



# **Jobs Potential of Work Sharing**

**Forum Report No. 9**

**January 1996**





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**PUBLISHED BY THE NATIONAL ECONOMIC AND SOCIAL FORUM**

Copies of this Report may be obtained from the:  
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Centre Block, Government Buildings,  
Upper Merrion Street, Dublin 2.

**Price: £4.00**

(PN2206)

ISBN-1-899276-05-X



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# **Executive Summary**





# Executive Summary

1. This Report is linked to a number of the Forum's earlier Reports, most notably its Report No. 4 on *Ending Long-term Unemployment*, and is in response to a request from the Government for the Forum's views on how the job potential of work sharing can best be realised.
2. **Section II** highlights that: (i) part-time employment has increased rapidly both here and in most other OECD countries over the last decade and is now the main source of employment growth in this country; (ii) part-time employment is concentrated in the services sector and is largely accounted for by women; and (iii) there has been a very substantial long-term fall in working time and average weekly hours worked have continued to fall in recent years, although some people still work relatively long hours.
3. **Section III** signals that part-time employment will continue to increase. This work is attractive to employers as it is less costly and more flexible than full-time employment. It may be less attractive, however, for employees although it now enjoys the protection of employment legislation and social insurance cover. Part-time employment may have attractions for groups such as the long-term unemployed, but a number of factors militate against the take up of such employment including unemployment and poverty traps and lack of progression to full-time jobs.
4. **Section IV** assesses five work sharing options and concludes that the main potential for more jobs lies in reducing overtime, job sharing and career breaks. These options also offer a number of other economic and social benefits. But incentives will be required to strike a balance between the interests of employers, employees and the unemployed.
5. **Section V** concludes that work sharing should now be given greater impetus and priority and that the long-term unemployed should be the main beneficiaries of work sharing initiatives. The Forum considers that the potential impact of work sharing on unemployment is worth pursuing, bearing in mind the costs and effort involved in creating an equivalent number of grant-aided employment opportunities. The Forum, therefore, makes a number of **recommendations** including the following:-
  - a work sharing framework strategy that has job creation as its central objective should be agreed between the Government, the Social Partners and representatives of the unemployed and of women;

- State incentives are required to encourage the take up of new work sharing arrangements and should essentially be self-financing and should be closely monitored with regard to their effectiveness and impact;
- the Local Employment Service should be instrumental in preparing and placing the long-term unemployed in vacancies arising from work sharing arrangements;
- systematic and continuous overtime should be curtailed through collective agreements at local level and implementation and adequate enforcement of the EU Working Time Directive<sup>1</sup>;
- the public sector should build on its experience of job sharing and career breaks over the last decade to introduce more attractive options in the future;
- the private sector should develop attractive schemes tailored to the needs of the firm and employees, with State incentives to support recruitment of long-term unemployed people to fill vacancies; and
- obstacles to the take up of part-time work and job sharing and causes of involuntary part-time work such as inadequate child care facilities and poverty and unemployment traps should be tackled and removed.

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<sup>1</sup> Council Directive 93/104/EC of 23 November, 1993

Section I

**Introduction**



# Introduction

- 1.1 Following the publication last Spring of the joint ESRI/UCD survey of work sharing<sup>2</sup> in Ireland, the Forum was asked by the Government to consider and to evaluate the contribution which work sharing could make to the provision of additional employment opportunities.
- 1.2 Work sharing raises a number of significant issues with regard to income sharing, the equitable distribution of available work in our society and a better balance between family life, leisure and working life. In this respect, the Forum which is representative of the broad spectrum of interests in our society was seen as having an important role to play in advancing and broadening out the debate on work sharing which is currently underway between the Government and the Social Partners, arising from commitments under both the *Programme for Competitiveness and Work* and the Government's *Programme for Renewal*.
- 1.3 This Report presents the Forum's analysis, evaluation and recommendations on this matter. Opinions differ on the job potential of work sharing. The ESRI/UCD survey suggested that an additional 5,000 to 10,000 jobs could be made available. While this figure is modest when compared to our high levels of unemployment, nevertheless, every contribution helps. For this reason, the Forum is unanimous in its viewpoint that voluntary work sharing has a number of benefits and should be encouraged for a variety of reasons:
  - at the **enterprise** level, it could improve flexibility in the work place, reduce overtime and thus reduce costs; this flexibility could give rise to new jobs, increase productivity and result in better work scheduling;
  - at **national** level, it could enable work to be shared more equitably in our society; such an objective would have some limited impact on the Live Register, or more likely provide opportunities for increased participation in the labour force; and
  - at the **individual** level, it could lead to improvements in the work/quality of life balance, particularly for women between work and family commitments.

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<sup>2</sup> ESRI/UCD, B. Fynes, T. Morrissey, W.K. Roche, B.J. Whelan, J. Williams, *Work Sharing in Ireland*, 1995.

- 1.4 Work sharing is not a panacea for our unemployment problems. But it does, however, have a potential role to play as one element in an overall job creation strategy. The particular focus of this Report is on the long-term unemployed, whom the Forum considers should be the main beneficiaries, through the creation of practical links between the proposals in its Report No. 4 on *Ending Long-term Unemployment* and job opportunities arising from work sharing initiatives.

## Defining Work Sharing and Types

- 1.5 Reducing time spent at work as a method of creating additional employment is not a new concept. According to the European Commission the objective of work sharing is to “redistribute the total volume of work in the economy in order to increase employment opportunities for all those wishing to work. This does not mean that the volume of work remains constant. Rather it is based on the observation that this volume is at present inadequate and that we must try to redistribute it”<sup>3</sup>. The Forum concurs with this objective and the present Report examines work sharing possibilities under the following types:

- **part-time work;**
- **job redistribution** measures through a reduction in standard hours, reductions in overtime, an increase in annual or public holidays and increased job sharing; and
- **job rotation** measures through later entry into the labour force, early retirement and career breaks.

## Structure of the Report

- 1.6 The structure of the Report is as follows:-

- Section II outlines trends in part-time employment and working time;
- Section III examines the factors which have influenced the development of part-time employment, the economic implications of part-time employment and factors affecting its future development;
- Section IV examines the employment potential of a number of job redistribution and rotation measures drawing on the results of the ESRI/UCD survey as well as international experience; and
- Section V sets out the Forum’s overall conclusions and policy recommendations.

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<sup>3</sup> European Commission, *Work Sharing – Objectives and Effects*, 1978.

Section II

**Part-time  
Employment and  
Working Time  
Trends**





# Part-time Employment and Working Time Trends

## Introduction

2.1 This Section of the Report presents a summary of data and of trends in part-time employment and working time in both Ireland and other countries, as well as presenting a more detailed profile of these trends for this country.

## Part-time Employment

### Definition

2.2 “Atypical” employment – which refers to working arrangements or contracts which deviate from the typical employment relationship (i.e. full-time, permanent and pensionable employment) – comprises part-time, temporary and self-employment. For the purposes of this Report, part-time work is defined as regular work carried out during hours distinctly shorter than normal. The main source of information on part-time employment is from the annual Labour Force Survey which uses self-classification as the basis of status and those who consider themselves to be part-time are classified as such, regardless of hours worked. For this reason, some employment recorded as part-time may not accord with the above definition.

