1981

The History and Current Relevance of Work Sharing

Fred Best

Citation

This title is brought to you by the Upjohn Institute. For more information, please contact repository@upjohn.org.
CHAPTER 1
The History and Current Relevance of Work Sharing

Persistence of high unemployment over the last several years has led many persons to advocate worktime reduction as a means of combating joblessness by spreading work among a larger number of persons. Proposed approaches for sharing work have varied tremendously, including mandatory reduction of the workweek with and without pay loss to employees, various forms of earlier retirement and prolonged schooling, extended vacations and worker sabbaticals, long term exchange of prospective economic growth for worktime reductions, increased part-time employment, and stimulation of voluntary exchange of current earnings for more free time.

To date, discussion of work sharing has been somewhat unproductive; it has been diffused on one side by commitments to more traditional job creating policies, complicated by tendencies to conceptualize work sharing as taking the form of only one of the many possible approaches, and overly generalized by a lack of specific policy proposals which might be rigorously assessed. This volume will seek to better focus discussion by building upon available thought and research to outline the history of work sharing, discuss-
History and Relevance

ing the current relevance of sharing work, synthesizing the observations that should be considered in evaluating work sharing policies, describing and provisionally evaluating leading policy options, and finally seeking to assess the viability of the most promising options in comparison to other employment policies.

WORK SHARING IN THE PAST

Although the idea of sharing work has always been controversial, it is important to recognize that industrial societies have consistently applied policies to reduce and ration worktime as a means of combating joblessness. In a very general sense, there are two basic forms of work sharing. The first type is usually restricted to specific firms and used as a short term strategy to prevent layoffs and dismissals by temporarily reducing worktime. As an example, employers and employees in a given firm may decide to reduce the workweek and earnings for a short period by 10 percent as an alternative to laying off one-tenth of existing workers. Interestingly, about one-fourth of existing collective bargaining agreements have formal provisions for such work sharing. The second type of work sharing seeks to reduce worktime among the employed in order to create jobs for those who are unemployed, thus distributing available work more evenly among a larger number of persons. This second type has been used to combat unemployment caused by long range conditions which are likely to persist beyond the periodic downswings of the business cycle.

While efforts to gain more free time have been a concern of labor movements dating back to the 18th century, the notion of reducing worktime in order to share employment made its most obvious appearance in 1887 when Samuel Gompers, the President of the American Federation of Labor, declared that, "As long as we have one person seek-
ing work who cannot find it, the hours of work are too long." To what degree such comments reflected the intent to combat joblessness as opposed to a desire to justify the reduction of work hours remains an open question. Nonetheless, Gompers’ position was embraced as a major justification for the series of worker movements to shorten the workweek which took place between the late 19th century and the 1930s.

The “Great Depression” of the 1930s fostered the first widespread and explicit efforts to reduce worktime in order to spread employment. As unemployment rose to crisis proportions, employers sought to ease the burden of job loss by shortening workweeks as an alternative to laying off employees in an era when there was no unemployment insurance and great aversion to the few welfare programs that did exist. The Hoover Administration made such work sharing the centerpiece of its effort to control unemployment which was soaring over 20 percent. At the request of President Hoover, New Jersey Standard Oil President Walter Teagle toured the nation advocating worktime reductions in order to save jobs. Even though this general concept was endorsed by President of the American Federation of Labor, William Green, the work sharing concept became unpopular among workers. Although it was often accepted as the best of undesirable options, worktime reductions were often extensive, accompanied by major pay cuts, and regarded as symbolic of a depression which many workers viewed as the creation of the business community and the Hoover Administration. This resentment was summarized aptly by one critic’s comment that work sharing was a device by which “industry is asking labor to bear the major costs of unemployment relief.”

After 1932, Franklin D. Roosevelt’s “New Deal” made multifaceted initiatives to combat joblessness and economic hardship. The approaches used included macroeconomic
“pump priming,” major public job creation, unemployment insurance and other income maintenance programs, and new forms of work sharing that were more palatable to workers. Social Security, a self-proclaimed hallmark of the Roosevelt Administration, was passed in 1935 primarily to insure retirement with dignity, but also to reduce the number of persons seeking jobs. A more direct work sharing policy dealt with limiting the workweek. The Black-Connery Bill, which limited the workweek to 30 hours, passed the Senate but was defeated in the House during 1933. Five years later, Roosevelt signed into law a more flexible work limiting approach in the form of the Fair Labor Standards Act of 1938. This act sought to spread employment by defining the standard workweek as 40 hours and imposing a time-and-a-half overtime pay premium for time worked over this standard workweek. While available data indicate that predepression collective bargaining followed by massive work sharing during the years immediately preceding passage of this act had driven the average workweek down to the neighborhood of 40 hours (see table 1-1), this measure appeared to encourage new hiring as an alternative to overtime and has come to be regarded as the single most dramatic public policy to foster the sharing of employment.

