Working Time

In the movement for social equity in the modern age there have been three main targets of redistribution: land, capital and income. Land reform and the democratisation of landed income and power dominated politics in late eighteenth and nineteenth century Europe as it still does in agrarian economies in the South, and the aboriginal communities of North America and Australasia. In late nineteenth century Europe and later North America the focus of social reform shifted to capital and income. One tradition emphasised the need to democratise the control of capital, either through co-operatives or the widespread ownership of shares, or, in the socialist tradition, through nationalisation. The other - which became the dominant force shaping social democratic and liberal thinking in the 20th century - saw income redistribution as the instrument to ensure social equity in an economic system which , it was argued, depended on inequalities in capital holding as a condition for its growth.

There has recently been a renewed interest in the distribution of capital , through various forms of social ownership of enterprises - principally because, at the enterprise level, this is seen as one way of achieving the identification of workers with their enterprises and therefore their commitment to contributing to innovation, quality production and the continuous improvement that has become the dominant feature of modern work processes.

But it is the distribution of income and the apparatus that has been developed to achieve this which remains the principal focus for equity in the contemporary world. The main mechanism has been the tax and benefit system, progressive income tax on the one hand and a range of benefits in income and kind on the other. In Europe the origins of the system can be traced to the 1890's and the early years of the 20th century. Progressive income tax was introduced in France, Belgium, Switzerland, and Bismarkian Germany between 1892 and 1894, largely as a pre-emptive policy against the radical demands of the early labour movements for the democratisation of capital. It went hand in hand with welfare reforms, aimed at those without income, the unemployed, the young, the sick and the elderly. But the limits of these early accommodations were revealed in the depression of the 1930's and it was not until the post war period that the main structures of the welfare state were set in place.

The transition is clearest in the incidence of income tax which became the main source for redistribution. In 1939 less than a million people paid income tax in the UK. By 1949 the numbers had risen to 8 million and by 1989 to 22 million. In Canada where income tax was not introduced until 1917, its incidence remained limited to the upper and upper middle class during the 1930's, but by 1948 had extended to more than half the working population, with marginal tax rates of 80% on incomes over $250,000, and a surtax of 4% on investment income. These taxes were supplemented by compulsory contributions to various schemes of social insurance,.

In parallel to the changes in tax went the distribution of benefits. In Canada unemployment payments were introduced in 1942, family allowance payments in 1944, the first universal old age pensions in 1952, the Canada Assistance Plan, the Canada Pension Plan-Quebec Pension Plan in 1966, the guaranteed income supplement for the elderly in 1967, Medicare in 1969, and a revised unemployment assistance plan in 1971.

Canada's arrangements, with their own chronology and emphases, were a version of the Keynesian welfare system which became the model for social reform in the West in the post war world. The principle was to provide transfers to those on low incomes funded through the mechanism of state taxation or a publicly regulated insurance system. One aspect of the model was horizontal redistribution - to those with children for example, or who had fallen ill - the other was vertical, from high incomes to low. While some countries attempted to influence distribution through regulating the labour market (via trade union and minimum wage legislation for example), the public tax-benefit channels remained the primary ones.

It is this system which the slow down in growth since 1974 and increasing globalisation has put under increasing strain. On the one hand unemployment levels have risen, so that a system which was designed to finance temporary unemployment is now trying to cope with growing numbers of the long term unemployed. On the other, the ability of multinational corporations and the internationally mobile rich to shift their capital and / or profits to low tax countries means that there has been a consistent downward pressure on higher rates of income tax and the overall level of corporate taxation. The result is a gathering fiscal crisis. Tax is falling increasingly on the immobile - smaller domestic firms, the middle class, and the core working class - while the increasing need for income support has prompted a growing restriction of welfare payments and services to those on low incomes. Instead of a universal welfare system there is a move towards targeting, with the result that those paying more tax are increasingly cut off from welfare benefits. As state services are squeezed, the middle class are opting out (in education, pensions, health, and transport). The political reflection is a rise in anti-tax, anti-welfare parties, widening an already sharp social divide.

One part of the problem is the abstraction of the current redistributive system. Taxes are levied on personal incomes that appear to derive from individual effort. They then disappear into the black box of the central Treasury, from which allocations are made according to a centralised and obscure budgetary process. In practice an average of 60% of individual tax payments are received back by that person in the form of benefits, but the link is weak, and in sharp contrast to the immediate link that exists between payment and receipt in market transactions. To recognise the connection in a state budgetary system requires a strong sense of social cohesion - which is one of the reasons that tax rises are accepted at time of war. Currently it is that sense of the social that is being undermined.

