

Work Sharing

The Quick Route Back to Full Employment

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Introduction

There are two basic ways to increase employment: increasing output and thereby increasing the demand for labor, or dividing up the existing work among more workers. In responding to the current downturn, policymakers in the United States have focused almost exclusively on the former route. This may in principle be the more desirable route, since there is enormous waste associated with an economy operating below its potential, however all the obvious routes for providing further stimulus now appear to be blocked by political considerations. In this context, it is worth considering the alternative route of sharing the available work among more workers.

Work sharing is not a new idea. The idea of shortening work time to create more work has a long history. In the context of an economy that is at full employment, this approach can be seen as misguided, since legislated reductions in work time can lead to increased inflationary pressure and economic distortions. However, in an economy that is operating well below its potential – and projected to remain so for much of the next decade – work sharing may be the most viable way of bringing the economy back closer to full employment.

Germany is the model in this respect. It has aggressively promoted a policy of work sharing, along with other measures aimed at persuading employers to retain workers. As a result, its standardized unemployment rate now stands at 6.7 percent, 0.4 percentage points below the rate at the start of the downturn. This remarkable achievement was not due to superior economic growth. Through the fourth quarter of 2010, the growth rate of Germany's economy since the start of the downturn had actually lagged somewhat behind the growth rate of the United States. The fact that Germany's unemployment rate had fallen, while the unemployment rate in the United States had risen by 4.4 percentage points, was entirely due to different labor-market responses to the downturn.

This paper outlines a proposal for a system of work sharing which would give employers an incentive to maintain workers on their payroll at reduced hours as an alternative to laying them off. The system would be attached to the existing system of unemployment compensation, with short-time compensation as an alternative to unemployment compensation. This means that work sharing would require no new government bureaucracy. In fact, 21 states (including California and New York) already have short-time compensation as an option under their unemployment insurance system. In these states a governmental structure already exists to support work sharing, although there would have to be changes to make the system more user friendly so as to increase take-up rates.

This paper has four sections. The first section briefly outlines the recent experience of other countries with work sharing in addition to discussing the experience in the United States in the states that have the program in place. The second section discusses some issues of implementation that would have to be addressed to make the program more attractive. The third section constructs hypothetical take-up rates based on data from the Current Population Survey, the Survey of Business Dynamics, and the Job Opening and Labor Turnover Survey. The fourth section examines the likely impact of work sharing on productivity.

Recent Experiences of Work Sharing In OECD Countries

Most countries in the Organization for Economic Cooperation and Development (OECD) have at least some experience with work-sharing policies. In some countries, such as Spain, short-time work policies have just been adopted following the downturn. However, in other countries, like Germany and Italy, work-sharing policies have been in place for decades. These two countries alone accounted for well over half the workers in formal short-work programs in the European Union at the trough of the downturn in 2009.¹ Italy had the largest share of its workforce in short-work employment at 2.66 percent, followed by Estonia at 1.87 percent and Germany at 1.76 percent.

Though Germany's experience with reducing work hours as an alternative to unemployment has been remarkable, it is important to note that most of the reduction in work hours was not brought about by the formal short-work program. The OECD (2010) estimated that only 25 percent of the reduction in hours worked in Germany was the result of the formal short-work program. It attributed 40 percent of the reduction in work hours to employer agreements with unions or work councils, 20 percent was the result of reduced overtime, and 20 percent came about through tapping work-hour accounts. While the role of the short-work policy was clearly important, this was in the context of a larger commitment to preserving employment.

The overwhelming majority of the workers in short-work programs in Europe are men, disproportionately in their middle ages.² Workers in medium- and large-sized firms are far more likely than workers in smaller businesses to be enrolled in short-work programs. The construction and manufacturing industry accounted for a hugely disproportionate share of the workers in short-work programs, although they also accounted for the bulk of the job loss in the recession, so the concentration of covered workers in these sectors may be more a function of the pattern of job loss than the nature of the programs. By education level, workers with college and advanced degrees were under-represented, as were workers without secondary degrees. In Germany and Italy the overwhelming majority of workers in short-work programs had permanent contracts, however in some other countries, such as the Netherlands and Denmark, workers on temporary contracts were more likely to be in short-work programs.³

The experience of short work in Europe suggests that it has primarily benefited a relatively narrow group of workers: less-educated middle-aged men in manufacturing and construction. To some extent this undoubtedly reflects features of the programs. For example, the programs generally place lower limits on the size of firms that can qualify for the program. Insofar as men are more likely to be employed at larger firms this will lead them to be over-represented among the beneficiaries of the program. However, the fact that the downturn hit the manufacturing and construction sectors hardest, which disproportionately employ less-educated men without college degrees, also was important in determining the mix of beneficiaries from short-work programs.

