



Increasing weekly working time and its implications for long-term growth : The case of Austria

*Ludwig List
EPOG 2015*

The recent increases in weekly working time in Austria are contradicting the long-term evolution of working time. Arguments regarding competitiveness do not seem to withstand testing. Indeed, what we need is shorter, rather than longer working time.

In September 2018, a law proposed by the Austrian government regarding changes in maximum working time was put into effect. The law increased the maximum allowed working time per week from 50 to 60 hours (from 10 hours per day to 12 hours per day). The reasons given for such reforms were increased flexibility at the working place, which is ought to be necessary to deal with new challenges in a globalised, competitive world, the need to secure jobs, which are outside of average forms of paid work (for example in tourism and in gastronomy), as well as more flexibility for workers in different stages of their life (differences in age, parental leave, etc.). However, the only changes to be found in the law concern increases in working time.

While under specific conditions it was already possible to keep workers in Austria working for up to 60 hours for a limited amount of time, this needed to be explained by serious concerns about the future of the firm, and also bargained for with the local workers' council. Even in this specific case, individual workers had the right to decline to work for additional hours without the need

to give any reasons whatsoever. The new reform enabled employers to increase overall working time without having to explain why, and without having to ask either workers' councils or individual workers for permission. Indeed, the first draft of the reform stated that workers can only decline longer working times in the case of 'personal reasons', which were not specified. An employer's need to explain higher working hours was thus transformed into the employees need to explain their own unavailability.

Due to protest from trade unions, workers representatives and civil society, this draft was ultimately altered. The new version thus specifies that workers have to 'voluntarily agree' to work for an additional eleventh or twelfth working hour per day. Critics argue that workers are dependent on their employers and will abstain from declining longer working hours due to fear of losing their jobs. Since this law was enacted, several cases have been made public where firms handed out new contracts to their employees to be signed. These contracts express the employee's 'voluntary agreement' concerning future, unannounced and sudden increases in daily working time.

How can this reform be analysed? In economic terms, this change in Austrian working time regulations has to be interpreted as a fall of the hourly real wage, as overtime will be paid out fewer times. In the case of Austria in 2017, this would amount to 270 million hours of unpaid overtime working salaries¹. For the same reasons, this reform has to be interpreted as a direct increase in the average weekly working time.

Contrary to past trends of slow but steady global decreases in average working time, several countries are extending the average weekly working time since the early 2000s. Examples for this are Germany or France under the current Macron government. In Austria, the extension of the working day seems to be successfully imposed by the government. As such, it will have a long-lasting impact for both workers and the economy in general. However, the consequence of this extension is quite the opposite of the long-term trend of decreasing working time during the past 150 years.

As **Figure 1** shows, average weekly working decreased after the second world war both in Europe and in the United States. This process of decreasing working time was possible due to steady increases in productivity and usually accompanied by an increase in wages, in order to account for lost compensation due to less labour time by workers. Working time reduction, accompanied by full wage compensation was the classic demand of trade unions during the 'golden age of capitalism'. This continuous reduction slowed down once the 40-hours-week was achieved.

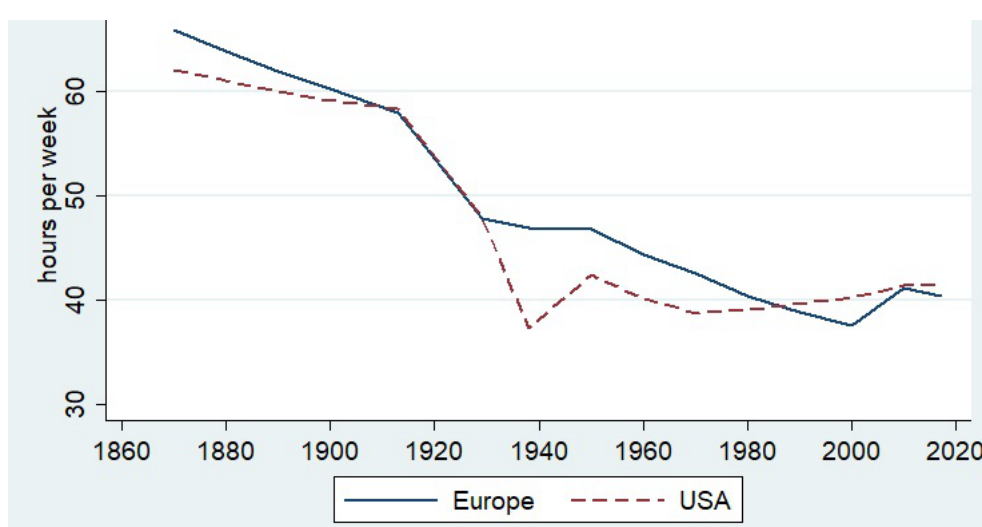


FIGURE 1:
147 YEARS: EVOLUTION OF WEEKLY WORKING TIME
(FULL-TIME EQUIVALENTS)