Among the contributing factors to this fragmentation of the social are the divisions in employment. Over the past two hundred years the primary legitimation of income has shifted from property to work. Income from property, and the ability to transfer property, is justified even by the defenders of an unregulated market system, in terms of the rights resulting from individual work. Similarly the welfare systems have presupposed such a connection. Pensions and unemployment insurance are a means of saving by those in work for times when they are out of work and therefore cut off from income. Education is paid for by those in work on behalf of those who will shortly enter work. The costs of rearing children involve unpaid labour , which is presumed to be covered by those in work (via the family wage), or by the state when there is no wage earner present.

These assumptions can no longer be sustained if there are growing number of people without work, or the hope of work, or whose wages are too low to support dependents. It is this trend which is one of the roots of the growing social divisions. Thus while one answer to the current crisis of welfare is to find ways of re-asserting the social (including a reform of the abstractions of centralised budgeting), another is to address one of the underlying features of social division within the working population itself, the growing inequalities of working time.

Working time.

There are three main issues about working time. The first concerns duration - how long workers should work in a day, a week, a year or a lifetime. This has been one of the continuing threads of labour movement demands since the early days of industrialisation. The demand for 10 hour day in 19th century Britain, or for a 35 hour week in the contemporary German metal industry, are part of this history. So were the successful demands for paid holidays in France in the 1930's, or for 150 hours paid educational time in Italy in the 1980's. These demands relate to the amount of labour for which employers will pay a specified living wage.

The second concerns timing: when workers are expected to work. This has assumed greater importance with the growth of Just in Time systems of production, where fluctuations in demand are met not by building up stocks, but by synchronizing production and therefore employment with those fluctuations. In manufacturing industries this means intense periods of work to meet orders followed by periods of slack. In service industries it means calling on labour to meet peaks of demand (in the day, week, or seasons) or to meet emergency call outs. As manufacturing increases in its capital intensity so the pressure increases for shift work. As services increase relative to manufacturing, so the demands rise for work outside the normal working day. Shifts, circulating and split rosters, and on call contracts, all reflect a social fragmentation of the working day, and its tension with the requirements of domestic living.

The third is about the distribution of working time within the working population. Here there are two clear trends throughout the West in the eighties: a sharpening of the division between those in core, full time work, and those in a part-time, peripheral labour force; and the division between those with some form of paid work and those without it.

All these issue of working time are now coming to the fore. One of the reasons is the initial theme of this note - the growth of inequality. But another is the changing place of work in the definitions of the life world. There has been a change away from self definition in terms of work, to one which sees work as only one aspect - a materially necessary one - of a broader version of the desired quality of life. As one worker in a Japanese factory in the North east of England put it " They (the Japanese) live to work. We work to live."

Andre Gorz interprets this shift as follows. With the growth of technology there is an increasing sub-dividing and functionalisation of tasks. The resulting alienation from work requires rising levels of what he calls 'compensatory consumption', that is to say discretionary goods or services. Some of these have been historically provided by the state which has caused networks of solidarity to wither away, hence increasing demands for the state and intensifying the clientalistic relations of state and citizen. The result is an expanding gulf between public life and social life, and between the individual and the general interest, He regards strategies to humanise work as in conflict with long term technological trends and rather sees the central questions to lie outside work, the rehumanisation of living, and the increase of autonomous time at the expense of working time. The question for Gorz, as for Peter Glotz, is how to wrest some of the gains from productivity for increased free time rather increases in commodity consumption. His demand is the 25 hour week.

What Gorz suggests is that there is a growing interest among the employed to shortening their working time, coupled with an increasing need for a redistribution of working time to provide work for those currently without it.

Gorz is only one among many who have raised the issue in Europe and North America. The question is how such a redistribution could most rapidly come about, and from whom the redistribution is to be made. There are two principal possibilities: the distribution can be from capital to labour, through a shortening of working time for the same wage. This was the nature of the 10 hour bill in 19th century Britain, and has been the basis for the German metalworkers demands in the 1980's. But as Manfred Bienfeld's careful historical study of working hours in Britain shows the four major reductions that occured (1872-4, 1919, 1946 and 1960-64) all take place at periods with common features:

> In the long run it is a rising real income that induces people to wish for leisure. Under industrial conditions, the wish is, however, apt to remain unfulfilled because of the nature of the bargain. Occasionally there is added to this latent leisure preference the fear of losing one's job. When this fear comes at a time when it reinforces an already high leisure preference and when the union's position is strong then it leads to a reduction of normal hours. The coming together of all these circumstances is not, however, mere chance. Those periods when the economy lurches forward bring them all in their train: the rising prices; the technological changes; the instability of paid work; the vulnerability of the employer; and the strength of the union. Here lies the source of reductions in the normal working week."

Two of the periods immediately preceded long downswings in the economy, two came immediately after world wars. They took place, moreover, in Britain, an economy which was until the 1960's a leading trading nation, able to absorb the increase in labour costs implied by a reduction in hours. Similarly the success of the German metalworkers in their demand for a reduction in hours significantly occurred in the strong sectors of a strong economy. In Canada the main changes in working hours came at the end of the second world war (in 1944) and to a less extent between 1968 and 1974. Since that recession there has been no further generalised reduction.