1 See Table 9, European Foundation for the Improvement of Living and Working Conditions (EFILWC) (2010).

2 This discussion relies largely on data from Chapter 2 of EFILWC (2010).

3 An analysis of firms' participation in short-work programs in Germany by the International Labor Organization (Crimmann, Wießner, and Bellman, 2010, p 26) found a strong correlation between firm size and participation in work-share programs. The use of freelancers was negatively correlated with participation as was the percentage of college graduates among the workforce. Being involved in an export industry was highly correlated with participation, although this could be attributable to the sharp drop in exports at the start of the downturn.

The United States has limited experience with work sharing. Seventeen states had a work sharing program attached to their unemployment insurance systems prior to the start of the recession, with several more states starting programs since the recession began.⁴ Most of these programs date from the late 1970s or early 1980s. While some of the largest states, including California and New York, are among the states that have work sharing, it has had relatively little impact on unemployment in the downturn. Participation in work-sharing programs peaked in 2009 at about 153,000 workers, just over 0.1 percent of payroll employment.⁵ In only two states, Rhode Island and Kansas, did participation in work-sharing programs exceed 1 percent of payroll employment.

Since 2009, participation in work-sharing programs has fallen sharply. This is due to the fact that participants in work sharing in most states are not eligible for extended benefits, and in no state are they eligible for the Emergency Unemployment Compensation program that provides benefits for unemployment spells that last more than 52 weeks. This means that for the most part, workers can only be on a short-time compensation program for 26 weeks of unemployment.

At the start of the downturn, layoffs occurred disproportionately in manufacturing and construction, the sectors where workers were most likely to take part in work-sharing programs. By the beginning of 2010, manufacturing had stopped shedding large numbers of jobs and the rate of job loss in construction had slowed sharply. As a result, the number of new entrants in work-sharing programs would have been expected to fall while many of the workers enrolled in the program would have reached the maximum length of enrollment.

The next section will discuss some of the implementation issues that could make the program more attractive to both workers and employers. As it exists in the United States today, work sharing has at best had a marginal impact on employment, affecting only a small sliver of the work force.

Issues of Implementation

As noted above, most of the work-sharing programs in the United States were put in place in the late 1970s or early 1980s. There have been few changes to these programs since they were established. As a result, they are overly bureaucratic and not well publicized. Many employers in the states where programs exist do not even know that they might have the option to take advantage of a short-time compensation program as an alternative to laying off workers.

One of the basic issues of implementation is the closeness with which employers are held to a specific plan for short-time work. Most states require that an employer certify that the proposed reduction in hours per worker is an alternative to layoffs. They then must lay out a plan for reduced work hours, usually for specific workers. This then allows individual workers to claim unemployment benefits against the scheduled reduction in work time. For example, if the worker is scheduled to have a reduction in work time of 20 percent, then she can claim a level of

⁴ President Obama's 2012 budget includes funding to support the establishment of work-sharing programs in the states that do not already have them.

⁵ Employment and Training Administration, U.S. Department of Labor.

unemployment insurance that is equivalent to 20 percent of the benefit that she would get if she were out of work altogether.⁶

This system has the disadvantage of both locking the employer into a specific pattern of hours reduction and also requiring employees to individually apply for benefits. Drawing up a specific schedule of hours reduction and holding to it for a specified period of time may be very constraining for employers operating in an environment where there is considerable uncertainty about demand for their product. It can also be cumbersome since any workplace will have some amount of turnover. This may mean that the employer would like the option to move a worker receiving short-term compensation to another position in the company. However, under most of the existing state systems, if they moved a worker from out of the short-term compensation system to a full-time position, they would not be able to replace the workers with another worker receiving short-term compensation, unless they were to file a new plan with the state employment agency.

These restrictions can be avoided if the employer is given more discretion for which workers are covered and how much work time is actually reduced. This would likely mean that the payments are made directly to the company rather than to the individual worker. The payments could be made based on scheduled reductions in hours and then adjusted in accordance with the actual reduction in hours on a quarterly or annual basis. While this system would leave more opportunities for abuse of the system, the experience rating of insurance payments should limit the extent to which employers have incentive to game the system. An employer that deliberately flouted the system would find that they were faced with much higher payments into the system in subsequent years.⁷

There are two other important issues of implementation that affect the willingness of workers to accept short-term compensation. First, there is the question of whether benefits are paid for the workers for the period for which they are not working. The state programs are based on wage compensation, so in many cases a worker seeing a 20 percent reduction in work hours will also see a 20 percent reduction in the portion of health insurance premiums paid by her employer as well as a 20 percent reduction in contributions to pensions or other benefits. This reduction in benefits could be a substantial disincentive to workers to take part in a work-sharing program.

