1888
Belgium	1895
Switzerland	1905
France	1906
Netherlands	1919
Sweden	1920

8-hour day	Year
United Kingdom	1908
France	1919
Netherlands	1919
Sweden	1920
Belgium	1921
Italy	1923
Germany	1938

By comparing the average actual working hours of employees alone (full-time and part-time), we can also see that some European countries have been pioneers since the 2000s. During this decade, the average for countries in the euro area was around 35.5 hours, whereas it was already less than 34 hours in Denmark, and close to 30 hours in the Netherlands and Germany.

34 Ibid.

Germany withstands the crisis by reducing working hours



Source: La Tribune, 24 January 2011

Is job apportionment inevitably a 'left-wing' employment policy? No, we have seen for example that *Kurzarbeit* has been widely deployed by the right-wing government of Angela Merkel. It is true that in some countries, such as France, it represents an ideological demarcation line between left and right. But this has not always been the case, even though the majority of measures to reduce working hours have historically been introduced by the French left.

In France, it was undoubtedly in the mid-1990s, at a time of high unemployment, that the debate was the least politically divided. Some views expressed at the time by the right or by business leaders might be surprising now. Here are some of them:

Michel Barnier – Current European Commissioner for the Internal Market and Services

'The proposal to go from a five day to a four day working week seems to me to be an incentive for the country and its industry. Unlike the caricature that some people have tried to paint of this proposal, this is not a Malthusian response, but a possible step forward to help reconcile employment and activity.'

Yet the introduction of the four day week is too serious a matter to be the fruit or subject of a battle for popularity... This type of operation, which is an opportunity to rethink how companies organ-

ise work, can only happen gradually. Its various stages could be:

- a compulsory target for reducing working hours within 18 to 24 months;
 - a new "social forum" involving employers' organisations and trade unions to define a monitoring framework;
 - negotiations for each sector and company.
- [...]

Embarking on this path would have a much greater impact – and be more likely to change behaviours – than the useful technical measures we are currently taking. It would be brilliant if the whole of society could join forces to combat the exclusion of the jobless. That is exactly what the problem needs.

It would also appeal to the imagination and encourage individual consciousness to detach itself from the ethic of work for work's sake and to seek a new equilibrium'.³⁵

Claude Bebear – Honorary chairman of the AXA Group and founder-president of the Institut Montaigne

'Working hours have halved over the past century, and this change is set to continue thanks to technological progress.'

[...]

It's possible for everyone, including management. I myself have reduced my working hours by one fifth in order to prove – like others before me – that even an employer can work less and still be efficient. Everything would be so much better if we were saying "we" instead of "I"'.³⁶

Antoine Riboud – then chairman and CEO of BSN-Danone

'We must significantly reduce working hours. If you reduce it by a few hours, productivity will absorb the reduction in hours. There has to be a willingness to go down to 32 hours, or four days a week. This will require a reorganisation and will force all industries and services to recruit heavily'.³⁷

³⁵ *Vers une mer inconnue*, Hachette, October 1994.

³⁶ *Le Monde*, 13 March 1996.

³⁷ *Le Monde*, 28 September 1993.

Jean Peyrelevade – then chairman of
Crédit Lyonnais

*‘Eventually everyone’s working week could be four days, while the company could stay at five or six days... With constant work productivity, [this type of organisation] would create employment exactly in proportion to the reduction in individual working hours’.*³⁸

Rene Monory – then president of
the French Senate

*‘For employment, the first reform needed would be a reduction in working hours’.*³⁹

Philippe Seguin – then president of the French
National Assembly

*‘The idea of job apportionment comes down to this nice word “sharing”. We need to expand this and make it meaningful, reorganising activities in a way that goes beyond solely the hours worked’.*⁴⁰

Edouard Balladur – former Prime Minister

*‘I wonder if it is time for those companies that can to begin talks on reducing working hours without pay cuts’.*⁴¹

Alain Juppé – former Prime Minister and
Foreign Affairs Minister

‘We now need to change gear in tackling unemployment. Together we must show more imagination and daring. (...) Our society has dramatically changed. The organisation of working time has failed to keep pace with this change.

This is a social as well as an economic issue. Reducing and organising working time better also means breathing new life into consumption.

*I would like to add that the need to go further in terms of adapting and reducing working hours applies to the public sector, which must set an example’.*⁴²

We have just seen that the reduction in individual working hours is not a new phenomenon, that all

countries have experienced it, that some of them have made more progress than others, and that job apportionment is not only recommended by the left and by the trade unions.

The reduction in working hours is therefore a classic, universal tool suited to the national level. Taking into account the severity of underemployment in Europe, it would be unthinkable not to consider using it proactively.

