



# Flexitime and “time banking” schemes

## What are flexitime programmes and “time banking” schemes?

**F**lexible time (or flexitime) practices allow workers and employers to schedule working hours flexibly on a daily and weekly basis. The amount of working hours may vary from day to day and from week to week. However, workers must reach a specified average working time over a set period (called a “reference period”). “Time banking” schemes, a recently-developed working time instrument, builds on and expands the concept of flexitime to allow even greater flexibility in hours worked.

### Flexitime programmes

Formal flexitime programmes allow workers to vary their starting and ending times and, in some cases, even the number of hours that they work in a particular week.\* Generally, flexitime programmes involve establishing a period of “core” hours when all employees are required to be at work (e.g. 10:00-16:00); however, some programmes operate with no core hours at all. These “core” hours are bracketed on either side by periods of

“flexible” hours (e.g. 7:00-10:00 and 16:00-19:00), when employees can choose which hours to work, as long as the contractually required hours are worked for a specified work period. Flexitime programmes may also permit workers to build up “credits” or accumulate “deficits” in hours worked, up to a maximum: any “deficits” can be made up in future work periods, while accumulated “credits” can be exchanged for paid time off.

\* Many more enterprises which do not have formal flexitime programmes permit employees to vary their daily hours of work on an informal basis.

### Time banking schemes

The concept of “time banking” or working time accounts involves keeping track of hours worked in “accounts” for individual workers. Like some flexitime programmes, time banking permits workers to build up “credits” or accumulate “deficits” in hours worked, up to a maximum amount; however, the periods over which the “credits” or “deficits” are calculated are much longer, ranging from several months to a year or more. The rules of the specific time banking arrangement determine how and when the excess hours accumulated in the

time banking account can be “spent”. In some cases, there are significant restrictions based on enterprises’ operational needs (e.g. the amount of notice required to take time off). In the case of shorter-term accounts, which are the most typical, hours worked which are above contractually agreed hours can be taken as paid time off. In the case of long-term accounts, such as those in some sectors in Germany, accumulated credit hours can also be used for longer paid holidays, sabbaticals or even converted to cash for early retirement.<sup>1</sup>

## How are flexitime and “time banking” constrained?

Flexitime and time banking schemes can be introduced only to the extent that daily or weekly working hours are allowed to vary over time. This flexibility was not granted by traditional labour laws and collective agreements, which were instead meant to guarantee stability in the distribution of working hours. Over the past few decades, however, many countries have introduced new rules into their legal frameworks allowing daily and weekly working hours to fluctuate within a specified band

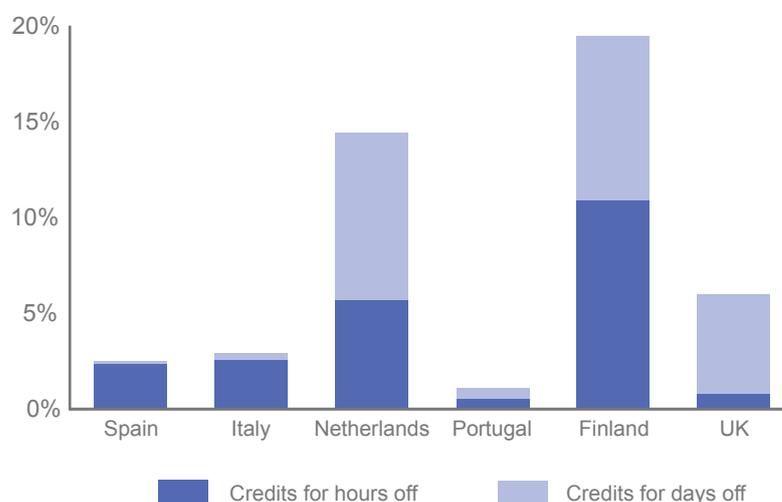
around a specified average (which is the “normal” or “standard” working hours). Meanwhile, more and more collective agreements have introduced provisions allowing deviations from standard working hours (for example, the so-called *Öffnungsklauseln* or “open clauses” in Germany). Moreover, the trend towards the decentralization of working time regulation from the national, regional or branch levels to the firm level has also facilitated the introduction of flexitime and time banking schemes.

## How widespread are flexitime and “time banking” schemes?

Formal flexitime programmes have existed in many industrialized countries since the 1970s and are fairly widespread in these countries, covering roughly one in ten workers in the United States, the United Kingdom and Japan.<sup>2</sup> However, flexitime programmes remain rare in developing countries, with some notable exceptions, such as Jamaica.