The other issue is that short-term benefits generally count against regular unemployment benefits. This means that if a worker has been in a short-work program, reducing the work week by 20 percent for 20 weeks, and then she was subsequently laid off, the spell of short-work compensation would reduce the period that she would in principle be eligible to receive conventional unemployment insurance by four weeks. Since firms that use short-time compensation are experiencing shortfalls in demand almost by definition, there is a high probability that there will be layoffs at some future point. The concern over subsequent layoffs, with a reduced period of

⁶ This discussion follows the discussion of Messenger (2009).

⁷ This situation leaves two obvious risks. The first is that a firm that is in a shaky position financially may opt to abuse the system, recognizing the likelihood that it will not survive long enough to ever repay more than a fraction of the excess benefits claimed. The other opportunity for abuse would be with new firms that may not stay in business long in any case. An obvious route for limiting these avenues of abuse would be to give the employment agency the option to turn down a plan from a business based on its overall financial situation. In other words, if a firm did not appear to be financially stable, then the employment agency would have the option to refuse a short-work compensation plan on this basis. There could also be a requirement that employers post any approved short-term compensation plans in a visible place on their website so that workers could easily find it and verify that they were actually seeing the reductions in work hours claimed by the employer.

eligibility for benefits, could make workers reluctant to take part in short-time compensation programs.

There is also the problem noted earlier that workers on short-time compensation programs generally are not eligible for benefits beyond an initial 26 week period. This means that only those experiencing relatively short spells of unemployment will be able to take part in short-time compensation programs.

All of these problems can be addressed in ways that are likely to increase the use of short-time compensation with a modest commitment of additional resources to the program. As it stands, employers should be largely indifferent between adjusting their demand for labor by laying off workers and reducing hours for the existing workforce. Since there is a clear public interest in keeping people employed, it would make sense to structure a short-time compensation program in ways that make it more desirable than laying off workers from the standpoint of employers, even at a somewhat higher cost to the government than the current unemployment insurance system.

This means that it could be desirable to pay a premium of 25-30 percent to companies in excess of what their workers would receive in unemployment insurance benefits if a comparable reduction in work hours was accomplished through layoffs. This system would best take the form of an employer credit, so that workers did not have to individually file for the benefit. Also, this would give employers the freedom to alter work weeks as needed and change the specific workers who were receiving short-time compensation under the program. There could also be a requirement that employers maintain their full contributions for health care insurance, a defined benefit pension, or any other benefit that is not easily divisible. The increased premium could also be used to cover an additional period of eligibility for conventional unemployment insurance if workers on short-work compensation programs were subsequently laid off. This should make workers more willing to accept short-work compensation plans.

The Impact of Work Sharing on Employment

There is not much basis for predicting the take-up rates for a more generous work-sharing program. With other policies, like wage subsidies, it is possible to derive a projected impact based on estimates of the elasticity of labor demand. In the case of work sharing, demand is not really an issue since the immediate goal is not increasing the demand for labor, but rather changing its distribution. The relevant question is the willingness of employers to take part in the program and to readjust patterns of work to meet its requirements. This will in turn depend on the extent to which employers view it as advantageous to keep workers on the payroll and the costs of making the necessary adjustments in the structure of work.

Based on the German experience, it is possible that employers will view shortening work hours as preferable to layoffs, even with little or no additional subsidy from the government. German employers have been very supportive of the country's short-work policy in large part because they recognize the advantage of having workers on their payroll whose hours can be increased quickly when demand grows, rather than being forced to spend the time and money hiring new workers. However, there are other features of Germany's labor market, that do not exist in the United States, that make short work more attractive there.

First and foremost, Germany has a far higher union coverage rate, with approximately 43 percent of its workers covered by collective bargaining agreements compared to about 13 percent in the United States.⁸ This means that employers in Germany would typically have to negotiate layoffs with a union – they would not have the option to unilaterally lay off workers. Also, firms with more than 250 employees are required to have a works council that would also play a role in any layoff decisions. In addition, Germany has employment protection rules that do not allow employers to dismiss most workers at will. This means that most German employers have a strong incentive to develop plans for reducing work hours in ways that are most acceptable to their workers. These pressures do not, for the most part, exist in the United States.