### International trends in part-time employment

2.3 Part-time employment as a share of total employment varies markedly across EU Member States (see Table 2.1). In 1994, part-time employment accounted for one in twenty jobs in Greece but more than one third of jobs in the Netherlands. Less than one woman in ten of those who worked in Greece worked part-time while almost two thirds of women who worked in the Netherlands were part-time employees. The situation for men was somewhat different. Almost one in six men who worked were part-time in the Netherlands, but the lowest proportion (one in a hundred) occurred in Luxembourg. Ireland ranked about mid-way in the EU 15 in terms of the overall proportion of the employed who were part-time and the proportion of women employed part-time, but was below the EU average in both cases. Ireland was in the upper third in ranking terms and was around the EU average in relation to the proportion of men employed part-time. The proportions for Ireland were about one in ten overall, one in twenty for men and one in five for women.

**Table 2.1**  
**Part-time Working in Selected EU Member States**

	As a share of total employment		Average annual increase*
	1985 (%)	1994 (%)	'85-'94 (%)
Denmark	24.3	21.2	-1.6
Greece	5.3	4.8	-0.5
United Kingdom	20.9	23.8	1.8
Spain	5.8	6.9	3.5
<b>Ireland</b>	<b>6.4</b>	<b>10.8</b>	<b>9.3</b>
Netherlands	22.4	36.4	12.5
EU 15**	12.5	15.3	3.7

\* Countries ranked according to average annual increase.  
\*\* 1985 data excludes new German Lander; 1994 data includes new German Lander.  
Figures for 1994 include 1993 data for Austria and Sweden.

*Source: European Commission, Employment in Europe 1995.*

- 2.4 Part-time employment grew rapidly in most OECD countries in the 1980s. In the period 1985 to 1994 most, though not all, of the EU 15 countries registered an increase in part-time employment for men and for women. By far the largest increase took place in the Netherlands followed in second place by Ireland, both in overall terms and for men and women separately. The growth of part-time employment in the Netherlands was actively encouraged by the Government. The OECD Jobs Study<sup>4</sup> notes that in several OECD countries (including Ireland) the number of full-time jobs declined over the 1980s and it was only through a rise in part-time jobs that overall employment gains were achieved.
- 2.5 The increase in part-time work is mirrored by an increase in another area of atypical employment, namely self-employment. In the 1980s many OECD countries experienced a reversal of the long-term trend away from self-employment and, in some 13 countries, self-employment in the non-agricultural sector increased faster than overall employment. On the other hand, the share of temporary work – another form of atypical employment – has not shown any tendency to rise over time except in the case of France and Spain where there were changes in the legislation governing temporary work.

4 OECD, *OECD Jobs Study Evidence and Explanations*, 1994.

## Trends in part-time employment in Ireland

2.6 While the share of total employment accounted for by part-time work remains relatively low in Ireland, there has been a rapid increase in part-time employment over the last decade (see Table 2.2 below). According to Labour Force Survey data, the share of part-time employment rose from 6 per cent in 1986 to over 11 per cent in 1994. In absolute terms, the total number of part-time jobs more than doubled. Of the increase in total jobs of 119,000 between 1986 and 1994, some 70,000 was accounted for by an increase in part-time jobs. Numbers participating on employment schemes increased by 7,000 in the period 1986 to 1994 and so have had only a small impact on the total increase in part-time employment. Thus, the growth of part-time employment accounted for almost three fifths of the total employment increase in that period, which is of particular significance in terms of labour market policies and of job creation strategies.

**Table 2.2**  
**Employment Change 1986 to 1994 (000's)**

	<b>1986</b>	<b>1994</b>	<b>Change '86-'94</b>
Full-time employment	1,029	1,077	+48 (+4.7%)
Part-time employment*	66	137	+71 (+108%)
Total employment	1,095	1,214	+119 (+11%)

\*This includes both regular and occasional part-time jobs; of the 136,600 total part-time jobs in 1994, 114,200 were regular.

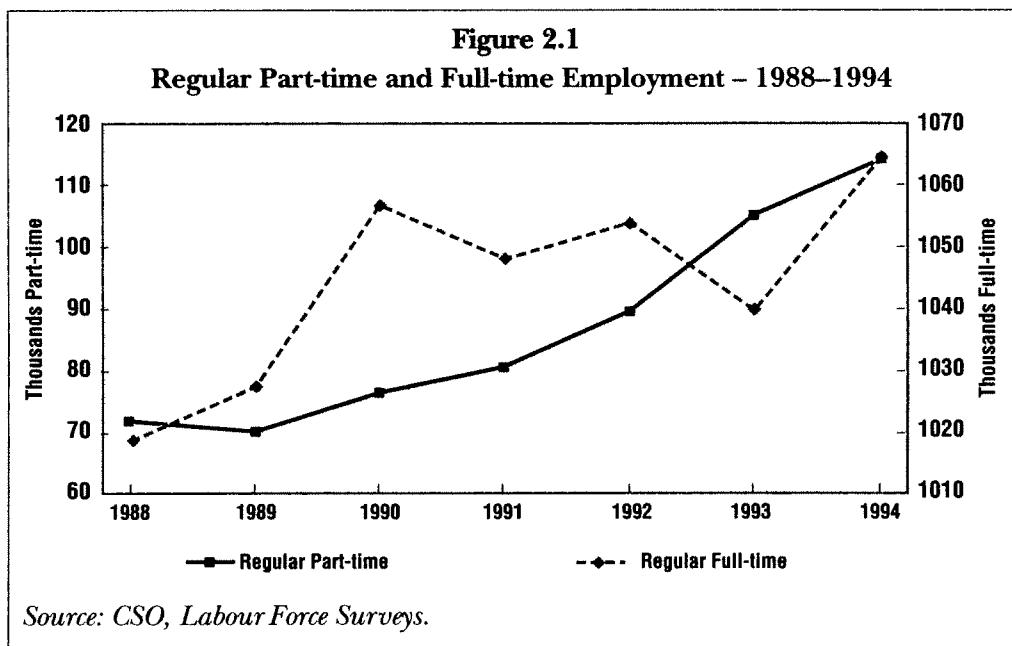
Source: CSO, Labour Force Surveys.

## Profile of part-time employment

2.7 Of the 137,000 part-time workers in 1994, some 98,000 or over seven in ten were women. Over one in five females in employment were working part-time compared to just over one in twenty men. Just over one half of female part-time employees were in the prime 25–44 age group, whereas male part-time employment was much more evenly distributed by age. Seven in ten female part-time employees were married, whereas half of all male part-time workers were single.

2.8 As regards the sectoral composition of part-time employment, more than four out of five part-time workers were employed in services and were concentrated in the business and professional services areas. In the public administration and defence area, though, part-time employment accounted for just over one in twenty jobs. In overall terms, more than one in seven jobs in services are part-time compared to over one in twenty in the agricultural and industrial sectors.

2.9 Eighty five per cent of part-time workers are employees, and more than one in nine employees work part-time. The Labour Force Survey data on socio-economic groupings show that just under half of all part-time employees are in the salaried and non-manual classes, with a further one fifth in the skilled and unskilled manual classes. The balance is in the farmers and professional/employer categories. Over the period 1988 to 1994, there was an increase of 42,000 or almost sixty per cent in the persons engaged in regular part-time employment, which suggests that this is not a transitory feature of the labour market (see Figure 2.1).



## Working Time Trends

### Long run trends

2.10 Over the last century, there has been a clear long run trend towards shorter working hours and lives in industrialised countries. Whereas average annual working hours in 1890 were about 2,700–2,800, they had fallen to around 1,500–1,800 in 1990<sup>5</sup>. During the 1950s and 1960s, many Europeans had a working life of about 45 years with 15 years retirement whereas now they are more likely to work for 35–40 years and be retired for 20–25 years. It has been estimated that the combined effect of these trends has been a reduction in hours worked over the life of a male manual worker from 150,000 at the end of the last century to less than 70,000 now<sup>6</sup>.