Sources: 1870-2000: Huberman & Minns (2007)²; 2000-2017: stats.oecd.org

One reason for this development might be the increase in unemployment in the 1980s together with the precarisation of work. At the same time, productivity growth itself came to a slowdown, represented by overall lower long-term growth rates. The fall of the Soviet Union also represented an end of social compromises in many western European countries. With the threat of communist uprisings gone, there was less reason for employers to accept collective bargaining, decent unemployment benefits, publicly financed social security – or lower amounts of weekly working times. Additionally, trade union membership coverage has been continuously falling during the end of the twentieth century, limiting their influence pushing for further reductions in working time. Finally, another reason for the sudden stop in working time reduction lies in the new interna-

tional division of labour which emerged in the 1970s, the supply of additional cheap labour force in South East Asia and the former Soviet countries, which put pressure on wages and social conditions in western countries.

It can thus be argued that changes in working time have always been accomplished via political pressure and are not emerging due to purely economic reasons. Among many other things, coverage of collective bargaining processes, union membership and employment rates will determine whether workers have enough political power to demand shorter working hours. Therefore, the length of the working day is not just an economic, but a political question as well.

Nevertheless, there are economic circumstances that can facilitate the introduction of reforms concerning working time reduction. For instance, productivity increases determine long-term economic growth and create future possibilities for redistributive measures in a capitalist economy. As we can see in **Figure 2**, there is a clear negative relation between working hours and (labour) productivity in OECD countries in 2017. This relation holds for all the previous years covered by the OECD statistical database.

One reason for this negative relation is that working hours have malicious effects on workers well-being. Longer working hours are associated with a deteriora-

tion of both physiological and psychological health. Studies show that concentration levels drop significantly after the tenth working hour, accompanied by an exponential increase in work accidents from the ninth hour onwards³. Similarly, decreases in working hours have repeatedly been reported to lead to higher productivity amongst workers, as well as a reduction in sick leaves. Hence, employers who push for increases in working time might actually be confronted with less productive employees and lower production than expected.

Another way of thinking about the relation between average weekly working hours and productivity is that increases in productivity enable decreases in working time. More productive countries can, therefore, afford reductions in working time with less difficulties.

It is important to keep in mind that the effects regarding changes in working hours vary considerably depending on the timespan of this change. A reduction in the retirement age has to be interpreted as a decrease in life-long working time, while the introduction of paid holiday weeks represents reductions in yearly working time. A decrease in weekly working hours might change employment structures, with workers switching from part-time to full-time positions. This would have especially large implications for women, which in most countries represent a much larger share of part-time workers than men. The resulting redistribution of working time, real wages and reproductive/care work, both inside and outside of the working place, were always tied to the historical demand for the reduction of working hours from feminist movements.

While the current Austrian government argues that the increase in weekly working time will lead to higher employment, several studies find exactly the opposite: given appropriate accompanying measures, reductions in working time, rather than decreases, allow for increases in employment. While there is a small number of studies finding negative effects of working time reduction on employment, the reported effects are typically found to be weak in economic terms⁴.

One of the most studied cases is the weekly working time reduction in France at the end of the