Each job apportionment model can be improved to boost employment:

- The Scandinavian model could be rebalanced as follows: no more than 25% of part-time workers, increasing their average working week by around 24 hours (three-day week).⁴³
- The Finnish model could be used in countries with high productivity (and higher unemployment) by reducing full-time hours, and at the same time not exceeding 15% of part-time workers.

5.3. Where to from here? Learning from past experience in Europe

We must now look at how to implement job apportionment successfully and in a way that tackles unemployment. Based on past experience in several European countries, it is possible to identify some key factors of success.

Lesson No 1: NEGOTIATION – The Wassenaar agreements in the Netherlands

Signed on 24 November 1982 in Wassenaar, in the Netherlands, the eponymous agreements provided a foundation for a policy which allowed unemployment in the country to be reduced from 13% to 3%. The agreements were based on a policy to reduce working hours accompanied by wage moderation, partly offset by tax cuts.

The agreements owe their success to the power of employers’ organisations and trade unions to switch from a culture of opposition to a culture of cooperation, encouraged by the State. After several weeks of negotiations, a new social pact was therefore born. By taking time over the negotia-

38 *Le Monde*, 8 June 1993.

39 *Paris Match*, 15 February 1994.

40 *Ce que j’ai dit*, Grasset, July 1993.

41 *Le Figaro*, 17 February 1996.

42 Prime Minister’s speech, Work and Employment Summit, 21 December 1995.

43 With part-time employment at 26.6%, or an average of 23.5 hours, it was Sweden which was closest to this in 2008 before the crisis with the 24/24 model (24% at 24 hours on average).

tions and relying on mutual concessions, it was possible to make considerable progress.

This approach was influenced by the theories of Jan Tinbergen, a Dutch economist and first winner of the Nobel Prize in Economics in 1969, on how to implement public policy in the Netherlands. He is seen as the father of social democracy in northern European countries.

Tinbergen thought that in order to be effective and coherent, an economic policy had to have instruments as well as targets.⁴⁴ This was in some ways what happened with the Wassenaar agreements. A specific instrument was used so that each of the three parties would achieve its target: a reduction in working hours, which was the 'employment' target of the trade unions; wage moderation, which was the 'competitiveness' target of businesses; tax cuts, which was the 'economic support' target of the State.

The Dutch culture of dialogue, popularised under the name of the 'polder model', also played an important role. So what is the 'polder model'? Agriculture in the Netherlands developed by reclaiming land (polders) from expanses of water, particularly the sea, using a system of drainage and dykes. However, this required concerted management.

Let's say I have too much water in my field. If I dig a channel to drain the water to lower ground, it is likely that I will flood my neighbour's field, situated lower down, and will dry out my neighbour's field, situated higher up. In any case, each of my neighbours could in turn carry out work that would cause trouble for me. The polder model thus consists of a strategy of good cooperation with the free exchange of ideas.

Lesson No 2: SEPARATE WORK AND INCOME – Flexible security in Denmark

In some ways, Denmark uses the polder model to fund employment policy. It is even a key pillar of the flexible social security policy for which the country is renowned.

The basic premise of this concept is the fact that in most countries, people receive unemployment

benefit after paying unemployment insurance during a period of employment. This is a classic insurance system: normally I pay social security contributions, and if I lose my job, I received temporary compensation to replace the lost income, thanks to the money collected from everyone.

The Danish concept goes further than the contribution/compensation relationship. Like the farmers of the polders, it embodies the free flow of information which exists financially between the various agents: the State, insurance companies, workers and companies. Everything works on the understanding that the benefits (paid by the insurance companies or the State) are a form of universal income guaranteed by the social pact.

The British economist Robert Skidelsky explains it well using an example.⁴⁵ 'A Danish law enacted in 1993 recognizes a right to work discontinuously, while also recognizing people's right to a continuous income. It allows employees to choose a "sabbatical" year, which could be divided into shorter periods, every four or seven years. Unemployed people would take the place of those on leave, who, for their part, would receive 70% of the unemployment benefit they would get if they lost their jobs (typically, 90% of one's salary). Danish unions have managed to use such statutory individual rights to reduce the working hours of entire company workforces, and thus increase the number of permanent jobs'.

The Danish strategy is therefore as follows: to turn the amounts allocated to this type of unconditional income (unemployment benefit or basic social entitlements) into extra jobs. This means considering the overall costs and gains of job apportionment. An unemployed worker on full benefits is not just a cost: it means less demand for companies and less tax revenue for the State. A job which is subsidised by the State is not just a cost: it also means one more taxpayer, one more consumer and one less person on benefits; it is someone who no longer needs administrative monitoring, vocational training, social support. It is therefore critical to envisage all financial flows affected by job apportionment to assess its real benefits.