5 A. Maddison, *Phases in Capitalist Development*, 1982, quoted in a Paper "Work Sharing: Ends, Means, Potential" prepared by the Department of Enterprise and Employment for the National Economic and Social Forum, March 1995.

6 J. Dreze, "Work Sharing: Why? How? How not?", 1987, in R. Layard and L. Calmfors (eds.), *The Fight against Unemployment*.

2.11 These trends have also been evident in this country. Standard weekly hours have fallen from between 44 and 48 hours at the start of the 1960s to 39 hours now. In addition, people are now spending less of their lives in the labour force because of greater participation in second and third level education and because of earlier retirement by older workers. For instance, in 1975 over three quarters of men aged 60–64 were in the labour force but this had fallen to under 60 per cent by 1994. These trends in labour supply have been offset, however, to some extent by an increase in women's labour force participation rates which rose from 28 per cent to 35 per cent between 1971 and 1994 – representing an increase of 110,000 in absolute terms.

### Recent trends

2.12 Between 1983 and 1995, average weekly hours worked declined by about one hour and a half across EU countries and now stands at 38.5 hours. The biggest fall was in the Netherlands where the fall in hours worked was equivalent to 4 hours a week. Much of the decrease in average hours worked was due to changes in the structure of employment, particularly the growth of part-time working. Other significant factors have been the growth of both services and the rise in female employment.<sup>7</sup>

2.13 An interesting feature to emerge from the Commission's analysis of working time trends<sup>8</sup> is that the numbers of people working between 10 and 29 hours a week (who would tend to be regarded as part-time) increased much more slowly than the numbers classified as part-time (according to Labour Force Survey results) between 1983 and 1992. It would appear that some of the apparent growth in part-time working was due to more workers describing themselves in reply to Labour Force Survey questions as part-time rather than to an increase in the number of jobs with typical part-time hours.

### Working time in Ireland

2.14 Average usual hours worked for all persons in employment in Ireland in 1994 amounted to 41.1 hours per week. This represented a reduction of 2 hours from 1988. For full-time jobs, average hours worked amounted to 43.8 hours and for part-time 18.8 hours. Men worked longer hours than women particularly in full-time jobs where men worked an average of 46.4 hours compared to 38.9 hours for women. Under the *Programme for National Recovery* (1988–1990) a one hour reduction in the normal working week was negotiated, without a reduction in weekly pay. However, the framework for negotiations at local level permitted the introduction of changes in work practices, and as a

<sup>7</sup> European Commission, *Employment in Europe*, 1995.

<sup>8</sup> European Commission, *Employment in Europe*, 1994.

- result of increased productivity, the increase in employment arising from the hour reduction was probably negligible, and would be very difficult to quantify in any case.
- 2.15 Hours worked in the agricultural sector were a good deal higher than in other sectors with an average of almost 61.5 hours per week worked by those in the sector compared to just over 35 in the professional services area. Excluding agriculture, average hours worked were just over 39 hours in 1994. Given the relatively high share of agriculture in total employment in Ireland, this sector should probably be excluded in international comparisons with countries which do not have the same high employment levels in agriculture.
- 2.16 As regards the distribution of working time, the Labour Force Survey data point to a considerable proportion of people working relatively long hours. Almost 265,000 workers or over one fifth of those in employment worked an average of 45 hours or more although over a third of these were employed in agriculture. Over half of those in employment worked between 35 and 44 hours.
- 2.17 As regards part-time workers, the average number of hours worked was just under 19 hours in 1994, with men working about 1.5 hours more than women. However, only two fifths of part-time workers worked under 19 hours per week and three quarters worked under 29 hours. Some 15,000 persons worked more than 30 hours a week yet considered themselves to be working part-time. This is in line with the results of the European Commission's analysis reported earlier on for the EU as a whole (see paragraph 2.13).

## Conclusions

- 2.18 Part-time employment has increased in most OECD countries over the last decade and in several countries has been the main source of employment increase. Part-time employment has increased particularly rapidly in Ireland and accounted for the bulk of the employment increase in recent years. As in other countries, part-time employment is predominantly in services and is largely accounted for by women.
- 2.19 Over the long term, there has been a very significant fall in the average number of lifetime hours spent in employment. Working time continues to fall in EU countries and in Ireland although this largely reflects structural shifts in employment composition. A large proportion of people, both in Ireland and in other EU countries, continue to work relatively long hours and this may be significant from the work sharing perspective.

Section III

**Part-time  
Employment –  
Policy  
Implications**





# Part-time Employment – Policy Implications

## Introduction

- 3.1 In this Section, a number of issues relating to the growth and potential of part-time employment are examined. Firstly, a range of factors which may explain the rapid increase in part-time employment documented earlier are discussed. This is followed by an assessment of some of the advantages and disadvantages of part-time employment. A number of issues relating to the development of part-time employment and possible barriers to its expansion are then explored.

## Why Has Part-time Employment Grown?

- 3.2 A useful way to examine the reasons for the rapid expansion in part-time employment is to focus separately on demand-side factors (i.e. on the part of employers) and supply-side factors (by employees in the labour market).
- 3.3 The growth of services employment is probably the most significant demand-side factor explaining the growth in part-time employment. As documented in Forum Report No. 7 on the *Jobs Potential of the Services Sector*, this sector has been by far the most buoyant in terms of net job creation over the last twenty years. Services employment as a share of total employment has increased from 44 per cent in 1971 to 61 per cent in 1994. As discussed earlier, part-time employment is predominantly concentrated in services.
- 3.4 From the perspective of employers, there are a number of reasons why they might prefer part-time to full-time employment. The cost of employing part-time workers can often be lower and the evidence is that hourly earnings are lower for these workers. This is especially the case if the alternative to part-time work is overtime payments to full-time staff. As well as pay costs, other labour costs may be lower for part-time workers. Recent changes in PRSI mean that the employers' contribution rate in the case of employees earning under £178 per week (which would cover most part-time employees) is some 9 per cent of gross earnings compared to 12.2 per cent in the case of employees earning more. In the case of those earning less than £30 per week (which could cover some part-time employees), the employers' contribution is just 0.5 per cent of gross earnings.
- 3.5 Up until 1991, part-time employees were not in general covered by the range of employment protection legislation including provisions relating to unfair dismissals, minimum notice, holidays (including maternity leave) and

redundancy and this may have reduced the relative cost of part-time employment. However, the Worker Protection (Regular Part-time Employees) Act, 1991 has extended the benefits of the range of protective legislation to regular part-time employees (defined as those employees who are in the continuous employment of the employer for not less than 13 weeks and who are normally expected to work not less than 8 hours per week). Similar provisions exist in many EU Member States. In a number of EU Member States there are also incentives for employers and employees to expand part-time employment or to convert full-time jobs into part-time jobs.