At the same time, employers in the United States do recognize the benefits of keeping their incumbent workers on the job, rather than being forced to hire new workers when demand increases. Even in the United States there was a substantial reduction in the length of the average work week in every sector of the economy, indicating that employers did not adjust labor demand exclusively through layoffs. If a better advertised, more generous, and less bureaucratic system were in place, surely employers would be more likely to take advantage of the option of short-work compensation.

In this case, it is possible to know with greater certainty the cost per job saved rather than the number of jobs saved. This is a relatively simple calculation. If the target is to increase the generosity of the unemployment insurance system by 30 percent by having the system cover non-wage benefits for workers on short-time compensation and implicitly by extending the length of unemployment benefits through not counting the period of short-time employment against the benefit limits, then the cost per job saved would be roughly 30 percent of the average unemployment benefit. With benefits currently averaging \$300 a week or \$15,000 a year, this means that a more generous system of short-term work would cost roughly \$4,500 per job saved.

Table 1 shows the impact of this policy on employment by industry, assuming take-up rates by employers for job losers of 10 percent, 15 percent, and 20 percent. This would mean that, alternatively, 10 percent, 15 percent, and 20 percent of the workers who would otherwise be dismissed by a firm are instead kept on as a result of work-sharing program. The numbers showing the projected impact at the end of the year assume that the average period that workers are in a work-sharing program is six months. If the average hours reduction is 20 percent, this would imply that the total number of workers in work-sharing programs is five times as large as the number of jobs saved.

As can be seen, if these targets are plausible, then the potential of work sharing on employment is substantial. At a 10 percent take-up rate, an enhanced work-sharing program would increase employment by more than one million jobs a year. With a 20 percent take up rate employment would rise by more than two million jobs a year. Based on the pattern of layoffs by industry, the biggest impact would be in the professional and business service sector. This sector includes the temporary employment industry, which would likely inflate the number. The next largest impacts would be in construction and the leisure and hospitality sector.

⁸ See Visser (2011). The U.S. figure here is Visser's "adjusted coverage." The German figure is Visser's unadjusted coverage; the adjusted figure for Germany is 63 percent.

TABLE 1
Potential Impact of Work Sharing on Employment, thousands

	Average monthly rate of layoffs or discharge, 2010	Take-up rate (Impact on employment at year end)		
		10%	15%	20%
Government	124	74.2	111.3	148.4
Total private	1,594	956.5	1,434.8	1,913.0
Mining	15	9.0	13.5	18.0
Construction	262	157.2	235.8	314.4
Manufacturing	137	82.2	123.3	164.4
Wholesale Trade	59	35.4	53.1	70.8
Retail Trade	190	114.0	171.0	228.0
Transportation	53	31.8	47.7	63.6
Information	23	13.8	20.7	27.6
Finance and Insurance	35	21.0	31.5	42.0
Real Estate	25	15.0	22.5	30.0
Professional and Business Services	343	205.8	308.7	411.6
Education and Health	169	101.4	152.1	202.8
Leisure and Hospitality	222	133.2	199.8	266.4
Other services	72	43.2	64.8	86.4
Total	1,718	1,030.7	1,546.1	2,061.4

Source: Bureau of Labor Statistics, Job Openings and Labor Turnover Survey,
 (Calculations assume that workers stay on short-time work an average of 6 months.)

There are two important factors that are likely to cause the take-up rate by industry to be different from the rate of job loss by industry: firm size and pay rates. As noted before, smaller firms are generally prohibited from participating in work-sharing programs. The rationale for excluding smaller firms is that it would be difficult to monitor their compliance with a plan and also it would likely to be more difficult for them to reorganize their work places to adjust to shorter work weeks.

Table 2 shows data from the Survey of Business Dynamics giving the percentage of job loss in the first two quarters of 2010 by firm size. Most of the job loss occurred in smaller firms during this period, with firms with more than 50 employees accounting for just 35.8 percent of the gross job loss over this period. This means that if eligibility for participation is restricted to firms that employ more than 50 workers, then the take-up rate among eligible firms would have to be almost three times the levels shown in Table 1 in order to reach the same employment growth targets. In order to achieve a 10 percent take up rate among all workers who would otherwise lose their job, it would be necessary to have a take-up rate of almost 28 percent among firms that employed more than 50 workers. In order to have an overall 20 percent take-up rate it would be necessary to have a take up rate of almost 56 percent among firms that employ more than 50 workers. If the cutoff for participation was instead put at 20 employees, then there would have to be a 21 percent take-up rate among the eligible firms to reach the 10 percent target and a 42 percent rate to reach the 20 percent target.