World War II and the subsequent years of economic progress fostered little in the way of overt work sharing, but gave rise to conditions which have had a subtle effect on worktime trends and the distribution of employment within the United States. First, the combination of tax law incentives for fringe benefits and occasional wage-price freezes gave rise to an ongoing multi-decade trend toward increasing fixed labor expenditures on retirement pensions, health care, paid time-off and other nonwage compensation. In addition to increasing free time, particularly in the form of earlier retirements, expenditures on such benefits are, for the most part, fixed so that their costs to employers for every hour of
Table 1-1
Average Length of Workweek
Selected Years and Industries, 1909-1978

<table>
<thead>
<tr>
<th>Year</th>
<th>Total private</th>
<th>Manufacturing workers</th>
<th>Construction workers</th>
<th>Retail trade workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1909</td>
<td>—</td>
<td>51.0</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1920</td>
<td>—</td>
<td>47.4</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1925</td>
<td>—</td>
<td>44.5</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1928</td>
<td>—</td>
<td>44.4</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1929</td>
<td>—</td>
<td>44.2</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1930</td>
<td>—</td>
<td>42.1</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1932</td>
<td>—</td>
<td>40.5</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1934</td>
<td>—</td>
<td>38.3</td>
<td>28.9</td>
<td>41.5</td>
</tr>
<tr>
<td>1936</td>
<td>—</td>
<td>34.6</td>
<td>32.8</td>
<td>43.5</td>
</tr>
<tr>
<td>1938</td>
<td>—</td>
<td>39.2</td>
<td>32.1</td>
<td>42.6</td>
</tr>
<tr>
<td>1940</td>
<td>—</td>
<td>35.6</td>
<td>33.1</td>
<td>42.5</td>
</tr>
<tr>
<td>1942</td>
<td>—</td>
<td>38.1</td>
<td>36.4</td>
<td>41.1</td>
</tr>
<tr>
<td>1944</td>
<td>—</td>
<td>42.9</td>
<td>39.6</td>
<td>40.4</td>
</tr>
<tr>
<td>1947</td>
<td>40.3</td>
<td>40.4</td>
<td>38.2</td>
<td>40.3</td>
</tr>
<tr>
<td>1950</td>
<td>39.8</td>
<td>40.5</td>
<td>37.4</td>
<td>40.4</td>
</tr>
<tr>
<td>1955</td>
<td>39.6</td>
<td>40.7</td>
<td>37.5</td>
<td>39.0</td>
</tr>
<tr>
<td>1960</td>
<td>38.6</td>
<td>39.7</td>
<td>36.7</td>
<td>38.0</td>
</tr>
<tr>
<td>1965</td>
<td>38.8</td>
<td>41.2</td>
<td>37.4</td>
<td>36.6</td>
</tr>
<tr>
<td>1970</td>
<td>37.1</td>
<td>39.8</td>
<td>37.3</td>
<td>33.8</td>
</tr>
<tr>
<td>1975</td>
<td>36.1</td>
<td>39.5</td>
<td>36.4</td>
<td>32.4</td>
</tr>
<tr>
<td>1978</td>
<td>35.8</td>
<td>40.4</td>
<td>36.9</td>
<td>31.0</td>
</tr>
</tbody>
</table>

**NOTE:** Discontinuities of data collection method do not allow strict comparability of figures for years prior to 1947.

History and Relevance

labor received increases as the job time of individual workers declines. Thus, the increase of such fixed expenditures on fringe benefits has become a growing barrier to worktime reductions.¹² Second, the growth of income maintenance programs such as unemployment insurance and welfare have tended to encourage many persons who experience difficulty finding employment to withdraw from the labor force.¹³ Finally, social norms and some social policies were solidified which tended to discourage women from holding jobs. Such discouragement was certainly a phenomenon rooted deeply in the nature of traditional family organization, but up through the 1960s the work sharing implications of such restrictions were evidenced by the common expression that "women should not work because they might take jobs away from men who must support their families."¹⁴