- 3.6 A desire for increased flexibility on the part of employers is probably an important factor explaining the growth in part-time employment. Part-time employment of its very nature is more flexible than full-time and allows employers to vary hours of work in response to customer demand and competition.
- 3.7 There may also be other benefits associated with part-time employment. Recent research by McKinsey and Co.<sup>9</sup> found that there were significant savings for employers in terms of higher productivity, lower absenteeism and other costs. They found that such savings amounted to an equivalent of 5.5 per cent of total personnel and capital costs. For instance, they found that a reduction in hours led to computer operators improving productivity by an average of 20 per cent .
- 3.8 On the supply-side, the major factor influencing trends in part-time employment is the increasing desire on the part of married women to work part-time. The incidence of part-time work across countries is closely correlated with female participation rates. As discussed in Section I, these have increased rapidly (from a low rate) in Ireland over the last twenty years. Part-time work may often be the only employment option available for women with children. According to a tabulation from the 1994 Labour Force Survey, half of married women gave family responsibilities as their reason for working part-time. Another one quarter or more gave as the main reason the fact that they did not want full-time employment.

## **Implications of Part-time Employment**

- 3.9 The implications of the increasing significance of part-time employment are considered in the following paragraphs, from the perspective of employers, those in employment, the unemployed and other groups outside the measured labour force and the economy.

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<sup>9</sup> H. Hagemann, "How working less can mean more", in *The McKinsey Quarterly*, Number 4, 1994.

## Employers

3.10 From the perspective of employers, the increasing importance of part-time employment seems to offer considerable advantages as discussed earlier. Part-time employment is less costly, less regulated and more flexible and often more productive than full-time employment. As against that, there may be higher costs in areas such as equipment usage and training costs. There may be problems also of continuity if too much reliance is placed on part-time workers. In summary, Jallade<sup>10</sup> has commented that the “lower cost of part-time labour, the higher productivity, the flexibility of use and lower absenteeism are counter-balanced by higher recruitment and management costs and by extra expenditure in equipping workplaces”.

## Employees

3.11 For those in employment, a key issue is whether part-time employment is voluntary or involuntary. While part-time employment may suit employers, it may not accord with the wishes of employees. In 1991, between 20 and 30 per cent of part-timers across OECD countries declared themselves as working part-time involuntarily and this share has been rising over time in many countries<sup>11</sup>. In Ireland, a tabulation from the 1994 Labour Force Survey shows that 57 per cent of male part-time workers were working part-time because they could not find a full-time job, compared to 23 per cent for women and 16 per cent for married women.

3.12 While it might, therefore, be concluded that the majority of men who work part-time do so involuntarily, there is no basis for assuming that the majority of women who work part-time do so voluntarily. Quite apart from the 23 per cent of female part-time workers who actually declared a preference for working full-time, there was a further 40 per cent who cited family responsibilities as the reason for not seeking full-time work. Since the Labour Force Survey question (see Table 3.1) did not differentiate between family responsibilities as a positive choice, which would render such part-time work voluntary, and a no choice situation due to the lack of child care facilities, which would render the part-time work involuntary, no firm conclusion can be drawn. The Forum's Report on the services sector highlighted how this country has the lowest level of child care provision in the EU, with only 2 per cent of young children having access to publicly-funded child care. It is not unreasonable, therefore, to assume that the family responsibilities reason advanced for working part-time has a significant no choice, involuntary component.

10 E. Drew/ Employment Equality Agency, *Who Needs Flexibility: Part-time Working, The Irish Experience*, 1990.

11 OECD, *OECD Jobs Study, Evidence and Explanations*, Part I: *Labour Market Trends and Underlying Forces of Change*, 1994

**Table 3.1**  
**Reason for Working Part-time (000's)**

<b>Reason</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Family responsibilities	1.2 (3%)	39.2 (40%)	40.4 (30%)
Did not want a full-time job	5.2 (13%)	24 (25%)	29.2 (21%)
Could not find a full-time job	22.1 (57%)	22.7 (23%)	44.8 (34%)
Own illness or disability	1.3 (3%)	0.6 (1%)	1.9 (1%)
In education or training	5.5 (14%)	6.2 (6%)	11.7 (8%)
Other	3.9 (10%)	4.7 (5%)	8.6 (6%)
<b>Total</b>	<b>39.2 (100%)</b>	<b>97.4 (100%)</b>	<b>136.6 (100%)</b>

*Source: CSO, Labour Force Survey 1994.*

- 3.13 The reluctance of some men to share domestic duties and the generally higher rates of pay enjoyed by men may make the part-time work option, a rational, though involuntary option for some women. The proportion of women who are voluntarily engaged in part-time employment is, therefore, likely to be lower than is usually inferred from existing but insufficient statistical data.
- 3.14 There are a number of reasons why part-time work might be less attractive than full-time employment. The most obvious disadvantage of part-time work is that, by definition, it can provide only a proportion of a full-time wage. In addition, hourly earnings for part-time workers tend to be lower than for equivalent full-time jobs. Research by Nolan (1990)<sup>12</sup> indicated that 36 per cent of part-time employees surveyed had earnings below the then low pay threshold of £3.25 per hour and 22.5 per cent were below a threshold of £2.50. The respective percentages for full-time employees were 26 and 14. Part-time employment has traditionally, though not exclusively, been concentrated in relatively low skill menial work areas. Career progression opportunities in part-time employment may also be limited.
- 3.15 In evaluating the merits or otherwise of part-time employment, it is important to bear in mind that many of the disadvantages stem from the limited range of part-time jobs currently available rather than part-time work per se. In addition, many of the disadvantages such as monotonous work and poor progression prospects, also apply to many full-time jobs. The considerable improvements in the degree of employment protection and social insurance coverage enjoyed by part-time workers since 1991 need also to be borne in mind. (see paragraphs 3.20–22 below).

<sup>12</sup> B. Nolan/ESRI, *Low Pay in Ireland*, 1993.

### **The unemployed and other groups**

- 3.16 The evidence is that most unemployed people want to work full-time as opposed to part-time. According to the 1994 Labour Force Survey, 98 per cent of unemployed men and 72 per cent of unemployed women were classified as seeking full-time work. However, part-time employment may provide a route back into the labour market in some cases, for disadvantaged groups such as the long-term unemployed, in the absence of full-time employment opportunities. This is recognised in the part-time nature of employment interventions such as the Community Employment Programme and the CORI Part-time Job Opportunities Programme for the long-term unemployed.
- 3.17 For groups outside the measured labour force, particularly the spouses of unemployed people and groups such as lone parents, part-time employment may be the only feasible employment possibility – not least because of inadequate child care provision and prevailing views as to parenting responsibilities. Given that unemployment tends to be highly concentrated in households headed by an unemployed person, part-time employment may also have a role to play in breaking the cycle of unemployment at the household level.

### **The economy**

- 3.18 There are also other consequences of part-time working for the economy. Part-time working can lead to reduced PAYE or PRSI tax payments. This is a potential gain for employees and employers and a corresponding loss to the Exchequer (see paragraph 3.24 below). On the other hand, the cost to the Exchequer is reduced if unemployed people are recruited to fill part-time vacancies.

### **Future Potential of Part-time Employment**

- 3.19 The factors discussed above – on both the demand and supply sides of the labour market – seem set to continue and it seems clear, therefore, that part-time employment will continue to grow in importance. A number of points support this view:-
- services employment is projected to continue to increase rapidly and to account for almost two thirds of total employment by the year 2005, compared to 60 per cent now;
  - within the services sector part-time employment is more prevalent in relative terms in expanding sub-sectors;

- on the supply side, the on-going increase in female participation rates (particularly as fertility rates continue to fall) will lead to a greater number of women seeking part-time employment;
- the increasing reliance on part-time temporary employment programmes for groups such as the long-term unemployed points to the potential of part-time employment (and particularly part-time temporary employment) in providing training and employment experience in some cases, where no full-time jobs are immediately available; but the issue of progression from part-time to full-time employment needs to be addressed; and
- the increasing incidence of job sharing in areas such as the public sector will introduce part-time work to new areas.