⁴⁴ The famous 'Tinbergen rule'.

⁴⁵ In Lumpy Labor, Project Syndicate, May 2011.

Lesson No 3: MAKE SUBSIDIES CONDITIONAL ON RECRUITMENT – France’s 35 hour week

France reopened the debate on working hours at the end of the 1990s. Three schemes succeeded one another with the Robien⁴⁶ (11 June 1996), Aubry 1 (13 June 1998) and Aubry 2 (19 January 2000) Acts. The general principle of these three acts is to exempt companies from charges in return for a reduction in working hours. Yet the conditions for obtaining exemption vary from one act to another, as does the impact in terms of employment.

	Exemption if recruitment of	Average recruitment carried out ⁴⁷
Robien Act	10% of jobs with permanent contracts	12%
Aubry 1	6% of jobs with permanent contracts	8.50%

Finally, in Aubry 2, which will affect the vast majority of companies, no job creation is required in return for exemption. In addition, companies are allocated a generous overtime quota and flexible options for calculating working hours. The impact on employment has therefore been weaker: companies were not obliged to recruit and could in fact maintain actual working hours above the collective duration. ‘My company has switched to 35 hours but, in reality, we are still doing 38.50 hours’, explained⁴⁸ the president of the CGPME (an SME employers’ organisation) at the time. In any case, SMEs with fewer than 20 employees have remained outside the scope of the reform.

The Aubry Acts have nevertheless allowed almost 350,000 jobs to be created, according to Dares and INSEE estimates. It is first and foremost a measure intended to combat unemployment. Yet it is evident that the impact on employment would

have been much greater had recruitment been compulsory in order to qualify for exemption.

It is important therefore that business subsidies are conditional on a certain amount of recruitment, in the context of a reduction in collective working hours. We will show that where this condition is met, the reduction in working hours can take place at no extra cost to companies, insurance companies and the State. It is a question, after negotiating (Lesson No 1) and envisaging the overall costs and gains (Lesson No 2), of introducing appropriate balanced funding.

For example: how can we finance 10% of the recruitment necessitated (despite productivity gains) by a reduction in working hours of x%⁴⁹ in the company? The law or collective agreement will guarantee that: ‘following a reduction in working hours of x% for all employees, a company which recruits the equivalent of 10% of workers on permanent contracts will receive a 9% reduction in charges’.

A reduction in charges of 9.1% would avoid any increase to the wage bill of a company which hires 10% of new recruits on identical salaries.⁵⁰ In fact, companies will hire employees who, having no history in the company, will be paid slightly less.⁵¹ An overall reduction in charges of 9% is therefore sufficient for the wage bill of a company which recruits 10% of new employees to remain constant. This is because the reduction in charges, which applies to *all* employees of a company, is enough to compensate for the 10% increase in the number of employees.

This amounts to funding a 9% reduction in the total employer cost of each employee by reducing charges so that it does not cost companies more. It could also be neutral for employees and the State, by adapting the funding as summarised in the table below:

46 In total, 2,953 agreements will have been signed under the Robien Law, affecting some 280,000 workers. *La France et le Temps de travail*, Fridenson and Reynaud, 2004.

47 *Revue économique* No 51, Coutrot and Gubian, May 2000.

48 *Le Figaro*, 6 November 2000.

49 To be defined according to the working hours and productivity of the country, or of the sector concerned, in the event of significant disparities.

50 If we reduce working hours by asking companies to recruit 10% more workers, the wage bill (M) will remain constant if: $M \text{ to } M' = M \times (1.1) \times x = M$, where x is the factor corresponding to the fall in charges granted to companies that hire 10% more workers. The calculation shows that $x = 1 - 0.091$, or a 9.1% exemption.

51 We have assumed that new recruits cost on average 5% less than those already employed.

ACTION	GAIN	FUNDING
Abolition of unemployment contributions	3% to 4%	Fewer benefits and higher tax revenues
9% fall in other contributions ⁵²	3%	Additional contributions of employed workers
State subsidies	2% to 3%	The social cost of unemployment falls = savings for the State
TOTAL	9%	Neutral for: companies, employees, the State

In 1993, Patrick Artus, then the director of economic studies at the *Caisse des Dépôts*, validated⁵³ the macroeconomic system with the example of a transition to a four day week in France, financed in the same way.

By making government subsidies for companies conditional on actual recruitment, it is entirely possible for companies to recruit 10% more employees with no additional cost to employers, the State or taxpayers.