During the recessionary downturns of the 1960s, alarm over worker displacement due to automation¹⁵ and the influx of the large post-World War II "baby boom" generation into the labor force revived interest in limiting the supply of labor to reduce unemployment. Collective bargaining efforts sought to reduce the workweek,¹⁶ promote early retirement,¹⁷ and instigate more exotic policies such as the U.S. Steel Sabbatical.¹⁸ Public policies also sought to reduce the supply of labor to match the availability of jobs. An effort by organized labor to discourage overtime by increasing premium pay to double-time was narrowly defeated in the early 1960s.¹⁹ More important, programs were developed to increase the school years of youth and retirement years of old age. While these programs had many social purposes, policymakers of this era freely acknowledge that an important goal of these programs was to reduce the size of the labor force.²⁰ These policies worked well. As one indication of their success, the percentage of the average U.S. male's total lifespan given to the nonwork activities of schooling and retirement increased from 35.5 percent in 1940 to about
43 percent in 1980 (see figure 1). Generally high economic growth coupled with the somewhat subtle employment distribution impacts of these policies tended to downplay overt discussion of work sharing during this period.

The ultimate entrance of the "baby boom" generation into the labor force, dramatic increase of women workers, and high unemployment and limited job creation fostered by "stagflation" once again renewed open consideration of work sharing during the 1970s. During and since the 1975 recession, work sharing within individual firms occurred independent of government intervention in much the same way that it did during the 1930s. Also serious consideration was catalyzed for "short-time compensation," a program used by European nations to provide partial UI benefits to workers put on reduced workweeks as an alternative to layoffs. While several states have expressed interest in this concept, only California had implemented such a program by mid-1980. Starting in 1977, a coalition of unions initiated a new drive to amend the Fair Labor Standards Act so that the standard workweek was redefined as 35 hours and the overtime premium was increased to double-time. Correspondingly, many unions, most notably the United Auto Workers, reassumed their historic effort to reduce worktime via collective bargaining. Finally, a range of novel and volunteeristic proposals have been put forth to share employment via public sabbaticals, expanded part-time jobs, voluntary programs allowing workers to trade earnings for reduced worktime, and nullification of legal barriers to worktime reduction. In parallel fashion, many European nations have also developed serious policy interest in the potentials of work sharing in fighting joblessness.

Clearly, work sharing is not a new idea. Both private and public policies have promoted various ways of sharing and distributing jobs. In many cases, work sharing has been fostered by a number of social forces in conjunction with
Figure 1

Retirement and other

Work

Formal education

Preschool

Life expectancy
in years

Age in years


unemployment; and in many cases the work sharing implications of social policies have been secondary but important considerations. Employment has indeed been shared and rationed within most industrial societies, and this has had profound impact upon the nature of unemployment and patterns of work and leisure. The main issue concerning work sharing is not whether or not to use it. Work sharing is already a reality. The issues for the future are how much work sharing to have, and what forms it should take.

WORK SHARING IN THE FUTURE

Aside from prolonged frustration over unemployment, economic and social circumstances within the United States and other industrial nations are contributing to interest in sharing work. On the economic side, there appears to be an emerging consensus that "stagflation" is likely to persist well into the 1980s. The tenacity of inflation has led increasing numbers of economists and policymakers to be wary of stimulating economic growth and job creation by macroeconomic demand management. As a result, optimistic speculations indicate real economic growth considerably below past norms and pessimistic forecasts of unusually low growth are commonly viewed as a realistic possibility. This emerging acceptance of sluggish economic growth and limited job creation has fostered consideration of nontraditional employment policies, such as work sharing, as "second best" options for reducing unemployment within economies constrained by inflation.

On the social side, ongoing transitions in labor force composition and related changes in life styles are creating a climate which may be conducive to the use of work sharing. Demographic trends show that the large post-World War II "baby boom" generation has recently completed its entry into the labor force. This generation, which crowded schools
in the recent past, is now creating intense competition among its members and with other age groups for available jobs. Over the long run, the job seekers of this "baby boom" generation are likely to be absorbed by the labor market, perhaps leaving in their wake a labor shortage borne of smaller subsequent generations. However, these adjustments will not occur overnight and labor force growth from other sources is likely to foster extremely intense competition for employment into the 21st century.

Most notably, the labor force participation of women rose from 32.7 percent in 1948 to 50.1 percent in 1978, and it is likely to continue rising in coming decades. As an indication of what may occur in the long run in the United States and other nations, the participation rate of women in Sweden is almost equal to that of men. This increase of women will not only intensify labor market competition, but also tend to alter the worktime preferences and needs of tomorrow's labor force. As the proportion of dual-earner families increases along with women workers, the typical household of the future will experience tremendous time pressures in the performance of family responsibilities and pursuit of leisure activities. At the same time, dual-earner families will have increased financial discretion to forego income-earning worktime for more free time.