### **Factors influencing the development of part-time employment**

3.20 The development of part-time work is affected by policy decisions in two main areas – firstly, by the extent to which part-time work is covered by employment protection legislation and by social insurance and secondly, by the interaction between the tax and welfare systems which may affect the incentive for unemployed persons and other groups to take-up part-time work.

3.21 As noted earlier, the 1991 Worker Protection (Regular Part-time Employees) Act, 1991 extended the range of employment protection legislation to regular part-time employees. It is sometimes argued by economists and other commentators that legislation of this nature may adversely affect the overall level of unemployment in the economy and that it may contribute to an increasing duality in the labour market between those who have jobs (“insiders”) and the unemployed (“outsiders”). However, the evidence in an Irish context shows that the rate of growth in part-time employment has accelerated since the passage of the 1991 legislation with the total number of part-time jobs expanding by over 40,000 or 42 per cent between 1991 and 1994. This does not necessarily involve a causal relationship. On the one hand employers caution that increased regulation adds to costs and may lower the demand for part-time employees. On the other hand, cost and productivity advantages associated with part-time working may increase the demand for this type of work. In addition, the advent of protective legislation may increase the supply of candidates for filling part-time vacancies. Given that part-time employment is now clearly an increasingly important feature of the labour market, it is difficult to see on equity grounds why part-time workers, whether employed or self-employed, with solid labour market attachment should not enjoy the same employment rights and benefits as full-time workers on a pro rata basis.

- 3.22 As noted earlier, those in employment earning more than £30 per week are now fully insurable for social security purposes. On the assumption that most part-time employees earn at least this amount, it would appear in this respect that there is a neutrality of treatment between full-time and part-time work. In fact, given the lower contribution rates applicable to those earning less than £178 per week, it might be argued that the system has increased the relative attractiveness of part-time work for both employers and those at work.
- 3.23 As against that, the interaction between the tax and social welfare systems may act as a disincentive for the unemployed and other welfare recipients to take-up part-time employment. The so-called “unemployment trap” has been defined as referring to the position “whereby a person’s financial circumstances if unemployed do not compare unfavourably with their net take home pay from employment, such that there is a disincentive for unemployed people to take-up employment or for people in low-paid employment to remain in it”<sup>13</sup>. Given that part-time employment tends to be lower paid than full-time, these traps may represent a significant disincentive for groups such as the long-term unemployed, their spouses and lone parents to seek part-time employment. If nothing else, the complexity which the interaction introduces into decisions about employment may have a strong disincentive effect. On the other hand, the withdrawal and reduction of the Adult Dependant Allowance and the Child Dependant Allowance respectively when a spouse of an unemployed person earns more than £60 per week may limit some spouses to working part-time, or to working fewer hours. In such circumstances part-time work would be involuntary. The Unemployment Assistance means test which includes earnings of a spouse above £45 per week (or £30 per week in certain circumstances) can have a similar effect.
- 3.24 For those in employment, high marginal tax rates may cushion the effect of income lost as a result of the move from full-time to part-time working. This is due to a combination of lower tax rates, a reduced rate of PRSI (i.e. those earning less than £178 per week) or an exemption from employee PRSI (i.e. those earning less than £50 per week) for those on lower weekly incomes.

<sup>13</sup> Department of Social Welfare, *Interim Report of the Expert Working Group on the Integration of the Tax and Social Welfare Systems*, 1993.

## **Conclusions**

- 3.25 The rapid growth of part-time employment is largely explained on the demand-side by the increase in services employment and by other advantages for employers relating to cost and flexibility. On the supply-side, part-time employment reflects increasing female participation rates particularly on the part of married women. It seems clear that these factors will continue to apply and that part-time employment will continue to increase its share of total employment in the future.
- 3.26 The growing significance of part-time employment has a number of important labour market and policy implications. Policy in the areas of employment protection and social insurance has adapted to the fact that part-time employment is likely to be a continuing feature of the labour market. However, the existence of unemployment traps may act as a significant disincentive to part-time employment for certain marginalised groups in the labour market. For the spouses of unemployed persons in particular, the social welfare system may limit them to taking up part-time employment rather than full-time employment or to working shorter hours than they would wish.



Section IV

**Job Redistribution  
and Rotation  
Measures**



# Job Redistribution and Rotation Measures

## Introduction

4.1 The focus of this Section is on the potential role of job redistribution and rotation as means of sharing work. These approaches are outlined followed by a brief overview of developments at international level. This is followed by an analysis of a number of job redistribution and rotation options in an Irish context based, inter alia, on the results of a survey of employer and employee attitudes.

## Definition and Classification

4.2 In order to redistribute work, the working time of those in employment must be reduced. There are two approaches to this:-

- **job redistribution** – aimed at reducing weekly or annual working hours by means of a general cut in the standard number of hours, a reduction in overtime, an increase in holidays or job sharing, thereby generating an increase in numbers employed; and
- **job rotation** – aimed at reductions in working lives by means of later entry into the workforce, earlier exit from it, or increased provision for extended periods away from the work place in the form of career breaks or other forms of long-term leave.

4.3 There is a significant difference between these approaches. Policies based on a reduction in hours worked aim to generate an increase in the numbers of jobs as employers hire additional staff to compensate for reductions in output or employee availability. Job rotation does not, by contrast, lead to an increase in employment. The intention in this case is that jobs vacated through career breaks or early retirement are filled by others, but no additional employment is created.

4.4 In addition, a distinction needs to be made between general work sharing measures that are intended to apply to all employees, whether in the economy as a whole or in particular industries, and measures of a permissive nature that merely give individuals the option to reduce their own working time. The former measures tend to be compulsory for all employees covered by the relevant national, industry or company agreement irrespective of individual preferences. Measures of a permissive nature are voluntary and in general are only availed of by a relatively small minority of employees.

4.5 In looking at the international experience of work sharing under the options below it is dangerous to assume that a measure which is effective elsewhere can be simply transplanted into an Irish context. The tax, social welfare, regulatory and collective bargaining environments in other countries can contribute materially to the success of an initiative. Less tangible national characteristics, which are not replicated in Ireland, can also affect the outcome.

## International Setting

4.6 In response to the growing globalisation of markets, the accelerated pace of technological developments and more rapid fluctuations in consumer demand radical rethinking is taking place on the subject of working time. By the end of the century, the conventional five day/forty hour working week is likely to be the exception rather than the norm. More diversified work patterns will also evolve in response to changing preferences by workers for more leisure time, education and training, shared parenthood, etc.

4.7 The *Delors White Paper* (1993) highlighted how a number of EU Member States had succeeded better than others in translating a given volume of work into jobs, both by reducing normal working hours through a variety of means and by increasing the number of part-time jobs. This was a deliberate part of labour market policy only in the Netherlands and perhaps in Denmark also. The White Paper emphasised, however, that the issue is complex and that the job potential is dependent on a number of social, fiscal and regulatory factors.

4.8 The *OECD Jobs Study* (1994) focussed on increasing working time flexibility through measures to remove obstacles which impede more flexible working-time arrangements, extend part-time work in the public sector and adapt arrangements for daily, weekly, annual and lifetime hours to meet both employer requirements and the needs and aspirations of workers.

4.9 The Essen European Council in December 1994 specifically called for “a more flexible organisation of work in a way which fulfils both the wishes of employees and the requirements of competition”. The EU Council of Ministers has also called for an integrated overall strategy for better organisation of working hours and greater flexibility as part of “an active employment policy”.