Lesson No 4: SPEED AND SIMPLICITY – *Kurzarbeit* in Germany

The German example (see *chapter 4.3*) shows that a proactive approach can have convincing results: the German scheme has in fact been modified several times to adapt to changes in the labour market during the crisis.

In the event of a significant change in the economic climate, it must be able to react swiftly with a simple mechanism, familiar to employees and comprehensible for employers. This could consist of a downsizing of activity (as happened recently with the crisis). It could also be useful in the event of a temporary labour shortage in a particular segment of the labour market: in this case, a negotiated reduction in the cost of overtime could equally be envisaged. In the current climate, this is not really on the agenda; but we can imagine that this kind of tool could also be adapted in a labour market which has returned to full employment.

5.4. Virtuous apportionment

Due to the massive job creation which results, by improving how working hours are currently shared out, companies in Europe can rebalance other critical areas. The four key areas are as follows:

- better division of work and tasks between men and women (the biggest victims of involuntary part-time work, on the one hand, and the most involved in domestic work, on the other);
- better apportionment of work between insiders and young people (the biggest victims of unemployment);
- better balance between work and personal life (family, social, community, etc.);
- better distribution of added value between work and capital.

The first three points are fairly easy to understand. The last warrants a few explanations, because it is fundamental.

We must understand that the current crisis is first and foremost a social crisis. The roots of the financial crisis are 30 years of unemployment and insecurity. Effectively, when an economy is plunged into mass structural unemployment, employers have the upper hand in wage negotiations: *‘Considering the number of unemployed, if you don’t like your salary, someone else will’*.

This is why the distribution of added value has deteriorated sharply for workers over the past 30 years in all western countries. In OECD countries, the amount received by employees (wages and contributions) has fallen by 10 points of GDP since the early 1980s. Even though this peaked at the start of the period, the fact remains that each year between 5% and 7% of additional GDP is

52 We believe that these represent on average 33% of the employer’s total cost.
53 *Options Finances*, 15 November 1993.

The share of wages in value added, OECD 15*



Source: INSEE

paid to capital rather than labour. Over 30 years, this represents a loss of earnings for employees of over 30,000 billion dollars in OECD countries.

We are familiar with the consequence of this. What companies and their shareholders have seized from wages with one hand, banks have lent in the form of credit with the other. There was a real need to artificially maintain consumption in order to create a market. Yet this kind of system could not survive for long: it resulted in the debt crisis, from which our economies have still not recovered.

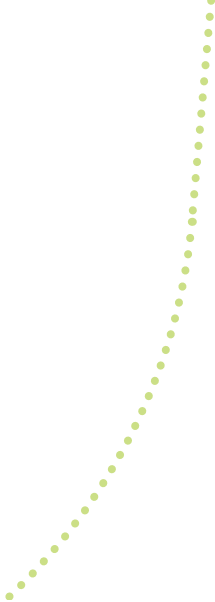
The best way of returning to healthy economic fundamentals is to allow workers to earn enough so that demand is no longer fuelled by credit. To achieve this, it is essential that we return to unemployment levels close to full employment, so that all employees are able to earn the highest possible wages.

A sharp drop in unemployment is the best way of increasing the purchasing power of ALL workers. This is essentially what⁵⁴ Ursula von der Leyen, German Minister for Labour and Social Affairs, said recently: 'I am firmly convinced that wages will rise considerably this year, if for no other reason than because there are fewer workers available' [due to the fall in German unemployment, at its lowest level since reunification].

Improving the current job apportionment in European countries would not only be an effective way of tackling the problems of unemployment and job insecurity (without penalising companies or burdening the State), but would also be the safest way of improving income for all workers in the long term, and thus offering a sustainable framework for a new European prosperity.

54 Le Figaro Economie, 4 January 2011.





Europe's labour market continues to remain in a state of tension, with high unemployment and structural changes including involuntary part-time work, precarious work and structural unemployment, which all present a myriad of problems to policy-makers hoping to secure Europe's economic future. As the economic crisis and the related social and political crisis continue, it is clear that a look beyond traditional models of ensuring employment is required to resolve this issue.

This publication, authored by Paris-based lecturer in economics Jean-Marie Perbost for the Greens/EFA Group in the European Parliament, looks at how changing our approach to working time could provide the solution needed for Europe's labour market. Starting with an examination of Europe's current labour demographics, the publication outlines the divergent models that exist within Europe and suggests that a better sharing of working hours in the labour market could make a major contribution to reducing Europe's unemployment levels.

The concept is not a new one, and this publication reviews the successes and shortcomings in circumstances where working time reduction schemes were introduced. It examines the safeguards and requirements needed to ensure that a changed approach to working time has the maximum impact on securing high employment, reducing gender inequality and bringing young people into the work force in Europe.



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