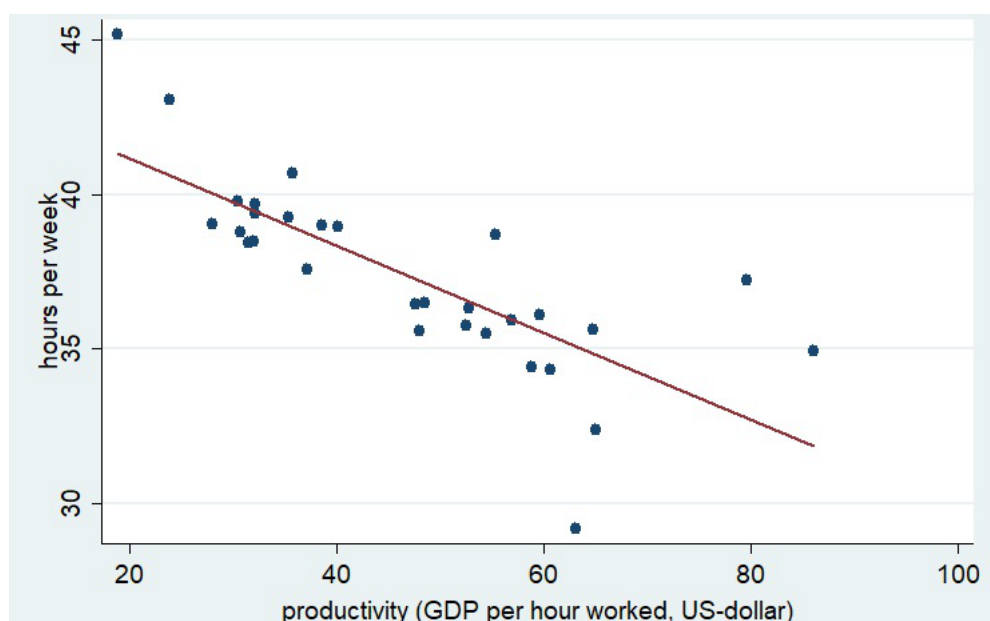


FIGURE 2:
WORKING TIME AND PRODUCTIVITY IN OECD COUNTRIES (2017)
IN CONSTANT PRICES, 2010 PPPS

Source: stats.oecd.org

20th century, which was accompanied by tax incentives for shorter working time and partial compensation in real wages. The existing literature finds overwhelming evidence that the reduction of the weekly working hours was followed by a significant increase in employment⁵. Besides the French case, several projects targeting the reduction of working hours were launched in Europe. The introduction of the 6-hours working day in a care home in Gothenburg or the choice between higher wages or less working time in several collective bargaining agreements in Austria have all led to a decline in sick leaves, increases in productivity and reports of better perceived health amongst workers.

POLICY IMPLICATIONS

Unemployment in Austria is still higher than before the financial crisis. While the current Austrian government wishes to augment the flexibility of the labour market by increasing working hours, both theory and evidence indicate it is a misleading reform. It leads to reductions in perceived health, productivity and employment, accompanied by an increase in work accidents. On the other hand, several studies show that shorter working time is associated with higher labour productivity.

Therefore, if the Austrian government aims to reduce unemployment, the game plan should be a decrease, rather than an increase in working hours. This decrease in working time needs to be accompanied by real wage increases in order to keep worker' salaries constant. Additional measures like the tax incentives offered in France at the end of the 20th century could facilitate the acceptance of such reforms. Careful consideration is needed to take care of possible differences regarding changes in different types of working time. Depending on the overall political goal, different forms of working time reduction might be preferred.

- 1 Arbeitszeit: Verkürzung statt Flexibilisierung (Factsheet II) – BEI-GEWUM. (n.d.). Retrieved 3 December 2018, from <http://www.beigewum.at/2017/09/factsheetii/>
- 2 Huberman, M., & Minns, C. (2007). The times they are not changin': Days and hours of work in Old and New Worlds, 1870–2000. *Explorations in Economic History*, 44(4), 538–567. <https://doi.org/10.1016/j.eeh.2007.03.002>
- 3 Sparks, K., Cooper, C., Fried, Y., & Shirom, A. (1997). The effects of hours of work on health: A meta-analytic review. *Journal of Occupational and Organizational Psychology*, 70(4), 391–408. <https://doi.org/10.1111/j.2044-8325.1997.tb00656.x>
- 4 Poyntner, P. (2016). Beschäftigungseffekte von Arbeitszeitverkürzung. Eine makroökonomische Perspektive, 20.
- 5 Husson, M. (2019, March 8). A l'encontre » France-Débat. «35 heures: retour vers le futur». Retrieved 21 March 2019, from <https://alencontre.org/laune/france-debat-35-heures-retour-vers-le-futur.html>



RECENT PUBLICATIONS BY THE EPOG ALUMNI

- Auvray, T.; **Rabinovich, J.** (2019) The financialisation–offshoring nexus and the capital accumulation of US non-financial firms, *Cambridge Journal of Economics*. <https://doi.org/10.1093/cje/bey058>
- Dallaire-Fortier, C. (2019) Roadmaps to Transition: The Case of the Appalachian Coalfields, *EPOG Policy Brief*
- Bouguelli, R. (2018) A note on “Rethinking liquidity creation: Banks, shadow banks and the elasticity of finance”, *Journal of Post Keynesian Economics*.
- Scalco Macalós, J.P. (2018) The impact of the Fed's “normalization” of monetary policy on Emerging Market Economies, *EPOG Policy Brief*
- Ellermann, C.; Lindner, F.; **Reissl, S.**; Tarne, R. (2017). A third era of credit theory? Endogenous money from Wolfgang Stützel's balance mechanics perspective*, *European Journal of Economics and Economic Policies*, 14(1), 13-22.
- Fischer, L.; Hasell, J.; **Proctor, J. C.**; et al. (ed.) (2017) 'Rethinking Economics: An Introduction to Pluralist Economics. Routledge, 2017.
- Köhler, K. (2017) Currency devaluations, aggregate demand, and debt dynamics in economies with foreign currency liabilities, *Journal of Post Keynesian Economics*, 40:4, 487-511.

For any question or information about the Policy Briefs : contact.policybriefs@epog.eu