4.10 The European Commission’s *Medium-term Social Action Programme 1995/1997* announced a number of initiatives, including the scope for a Green Paper on the reduction and reorganisation of working time and on consultations with the Social Partners, from the perspective of job creation, on the blocked proposals for a Directive on Part-time Work.

- 4.11 Finally, in its recently-adopted Opinion on Working Time, the EU's Economic and Social Committee emphasised the need to promote "made-to-measure" working time options through collective agreements which would enhance the individual firm's productivity and competitiveness while at the same time provide more jobs and respond better to workers' needs and their changing lifetime preferences.

### **Models of Work Sharing<sup>14</sup>**

- 4.12 In the recent ESRI/UCD study five main forms of work sharing arrangements were evaluated as to their possible contribution towards generating additional employment. Each of these are outlined below, including the responses of both employers and employees. The five types of work sharing arrangements are:-

- **Trading hours for jobs** – reduction in standard working hours;
- **Trading hours for jobs** – control of overtime;
- **Sharing jobs**;
- **Trading jobs** – early retirement; and
- **Trading jobs** – career breaks.

#### **Option 1: Trading hours for jobs – reduction in standard hours**

- 4.13 Reductions in the amount of time spent in work have traditionally been part of the process of allocating the gains to workers from productivity growth between increases in income and increases in leisure time. The fall in weekly working hours (as noted earlier in Section II) and the increase in the number of paid holidays observed throughout the OECD area over many decades reflect the extent to which workers have taken productivity gains in the form of more leisure rather than more income. More flexible working arrangements have been sought by employers as a way to increase their operating times, while employees have sought more flexible working hours in order to have a better balance between work and leisure.
- 4.14 A number of initiatives to trade hours for jobs have been tried with limited degrees of success in several OECD countries. Most of these initiatives attempted to reduce standard hours worked with an associated reduction in

<sup>14</sup> This sub-section draws on the ESRI/UCD Report, B. Fynes, T. Morrissey, W.K. Roche, B. J. Whelan, J. Williams, *Work Sharing in Ireland*, 1995; a Paper prepared by the Department of Enterprise and Employment for the Forum's Plenary Session, on 28 March, 1995 and OECD/EU publications.

pay, thus freeing resources needed to pay for the additional employment required. By and large, these Government-led initiatives failed to create the expected number of jobs and in some cases added to costs.

- 4.15 In the 1980s, the French Government imposed a one hour reduction in the working week and a one week increase in the minimum holiday entitlements. The resulting employment gains were poor and substantially below official expectations.
- 4.16 In Belgium the “3-5-3” Plan was among a number of measures introduced in 1983 to reduce working time and to promote the development of flexible working time as a means of creating additional employment. In firms with more than 50 employees, a 3 per cent wage restraint was to be accompanied by a 5 per cent reduction in working hours and a 3 per cent increase in employment. Unless exceptions were made, firms which did not create additional employment had to pay the proceeds of the wage moderation into a special employment fund. While the regulatory framework was binding, the Plan was to be implemented through sector and enterprise arrangements. The “3-5-3” Plan was reported to have generated about 23,000 jobs, which was less than half that originally predicted. Other arrangements to introduce flexibility in working time such as weekend work were tried in Belgium on a much smaller scale.
- 4.17 Over the last decade, trade unions have consistently sought to reduce the working week to 35 hours in Germany. Under various collective arrangements in several industries (including metalworking) there has been a gradual reduction in the working week in exchange for wider options for employers to use flexible working time schedules. It is generally recognised that these arrangements have had some positive effect on numbers employed, though estimates of the magnitude vary considerably.
- 4.18 In the British engineering industry a reduction in the working week was sought with full wage compensation in return for productivity improvements. This type of agreement had little to no effect on the level of employment. Unlike the other planned reductions in working time, the motivation in Britain was to increase productivity from a finite number of employees rather than to increase the numbers in employment.
- 4.19 Viewed in the overall, available international evidence is not conclusive as regards the impact of working time reductions in increasing employment or even maintaining the number of people in employment. Government-led initiatives to trade hours for jobs have tended to yield disappointing employment results. It is also clear from the evidence available that, where a reduction in hours is not accompanied by a reduction in weekly wage costs per worker or offset by an increase in productivity or a mixture of both,

Government-imposed schemes have led to inflationary pressures and undermined the future prospects for employment growth. The only circumstances in which some positive results are suggested is when the reduction is large and where all opportunities to rationalise production and increase productivity have already been taken.

- 4.20 Given the condition that any reduction in hours worked implies some form of income redistribution in order to generate sustainable additional employment, this option does not find favour with the vast majority of employees according to the recent ESRI/UCD survey. Seventy per cent of workers surveyed were not interested in trading more leisure time for lower pay either now or at some future date. The response of employers to a reduction in working time was equally negative. Almost half of the firms who had implemented reductions in the working week believed that labour costs had risen with only about 8 per cent reporting a rise in the number of full-time employees and only 3 per cent reporting a rise in part-time employees. A majority of employers in both the private and public sectors believed that a further reduction in hours worked would lead to additional overtime while about half felt that productivity would fall.
- 4.21 The dilemma appears to be that a small reduction in hours worked can be absorbed through increased productivity or overtime, while a more substantial hours reduction implies either an unacceptable reduction in employees' income or an equally unacceptable loss of competitiveness with negative impacts on employment. The Forum is of the view that the balance may be tilted, however, in the case of rationalisation and redundancy proposals where an enterprise-wide reduction in standard hours worked may provide an alternative of maintaining jobs rather than resulting in greater job losses. Several EU Member States (notably Austria, France, Germany, Italy, Portugal and Spain) have incentive schemes to encourage temporary reductions in working time as an alternative to redundancies.
- 4.22 Reductions in the standard working week have up to now failed to make a significant impact on job creation. The Forum believes that further reductions in the standard working week in the future should, however, yield a better employment dividend as there are limits on the extent to which such reductions can be compensated for by increased productivity. An increase in annual leave or public holidays may also have the potential to increase employment opportunities if enterprises decide to maintain existing levels of production or service.

## Option 2: Trading hours for jobs – control of overtime

- 4.23 Remunerated overtime is widespread in the Irish economy. In certain sectors, the overtime bill forms a high proportion of the total pay bill. The ESRI/UCD study estimated that almost 74 million hours of remunerated overtime was worked in Irish firms in 1993. As an employee working 39 hours a week with 4 weeks annual leave and 9 days public holidays works some 1,800 hours per annum, this suggests that an additional 10,000 full-time jobs could be created, assuming that 25 per cent of Irish overtime was converted into additional employment<sup>15</sup>.
- 4.24 A number of measures have been introduced in other countries to curb the amount of overtime working. In Spain there is a limit (80 hours per annum) on the amount of overtime which an employee can work and the minimum rate of overtime payment is set by statute at 175 per cent of the normal rate; since 1981, overtime pay also attracts double the normal rate of social security contributions for employers and employees; however, there is some flexibility for overtime worked due to unavoidable circumstances; employees can take time off in lieu at the minimum rate of 175 per cent of overtime worked. Other countries, e.g. Belgium, have also introduced minimum requirements regarding rates of overtime pay and maximum limits regarding the level of overtime worked. Despite these measures, a recent EU Report<sup>16</sup> drew attention to the number of men working relatively long hours i.e. 50 hours or more per week and the fact that this has intensified since 1990.
- 4.25 In response to the question in the ESRI/UCD survey whether employees would give up overtime in favour of additional employment, 70 per cent said that they would willingly give up their overtime. However, the authors have rightly cautioned against the formulation of policy based on such a hypothetical question. Remunerated overtime – which is largely undertaken by employees in lower-paid jobs in both the private and public sectors – is carried out on a regular basis and a large proportion of workers concerned feel it is important in maintaining their standard of living.
- 4.26 In the ESRI/UCD survey employers in general held out little prospect of reducing the incidence of overtime, with almost 88 per cent of enterprises in both the public and private sectors seeing overtime as essential to their continued operation at current output levels. Employers generally cite three reasons for retaining overtime as an element in the working practice of firms. Overtime permits a degree of flexibility often needed to adjust rapidly to

<sup>15</sup> University College Galway (UCG), *A Study in Overtime Working in Ireland*, Department of Industrial Engineering (UCG), 1980; in this study, it was estimated that around 30 per cent of overtime might be converted into additional jobs.