In addition to women workers, it appears likely that many older workers may resist retirement because of nervousness about the impact of inflation on fixed incomes. This would block the promotion of younger persons and increase the size of the labor force. While it is still too early to claim an established trend in this direction, there are indications that the tendency toward earlier retirement may have halted. Correspondingly, there are signs that while large portions of older workers prefer to remain employed past traditional retirement age, they also prefer to work less than full time. For example, one representative survey of the American
labor force found that 28 percent of those aged 50 to 64 preferred to retire at age 65, 9.4 percent were undecided about their retirement plans, and that the remaining 62.3 percent wished to keep working. Some 84.6 percent of those wishing to work preferred to work either part-year or part-week.\(^{39}\)

An overview of the increasing propensity to work among all persons comes from past and projected labor force participation rates. In short, the proportion of the U.S. population over age 16 who are either employed or looking for employment rose from 60.4 to 63.7 percent between 1970 and 1979, and is projected to rise to 67.9 percent by 1990 and 68.6 by 1995 (see table 1-2). While there has been speculation of future labor shortages due to the lack of entry level workers following the “baby boom” generation,\(^{40}\) it is more likely that previously mentioned trends will far outweigh the lack of entry level workers. Indeed, labor economist Eli Ginzberg convincingly demonstrated that there were some 17 million persons in 1977 who would be likely to enter the labor force if the possibilities of finding a job increase.\(^{41}\) Thus, it is quite likely that the labor force participation rate will grow faster than Bureau of Labor Statistics projections.\(^{42}\)

In sum, a number of fundamental social trends are likely to foster a long term growth of labor force participation rates despite a scarcity of employment opportunities. However, while a larger portion of the U.S. and other populations may seek employment, increasing proportions are likely to prefer less than what we currently define as “full time” employment. In terms of employment policies, growth of labor force participation is likely to intensify the demand for more jobs, while preferences for reduced worktime may increase the acceptability of work sharing as a means of combating joblessness.\(^{43}\)
Table 1-2
Actual and Projected Labor Force Participation, 1950-95

<table>
<thead>
<tr>
<th>Year</th>
<th>Labor force participation rate</th>
<th>Total civilian labor force (000s)</th>
<th>Total civilian population (000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>59.2</td>
<td>62,208</td>
<td>104,995</td>
</tr>
<tr>
<td>1960</td>
<td>59.4</td>
<td>69,628</td>
<td>117,245</td>
</tr>
<tr>
<td>1970</td>
<td>60.4</td>
<td>82,715</td>
<td>136,995</td>
</tr>
<tr>
<td>1975</td>
<td>61.2</td>
<td>92,613</td>
<td>151,268</td>
</tr>
<tr>
<td>1978</td>
<td>63.2</td>
<td>100,417</td>
<td>158,942</td>
</tr>
<tr>
<td>1979</td>
<td>63.7</td>
<td>102,900</td>
<td>161,532</td>
</tr>
<tr>
<td>1985</td>
<td>66.5</td>
<td>115,000</td>
<td>172,850</td>
</tr>
<tr>
<td>1990</td>
<td>67.9</td>
<td>122,400</td>
<td>180,129</td>
</tr>
<tr>
<td>1995</td>
<td>68.6</td>
<td>127,500</td>
<td>186,034</td>
</tr>
</tbody>
</table>


Persistent unemployment coupled with changing social conditions is likely to foster ongoing and growing interest in reducing worktime to combat joblessness. This interest notwithstanding, important policy questions must be answered concerning whether work sharing is a viable approach to the problems of unemployment. Would it actually create jobs? Would it be costly and inflationary? What types of secondary effects would it have?
NOTES


17. Zalusky, "Shorter Workyears."


23. Levitan and Belous, "Work Sharing Initiatives," pp. 16-18; and *Shared Work Compensation*, Special Research Report, Office of


History and Relevance


37. The labor force participation rates of persons 65 years of age and older has, with only a few exceptions, declined constantly from 27.3 percent in 1949 to 13.4 percent in 1978. This trend has never reversed itself by more than .2 percent during this 30-year period, except in the case of 1978, when the labor force participation rate of this age group rose from 13.1 percent in 1977 to 13.4 percent (*Employment and Training Report of the President*, 1979, p. 240).


42. Bureau of Labor Statistics projections have generally underestimated labor force growth. For example, the labor force participation rate for 1977 was already higher than the last projection for 1980 (Howard N. Fullerton and Paul O. Flaim, "New Labor Force Projections to 1990," *Monthly Labor Review*, December 1978, p. 5), and new projections for 1978 suggest that the 1990 participation rate may be as high as 69.7 percent.