TABLE 2
Share of Job Loss by Firm Size, 2010 (quarters 1 and 2)

Firm Size	Share of Job Loss
1-4	14.3
5-9	10.3
10-19	10.2
20-49	11.5
50-99	6.9
100-249	7.1
250-500	4.2
500-999	3.5
Over 1000	14.2
More than 20 workers	47.3
More than 50 workers	35.8

Source: Bureau of Labor Statistics, Business Employment Dynamics.

Finally, the take-up rate is likely to be affected by pay levels. Since unemployment benefits are capped in most states at relatively low levels, the potential compensation provided through a short-work program will be a smaller share of the wages of highly paid employees than relatively low-paid workers. **Table 3** shows data from the Current Population Survey on the distribution of hourly wages by industry for 2010. By wage distribution, the retail sector, restaurants, and hotels would seem to have the largest proportion of workers who could benefit from a work-sharing program. Of course, these sectors have many small employers who would likely not be eligible. So the highest take-up rate could be expected to be among large establishments in these sectors.

TABLE 3
Industries of Workers, by Hourly Wage Quintile, 2010

	Percentile				
	10th	25th	50th	75th	90th
	(\$)	(\$)	(\$)	(\$)	(\$)
Petroleum and coal products	12.8	16.8	27.8	42.7	52.4
Internet publishing and broadcasting	12.0	15.4	26.4	44.2	69.2
Computer and electronic products	11.1	16.8	26.2	38.5	59.8
Professional and technical services	12.0	17.0	25.6	38.5	57.4
Utilities	13.0	18.0	25.0	34.6	47.9
Chemical manufacturing	10.0	15.0	24.0	34.9	48.1
Mining	12.0	16.5	23.7	32.5	46.2
Telecommunications	11.1	15.9	23.5	33.8	48.1
Management of companies and enterprises	11.1	15.0	23.1	30.8	43.3
Transportation equipment manufacturing	11.0	15.4	23.0	34.0	47.5
Hospitals	10.5	14.3	21.9	32.1	44.4
Public administration	11.3	15.0	21.6	31.3	43.8
Insurance	11.5	15.0	21.6	32.1	47.6
Internet service providers and data processing services	9.8	12.7	21.0	40.4	49.1
Finance	10.5	14.0	21.0	34.1	56.6
Publishing industries (except internet)	10.0	13.9	20.2	30.0	44.0
Beverage and tobacco products	10.0	15.0	20.2	28.8	41.9
Broadcasting (except internet)	10.0	14.4	20.0	28.9	45.0
Machinery manufacturing	10.9	14.5	20.0	27.1	37.6
Educational services	9.5	13.4	19.7	28.8	40.0
Electrical equipment, appliance manufacturing	11.0	13.8	19.0	28.9	40.1
Transportation and warehousing	9.3	12.5	18.5	25.5	35.0
Miscellaneous and not specified manufacturing	9.0	12.0	18.5	28.8	42.3
Wholesale trade	9.6	12.7	18.3	26.4	40.0
Construction	10.0	12.5	18.0	26.0	37.0
Primary metals and fabricated metal products	10.0	12.9	17.9	24.5	34.0
Paper and printing	10.0	12.9	17.2	24.8	34.0
Real estate	9.0	12.0	17.0	25.0	38.9
Membership associations and organizations	8.5	11.8	17.0	26.1	37.2
Nonmetallic mineral products	9.5	12.5	17.0	24.0	32.7
Forestry, logging, fishing, hunting, trapping	9.0	12.0	17.0	23.9	31.3
Plastics and rubber products	9.8	12.0	17.0	24.0	33.3
Motion picture and sound recording industries	8.0	10.0	16.6	29.9	57.0
Waste management and remediation services	8.7	11.3	16.2	23.1	31.3
Other information services	8.5	11.0	16.1	23.8	35.0
Health care services, except hospitals	8.7	10.8	15.5	24.0	37.4
Repair and maintenance	8.0	10.3	15.1	21.7	29.0
Wood products	9.0	11.0	15.0	20.5	28.9
Furniture and fixtures manufacturing	9.4	11.5	15.0	20.0	27.8
Rental and leasing services	8.0	10.0	14.4	21.0	31.5
Food manufacturing	8.5	10.2	13.8	19.8	29.3
Arts, entertainment, and recreation	7.8	9.5	13.6	20.0	30.5
Textile, apparel, and leather manufacturing	8.0	10.0	13.5	20.0	31.3
Social assistance	7.7	9.5	13.0	19.2	28.3
Administrative and support services	8.0	9.5	12.5	19.2	29.6
Retail trade	7.8	9.0	12.0	18.0	26.7
Accommodation	7.5	9.0	12.0	16.8	24.6
Personal and laundry services	7.3	8.8	11.5	16.7	24.4
Agriculture	7.5	8.5	10.4	14.3	21.4
Private households	7.0	8.0	10.0	13.5	18.4
Food services and drinking places	7.3	8.0	9.6	13.1	19.2