<sup>16</sup> European Commission, *Employment in Europe*, 1995.



changes in demand. Secondly, the associated costs of hiring and firing workers are often seen as being more expensive than varying overtime working and thirdly, overtime is essential where the specific skills of employees may be in short supply.

- 4.27 The Forum emphasises the importance of reducing overtime, both as a means of creating additional employment and because of the leakage of hours reductions into increased overtime rather than additional employment. The Forum also notes that it is not only in low paid employment that systematic overtime has become self-sustaining. Many workers particularly those employed in managerial/professional capacities have continued to work much longer than the standard working week, without any paid overtime. Other areas of concern also are the in-built levels of overtime in continuous process shift work and in certain parts of the public sector e.g. the prison overtime bill now amounts to about 20% of total payroll costs.
- 4.28 In short, curtailment of excessive overtime could result in a significant increase in employment, provided there was co-operation between employers and trade unions and support from the Government. Implementation of the EU Working Time Directive (which sets a maximum working week of 48 hours to be averaged over a 4-month period) will have important implications in realising this job potential, but it must be adequately enforced for this purpose. Moreover, the Forum considers that many of the barriers highlighted by employers such as difficulties in recruitment, training costs and risks involved in bringing in any new staff can be tackled through the new Local Employment Service.

### **Option 3: Sharing jobs**

- 4.29 This option is normally seen as two people sharing one job, e.g. on a week on/week off basis. However, there are many other possible combinations centring on the recognition that many jobs are not a single task but rather a series of tasks. For instance, options such as five workers sharing four jobs, each working four out of five days or four workers sharing three jobs, each working three weeks in four could be possible.
- 4.30 In the U.K. a number of initiatives were undertaken to encourage job sharing including the Job Splitting Scheme and the Part-time Job Release Scheme. These schemes offered subsidies to employers to split existing jobs or allowed early retirees to phase their retirement by sharing their jobs with an unemployed person, respectively. However, there was a poor take-up partly due to the design of the schemes and also because of general attitudes to job

sharing. In the Netherlands during the 1980s the Government strongly encouraged the growth of part-time working through its Employment Plan, which aimed to create 39,000 jobs through the conversion of full-time jobs to part-time jobs, and also through Government agreements, whereby a proportion of full-time public sector jobs would be converted to part-time. The Government estimated that some 150,000 jobs had been created due to these schemes but this conclusion was questioned by some commentators, who suggested that some of those jobs would have occurred without Government intervention.

4.31 While employee interest in job sharing programmes is high, only about 7 per cent of employees in the ESRI/UCD survey said that they were interested in and could afford to job share. This option is more widely available in the public sector with four fifths of public sector organisations offering job sharing facilities as compared to only 5 per cent of private employers offering such facilities. In general, employers expressed negative views about job sharing. Among the concerns of employers are problems regarding continuity of work, administration costs, lack of communication between job sharers and potential time delays. However, employers who have participated in job sharing programmes are much less negative than those who have not tried these schemes.

4.32 In 1984 a job sharing scheme was introduced here in the civil service which involved two people sharing the duties of one job in return for half the pay and benefits. There are now 1,500 civil servants, or 5 per cent of that workforce, job sharing, of which 98 per cent are female and 75 per cent are at clerical level grades. A number of job sharing schemes have also been introduced in the wider public sector, e.g. most local authorities, first and second level education (pilot programmes), ESB, FÁS, and An Post. However, there is a low rate of take-up in most of these bodies.

4.33 The Forum notes that there is an anomaly in the Family Income Supplement Scheme which operates to the detriment of job sharers. Part-time workers with the requisite hours can qualify but job sharers with the same hours are statutorily excluded. The hours threshold may also debar job sharers.

#### **Option 4: Trading jobs – early retirement**

4.34 The option to retire early from the work place for older workers who may have passed the more expensive portions of their life cycle (e.g. child rearing, mortgage payments, etc.) is an attractive one. Gradual early retirement – moving from full-time work to part-time prior to full retirement – is a possible option for those workers who could not afford a complete break from the work force and this should be encouraged.

- 4.35 Until recently, the retirement age was falling steadily in most countries which was in part encouraged by government initiatives. The French scheme involved workers over 60 who were laid off receiving 70 per cent of their wages up to the official retirement age of 65. In 1982, a new scheme was introduced with retirees having had to be replaced by new workers. The take-up was very high due to the generous benefits offered. The corollary of this was that the scheme was very costly for the Government and by 1983 some 50 per cent of State unemployment benefits was in respect of early retirement payments. A further concern was that the retirees were replaced by new entrants to the labour market rather than by unemployed people. In addition, there were concerns over the loss of valuable human resources. These points have been addressed particularly in those EU Member States which encourage gradual retirement with mandatory recruitment of an unemployed person.
- 4.36 The Belgian scheme involved early retirement at age 60 (55 for women) and mandatory replacement by unemployed people under 30 years of age. The take-up was fairly high and, to reduce costs, the scheme was amended in 1985 and the benefits were reduced. The rate of take-up following these changes fell significantly and further amendments were introduced in 1993.
- 4.37 In Portugal, workers are now able to opt for a reduction in working time during the four years before retirement. Their income is maintained with a State subsidy. In some other EU Member States the focus of the debate has now moved to delaying retirement in response to the ageing of the labour force.
- 4.38 The ESRI/UCD survey showed that the younger worker up to age 55 was more interested in this option than those nearer to retirement. Over two thirds of employees said that they would be seriously interested in taking early retirement at some stage, though the figure fell to 39 per cent among workers aged 56 and over.
- 4.39 By and large, employers viewed early retirement schemes negatively in the ESRI/UCD study. If highly skilled and experienced staff were encouraged to leave, costs such as recruitment and training as well as the loss of expertise could be significant to the organisation. In addition, employers felt that schemes to encourage older workers to retire early were commonly used as strategies of employment reduction rather than redistribution.
- 4.40 The Forum notes from the international experience that early retirement schemes with attractive State incentives can enjoy a high take-up, but these can be prohibitively expensive and may not lead to employment opportunities for the unemployed. On the other hand, modest State incentives appear to be ineffective in practice. It is also worth noting that in Ireland the predominant motivation in introducing early retirement appears to be rationalisation and

controlling costs through reducing the numbers employed. This approach produces no job vacancies and reduces the total stock of employment. A secondary motivation may be the desire for increased flexibility, fuelled by an employer perception that young workers are more flexible than the early retirees they replace. There is a corresponding legitimate concern among older people that their contribution may be perceived as less valuable, whereas they are the ones who have years of experience behind them.