The current intensity of global competition, the downward pressure on labour costs, and the vulnerability of trade unions in a period of recession, all suggest that the present is not one of those periods when conditions are favourable to a generalised reductions in working time.

On the other hand, what has emerged in North America and Europe, are widespread cases of work re-distribution in order to limits the effects of redundancies. Some have occurred in the public sector (the social contract in Ontario was similar in its principle to the negotiated agreements in the city of Sheffield, UK). Others were introduced through collective bargaining in the private sector - of which the most notable Canadian example was that of Bell Telephone. In each of these instances, working time was reduced and redistributed at the expense of the existing workforce. The question examined in this paper is what scope exists for the sharing of working time through the voluntary agreement between employers and workers, and what public policy could most effectively encourage it.

The potential impact on employment of the reduction in working time.

Much of the economic literature concludes that reductions in working hours promise only limited potential for job creation. An earlier study of Ontario concluded : " it appears that there may be some job creation potential in policies to reduce hours of work and overtime, but that this potential is severely limited, mainly because the cost increase associated with hours of work and overtime restrictions also reduces the demand for labour in general." (Working Times: The Report of the Ontario Task Force on Hours of Work and Overtime 1987, The Donner Report, p.99). The report criticises the 'lump of labour fallacy' which suggests that there is a given quantity of labour demanded in an economy, so that a reduction of working hours by one part of the labour force frees up a given number of hours for new workers to provide. The main reasons that such a 'mechanical' reallocation does not work are the following:

- the increased costs of employing new labour, or of paying an overtime premium, are likely to reduce the overall demand for labour, and hence the overall level of consumer demand in the economy. It would also encourage the substitution of capital for labour, and hence further reduce labour hours demanded.

- reductions in working hours are empirically associated with increases in productivity , whether through the increased effectiveness of labour or its greater intensity.

- it may be impossible to find adequate replacements for those who have reduced their working hours, so that either potential new jobs will remain unfilled or productivity will fall and aggregate labour costs per unit of output will rise.

- some of the workers who have cut their working hours may use their increased leisure for moonlighting, hence reducing final demand in the formal sector.

- it may be difficult for small firms to add additional workers to their labour force because of indivisibilities in types of work.

Factors such as these are used to explain the relatively weak effect of overtime and hours of work reductions in micro and macro-econometric studies, and in the estimates made by the Donner report for Ontario. In the latter case the Report estimates that legislation to prohibit overtime would be unlikely to affect more than one half of the workforce, and only about half the reduced overtime hours would be translated into new job. Thus for example a ceiling on hours to 44 hours a week would have made only a 1.1% impact on the unemployment rate. In general the report concludes, the effect of a reduction in overtime "is likely to be small but not zero." (p.108).

The approach of most of the studies is to assume certain legislation or arrangements and calculate their effect. An alternative approach is to start with a desired outcome and consider what policy measures would be required to reach it. For example, if unemployment in Ontario is currently 10%, and if any measures to redistribute working time could only be expected to apply to large public and private employers covering 50% of the employed labour force, what would be required for these employers to take on 20% more labour.? Clearly the instruments assumed by the Donner report would be insufficient. Do others exist, and how could we go about employing them?

The first issue is the increased costs to the employer of adding to its labour force. The costs would include the cost of recruitment, training, and ongoing administration. There would also be a potential cost of lower productivity while new workers got in to their job (a 'learning cost'). Wages could be expected to be unaffected (although there might be some reduction if hours given up by higher paid workers were taken on by younger and lower paid staff). The supplementary charges, however, such as social insurance, and unemployment contributions, do not decrease in line with hours. ** A redistribution of work could be expected to increase the overall sum summed paid on behalf of workers, above their wage.

The range of these costs will vary according to the type of job involved, and the employer. In some instances a new recruit might increase productivity (in some public sector jobs for example), while commanding a lower wage. In others there may be no easy substitutability, hence limited the scope of the arrangements. But there is one offset which should be given primary importance, namely that if there is a substantial redistribution of work, then unemployment will go down and with it a reduction in unemployment compensation and social assistance costs. This could be fed through to employers as a reduction in their employee contributions.

If these costs remain uncompensated then the limited job creating effects forecast by the econometricians are likely to be fulfilled. But what would be required is for the government to cover the costs of transition, by targeted direction of its existing training programmes, and by allowances to offset the other net costs. This is in the private sector. In the public sector government could accommodate the increased costs through its normal budgetary mechanisms. In terms of the econometric models, what would happen is that labour costs (net of compensatory benefits) would remain constant and thus have no immediate wider impact on employment through reductions in final demand, or by a substitution of labour for capital.