Source: Analysis of CEPR extract of Current Population Survey Outgoing Rotation Survey (CPS ORG), 2010.

The Impact of Work Sharing on Productivity

In assessing the impact of any job creation measure on productivity it is important to distinguish short-term effects from long-term effects. In the short-term, in a period in which the economy is operating well below potential GDP, greater productivity is an obstacle to employment. In other words, as a simple arithmetic proposition, any measure that raises productivity growth, without at least as large an increase in GDP, implies lower employment and fewer jobs. Germany has seen its productivity plummet during the downturn, precisely because it placed a priority on keeping people employed. In a period of high cyclical unemployment, since the economy is by definition operating well below its potential level of output, there is little reason to be concerned about productivity.

The longer-term impact of work sharing on productivity is likely to be ambiguous, although there is not sufficient data at this point to reach any clear conclusions. By keeping workers employed at shorter hours, work sharing will save firms the costs associated with finding and training new workers when demand expands. These costs can be substantial. For example, a recent study of California employers found that the average cost for replacing a worker not exempt from the Fair Labor Standards Act's hours restrictions was \$2,335. For an exempt worker it was estimated at \$7,548.⁹

On the downside, as several studies have noted, work sharing may slow the shift of workers from declining sectors to growing sectors. However, it is important to recognize that the relevant counterfactual is one in which workers can receive unemployment benefits after losing their jobs. Most of the difference in labor market adjustment in this case would be attributable to the extent that a work-sharing program might extend the period of time that workers can receive support after their labor is needed by their employer.

It is also important to note that by keeping workers employed, work sharing might help to keep workers employable. There is a substantial literature documenting the extent to which spells of long-term unemployment reduce the probability that workers will be able to find new jobs. For example, Shimer (2008) found a sharp drop in the probability of re-employment as employment spells increase in duration. This is particularly relevant in the current labor market, where 6.2 million people have been unemployed for 27 or more weeks. This is 45.1 percent of all the unemployed. In more normal times, those unemployed 27 or more weeks constitute about 15-20 percent of the total unemployed.¹⁰

If work sharing can prevent workers from dropping out of the labor force and keeps them employable, then it could mean that the economy will sustain a permanently higher employment-to-population ratio. This would be desirable for two reasons. First, these additional workers will then be more likely to get most of their income from employment rather than public transfers. Second, the payments through work sharing are likely to disproportionately benefit those at the lower end of the labor market, since they would be a higher share of their wages. Therefore the program may prove an important support for the lower end of the labor market, especially if it led to a permanent shift towards shorter work weeks among less-educated workers.

9 Milkman and Appelbaum (2004).

10 Most recent data is from May, 2011. See Bureau of Labor Statistics, Historical Labor Force Data from the Current Population Survey: <http://bls.gov/cps/cpsatabs.htm>.

Work-sharing programs would create an institutional structure that pushes toward less work per worker, countering the current bias towards longer hours created by the fixed cost nature of benefits such as health care insurance. If this leads to a reduction in labor supply (measured in hours) from the portion of the workforce without college degrees, this could lead to upward pressure on their wages, which would help to reverse some of the rise in wage inequality over the last three decades.

Finally, it is important to note that work sharing could reduce productivity in a way that reflects a gain to the economy and society. Suppose that work-sharing programs increased total employment by 2 percent, but that the additional workers employed as a result of the policy had a productivity level that was half the economy-wide average because they had below-average education levels. This would imply a reduction in economy-wide productivity of approximately 1 percent, but it would be entirely attributable to the fact that the economy was providing jobs to less-educated workers who otherwise would not have been employed. It would be very difficult to view this decline in productivity as a negative development.

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