Time banking, in contrast, is a more recent development, and these schemes remain rare outside the European Union Member States. Reliable data in the extent of these schemes are generally unavailable. However, preliminary data from the European Union Labour Force Survey (2001) show that an average of 6 per cent of employees in six European countries (Finland, Italy, the Netherlands, Portugal, Spain and the United Kingdom) were scheduled on the basis of a “time banking” scheme.<sup>3</sup> In addition, an average of 3.5 per cent of the employees in these countries had the possibility to accumulate working time credits and transform them into whole days off. The corresponding percentages for each of the six countries examined in the study are presented in the chart below.

Percentage of employees with time banking schemes (2001)



Source: Eurostat: *Work organization: A dimension of job quality*, data from the Ad-hoc Module of the 2001 Labour Force Survey in the EU (Brussels 2002); own calculations.

# Advantages and disadvantages

## *Advantages for employers*

- Savings on overtime and other premium or short-time work payments.
- Improved delivery time and responsiveness to customer demands.
- Better adaptability of the workforce to the workload.
- Increased worker motivation (but only if the new systems are well-implemented; otherwise there is a risk of a demotivating impact).

## *Advantages for employees*

- Greater control over their work schedules (“time sovereignty”).
- Additional days off for further training, children or holidays.
- A better balance between work, family and private life.
- The payment of a consistent wage despite variations in working hours.

Some of the main disadvantages of such working time arrangements are listed below.

## *Disadvantages for employers*

- Loss of direct supervision over working hours.
- The increase in working hour flexibility might be accompanied by a greater complexity in scheduling work.
- Possible worker resistance during implementation. Some workers may initially resist such forms of working time flexibility.

## *Disadvantages for employees*

- A danger of overloaded time accounts, such that workers are unable to use much of their accumulated time off. This is counterproductive because workers are overworked, leading to higher absenteeism, increased illness and reduced motivation.
- Limits on time sovereignty. Unforeseeable fluctuations in workload may not allow workers to take accumulated time off as they wish. This can generate frustration among the workforce, who may then see time banking as a form of hidden unpaid overtime.



For successful implementation of flexitime programmes and time banking schemes, it is recommended that the main provisions be previously fixed in collective agreements. In addition, the following aspects also need to be considered:

- the framework of the working time provisions (existing provisions in law and collective agreements, wage rates, and especially premium pay for overtime or unsocial hours);
- the extent of flexible working hours — specifically, the maximum and minimum daily and weekly hours of work (e.g. whether workers will be required to be present for certain core hours each day and, if so, what those core hours will be);
- the maximum limits for the amount of time that can be accumulated (credit and debit hours);
- the extent and pattern of compensation periods and the amount of paid time off;
- decision procedures and criteria for fixing hours of work and granting paid time off;
- a new definition of overtime (i.e. under what conditions will overtime now be payable?);
- the procedures for handling situations in which the maximum limits for credit or debit hours are exceeded (e.g. if the credit hour limit is exceeded, this might result in the payment of overtime rates for those hours in excess of the limit);
- the calculation of hours of work in the case of absence, further training or work-related travel;
- workers' rights regarding the use of accumulated time off and regarding the distribution of longer working hours, when necessary.

## Case example

**S**TIHL, the world's largest producer of motor saws and employing 7,200 workers worldwide, has recently modified their previous time banking scheme. The discussion and negotiations between management staff and workers resulted in the following working time arrangement:

- an increase in the number of hours that can be accumulated in an individual workers' time banking account to plus-or-minus 50 hours over normal hours (it was previously fixed at plus-or-minus 30 hours);
- an additional option: in the case of extreme economic fluctuations, the accumulating time banking capacity can be extended to plus 150 or minus 100 hours. This option should only be used for short time periods. The firm's works council (a labour-management body within the firm) has to be informed about the number of workers concerned and the reason for using this extra option, the period for which it is foreseen, and how the additional or falling hours of work are going to be compensated.

By introducing this system, the firm's partners noticed that activities became more task- and results-oriented. Furthermore, the managerial staff needs to have closer working relationships with workers than they used to before. Strong trust relationships between them are crucial for the successful running of this working time model. For this reason, further training on working time management has been organized for the managerial staff. This training is aimed at assisting managers in determining the necessary conditions for meeting the firm's economic interests and workers' working time preferences at the same time.

Source: "STIHL Motorgeräte: Arbeitszeitflexibilisierung mit dem Ampel- und Flexi-Konto", at <http://www.bmgs.bund.de/de/asp/arbeitszeitmodelle/dokument1.asp?id=41>, 21 September 2003.

<sup>1</sup> Incomes Data Services: *Pay and conditions in Germany* (London, 2001).

<sup>2</sup> J.C. Messenger (ed.): *Working time and workers' preferences in industrialized countries: Finding the balance* (London, Routledge, forthcoming).

<sup>3</sup> Joint UNECE-Eurostat-ILO Seminar, 27-29 May 2002 (Geneva).

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