

Work-sharing and job-sharing

What is work-sharing?

Work-sharing is a reduction of working time intended to spread a given volume of work over a larger number of workers in order to avoid layoffs or increase employment. The decrease in working hours is mostly coupled with cuts in wages and benefits, which, in turn, may be partially compensated by government wage subsidies or often social benefits (e.g. unemployment compensation). The extent of the reduction in workers' wages and benefits may or may not be proportional to the extent of the reduction in working hours.

What is job-sharing?

Job-sharing, by contrast, refers to a voluntary arrangement whereby two persons take joint responsibility for one full-time job and divide the time they spend on it according to specific arrangements made with the employer. A common form of job-sharing is to split one full-time job into two part-time jobs (for more information about part-time jobs, see Information Sheet No. WT-4 on part-time work). Unlike work-sharing, job-sharing is generally not used as a measure to avoid layoffs or increase employment.

How are work-sharing and job-sharing constrained or promoted?

Many countries facilitate work-sharing as a labour market policy tool aimed at preserving existing jobs or creating new ones. In the framework of national work-sharing programmes, firms can receive benefits when they refrain from the use of layoffs, and instead "share" the (lower) amount of available work by reducing working hours per employee, although typically the hours worked per employee are not reduced to part-time levels. However, when a full-time job is split into two part-time jobs, whether in work-sharing or job-sharing, the legal regulations regarding part-time employment have to be considered (see Information Sheet No WT-4 on part-time work).

How effective is work-sharing as a means to fight unemployment?

A driving force behind work-sharing has been the struggle for a reduction of weekly working hours, pushed forward by workers' organizations all over the world. The proponents of this strategy believe that, when working hours are reduced, employers will distribute the unchanged workload over a larger number of workers, and by this means create additional jobs. Opponents of this strategy argue that the workload does not remain constant when working hours are reduced, because additional costs result from hiring new workers. Moreover, it can be assumed that some employees whose working hours have been reduced may seek a second job, in order to maintain a constant standard of living.

The empirical evidence regarding the employment effects of working time reductions is mixed. According to a study by the National Bureau for Economic Research, for example, in the German manufacturing industry between 1984 and 1989, a one-hour decrease in the weekly working time raised employment of hourly workers by 0.3 to 0.7 per cent and of salaried workers by 0.2 to 0.3 per cent.¹ In contrast, a study by the German Institute for Economic Research found that a reduction of paid working time among high-skilled workers and managers was completely offset by an increase in unpaid overtime. Thus, in these occupations, work-sharing would be quite ineffective in creating new employment.²

Advantages and disadvantages

Advantages for employers

- Work-sharing can be used to better adjust the firm's workforce to fluctuations in workload.
- The reduction of the number of working hours over the business cycle avoids layoffs, thus enabling firms to avoid the additional costs of hiring new and untrained workers when demand recovers.
- A successful work-sharing programme may lead to higher levels of productivity and lower unit costs.
- Job-sharing enables firms to retain skilled women at work after a period of maternity leave, or more generally, helps hiring persons who could not work full-time hours because of their family obligations.
- Job-sharing helps with covering absent workers in the case of sickness, annual leave, training and maternity leave.
- Job-sharing allows firms to make better use of the skills and expertise of each worker. The combination of different skill profiles at the same workplace can improve business results.

Advantages for employees

- Work-sharing can enhance job security due to the preservation of existing jobs.
- Work-sharing may promote the creation of new jobs under certain circumstances.
- Office and factory schedules might be more in tune with workers' needs and preferences, since a reduction in the number of hours worked enables workers to get additional time off.
- Job-sharing allows employees to work shorter hours, thus helping them to have more time for family responsibilities and to achieve a better work-life balance.

Disadvantages for employers

- Under work-sharing, additional costs may result from the hiring of additional workers.
- Poor communication between job-sharers can disturb the successful implementation of job-sharing.
- Both work-sharing and job-sharing require firms to make the necessary changes in scheduling and in their work organization.

Disadvantages for employees

- Under work-sharing schemes, workers generally have to accept some reductions in their earnings (due to fewer hours worked), although these may be partially compensated by government wage subsidies on other social benefits.
- Under job-sharing, overlapping periods of work are often needed. If these are outside the job-sharers' normal working hours, they might lead to longer working hours.

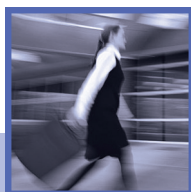
With regard to work-sharing, as the case example (see the following page) makes evident, it is important to consider the following factors:

- Work-sharing is more likely to be successful when organizational and wage changes are not too abrupt.
- Negotiation on the conditions of implementation are important. Key issues include voluntary versus involuntary reduction in hours of work; the extent of the reduction in working hours; the extent of wage decreases; the distribution of reduced hours of work over time; the length of the agreement; and the effects on employment.
- Government programmes can play a positive role in smoothing abrupt organizational and individual changes from full to reduced work hours through the use of directed incentives, such as financing or kick-starting programmes to initiate work-sharing in companies; providing wage subsidies or social benefits (e.g. unemployment compensation) to partially offset reductions in wages; and disseminating information about successful experiences.
- Managers have to be prepared to make the necessary changes in the work environment, including changes in work organization and adequate training measures.

With regard to job-sharing, it is therefore important to consider the following factors:

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- the amount of time spent on particular tasks;
- the number of routine maintenance activities required;
- the skill profiles of each job-share partner; and
- the patterns in the weekly workflow (in order to identify peaks in demand and realize a fair sharing of the working week).



Case example: Work-sharing

In November 1993, confronted by new competition and structural changes in the telecommunications industry, Bell Canada announced a plan to cut its labour force by 5,000 workers in all regions of the provinces of Ontario and Quebec. Because its unionized workers had a long attachment to the enterprise, the plan was intended to be voluntary, and Bell Canada attempted to get federal government assistance for its workers on reduced time. Furthermore, the plan foresaw incentives to leave the company, gradual retirement initiatives, an increase in vacation time without pay and a shortening of the workweek. As it became clear that the Canadian Government would not subsidize Bell Canada's workers, the company decided to renew its collective agreement. The weekly working time and the number of working days of technicians was reduced from a schedule of five days of 40 hours a week to a schedule of four days of 36 hours a week. This reduction of weekly working time was therefore accompanied by an increase in the number of hours of work per day, effectively creating a "compressed workweek" (see Information Sheet No. WT-13 on compressed workweeks). Furthermore, workers gained the option to take their days off on either Monday or Friday, thus offering the possibility of long weekends. In return, however, wages decreased by about 10 per cent. The new workweek also required the firm to reorganize its scheduling in order to be able to meet its customers' needs.

Source: M. Huberman and P. Lanoie: "Worksharing in Québec: Five case studies", CIRANO (Centre inter-universitaire de recherche en analyse des organisations), Paper No. 98s-11 (Montreal, March 1998).

¹ J. Hunt: "Has work-sharing worked in Germany?", in *Quarterly Journal of Economics*, Vol. 114, No. 1, February 1999, pp. 117-148.

² *DIW-Wochenbericht*, No. 31 (1999).