- 4.41 As against this, however, early retirement can provide an opportunity to begin a new career with people starting up their own businesses and this could in turn lead on to additional job creation. The principal deterrents are pensions, State benefits and taxation. The difference in pay between someone retiring early at the top of the scale and a replacement paid at the bottom of the scale would help to finance an enhanced private pension benefit thereby making early retirement more attractive. However, early retirement for low paid workers can lead to early depletion of savings, lower pensions and greater risk of poverty in old age.

#### **Option 5: Trading jobs – career breaks**

- 4.42 This form of work sharing includes unpaid leave in the form of unpaid career breaks for educational leave or other purposes and paid sabbaticals “as a reward for good service”. Short systematic career breaks such as working a 30 week year may be attractive to parents who wish to co-ordinate their breaks with the school cycle.
- 4.43 The Danish Government introduced a number of schemes to encourage people to take extended leave. Employees could take parental leave or leave for educational purposes and claim 80 to 100 per cent of unemployment benefit for up to one year. Employees could also take a career break for other reasons but could only claim unemployment benefits if they were replaced. The scheme was recently amended so that they would be replaced by a long-term unemployed person. Sweden also introduced legislation regarding extended leave. The most widely used is the Parental Leave Act which has been predominantly availed of by women. One per cent of employees are on educational leave although, unlike parental leave, this is unpaid.
- 4.44 A pilot career break scheme was introduced in the Irish civil service in 1984 and gradually introduced into the rest of the public service. The scheme was amended a number of times since its inception and a career break is now only considered for domestic reasons/child rearing, foreign travel or study purposes. The minimum duration of a career break is 6 months and the maximum period is 5 years. Vacancies arising are filled. There is a guarantee of

re-employment directly on the expiry of the career break under public sector schemes, and within 12 months of expiry under the civil service scheme. There are some 4,700 people on career breaks in the public sector, with nearly one fifth of these in the civil service. Some 75 per cent of people on career breaks in the civil service are women, and this varies between 70 and 90 per cent for the wider public service. In general some 70 per cent of people on career breaks in the civil service are in clerical grades. The main reason for taking career breaks in the civil service is domestic reasons but in the rest of the public service slightly more people take career breaks for travel purposes.

- 4.45 In the ESRI/UCD survey, around a quarter of employees in both the private and public sectors said that they would be interested in taking a career break while approximately half of those with children expressed interest in taking extended unpaid parental leave. Twenty per cent of private sector employees stated that the main reason for taking a career break would be to “try out” an alternate career.
- 4.46 The level of employer interest in career breaks was found to be low. Only 2 per cent of private sector firms surveyed had a person on career break and only 10 per cent of firms offered such a facility. In the public sector, 82 per cent of organisations had this option available and 63 per cent had at least one person on a career break at the time of the survey. While two thirds of the public sector organisations replaced the person on career break, only 22 per cent of leave takers were replaced in private sector firms. This combined with the possibility that a significant number of employees would use this option for new career testing suggests that the potential for additional employment may not be that significant. However, if employees used career breaks to become self-employed they might generate additional employment in the economy.
- 4.47 Unpaid parental leave was seen in the ESRI/UCD study as offering “far from negligible” employment effects and was the only significant area to have attracted support from employers. In this regard, the Forum welcomes the new EU Agreement between the Social Partners to give working parents at least three months unpaid leave. This might also begin to influence the high levels of unpaid overtime expected of some employees.

## **Impact on Employment/Unemployment**

- 4.48 The international experience and domestic evidence suggests that there would appear to be some limited potential for increasing employment through these measures. Taken at face value, the ESRI/UCD survey results suggest that if all the employees who claimed both an interest in job sharing and an ability to

afford it acted accordingly, some 17,000 full-time jobs would become available. Almost 5.5 per cent of employees, equivalent to 18,000 persons, said that they would like, and could afford unpaid parental leave. Finally, around 40 per cent of employees aged 56 and over, equivalent to approximately 12,000 persons, declared themselves to be seriously interested in early retirement.

4.49 While this might suggest significant employment potential, caution is needed in interpreting these results. Firstly, the ESRI/UCD survey results are hypothetical expressions of intent and by their nature may not translate into action. Secondly, the above results would include a large degree of double count, with the same employees expressing interest in job sharing, career breaks and parental leave or early retirement. Thirdly, 20 per cent of employees who expressed an interest in work sharing options such as career breaks, did so in the belief that this would provide them with an opportunity to “try-out” an alternate career. Fourthly, mechanisms such as early retirement are commonly used by employers to reduce employment rather than redistribute it. Finally, there is a mismatch in many cases between interest among employees and availability of work sharing in places of employment.

4.50 Despite the fact that the redistribution of work from those in employment to the unemployed remains the principal motivation behind work sharing policies, there is no guarantee that there will be any appreciable impact on measured unemployment (i.e. the Live Register). The two inter-related reasons for this are:-

- work sharing arrangements are likely to be availed of by female workers in clerical and professional employment and in some service industries; the resultant opportunities are likely to go, therefore, to workers with the requisite skills rather than to male manual workers who form the core of the long-term unemployed; and
- separate ESRI/UCD studies show clearly that an increase in the availability of part-time work and job sharing would lead to an increase in the labour supply; while this is unlikely to have any significant impact on long-term unemployment, nevertheless, it would provide increased employment and an increase in the participation rate particularly among women.

## Conclusions

- 4.51 International evidence shows that the number of new jobs which were created as a result of work sharing initiatives was far less than expected. Domestically, the recent survey by the ESRI/UCD shows a high degree of interest – especially by employees – in work sharing initiatives. However, caution is needed in the interpretation of these survey results as the interest in work sharing in some cases seems more apparent than real. While it is clear that there is potential to create some new jobs from the five options outlined above – particularly in the case of reductions in paid and unpaid overtime, job sharing and career breaks – the scale is unclear and the impact on measured unemployment is likely to be even smaller. The Forum considers, however, that even a small increase in employment and a smaller decrease in unemployment is worth pursuing, bearing in mind the costs and effort involved in creating an equivalent number of employment opportunities through grant-aided jobs in the industry and services sectors.
- 4.52 When work sharing is viewed solely from the perspective of the two sides of industry – employers and employees – there is a trade off in some instances between higher labour costs and loss of competitiveness on the one hand and reduction in income for workers on the other hand. However, when the overall national interest is taken into account, the Government is in a position to strike a better balance between the interests of employers, workers and the long-term unemployed. For this purpose, the Forum is firmly of the view that incentives carefully targeted at the long-term unemployed, can provide the essential impetus for encouraging the development and take-up of work sharing arrangements.





Section V

**Conclusions  
and  
Recommendations**



# Conclusions and Recommendations

## Introduction

5.1 This Section presents the Forum's overall views on the employment potential of work sharing and its policy recommendations drawing on the material in the earlier Sections. Given that the Forum's terms of reference require it to have a central focus on job creation and unemployment issues, the emphasis here is essentially on the employment potential of work sharing as distinct from its other benefits. Following a discussion of general principles applying to all work sharing options, the five main options are considered in turn: reduction in standard hours, control of overtime, sharing jobs, early retirement and career breaks including parental leave. Part-time employment is then considered and this is followed by recommendations relating to the Local Employment Service and the role of work sharing in creating a range of opportunities for work experience, training and permanent employment for the long-term unemployed.

## National Framework Strategy

5.2 Against the background of the commitments in the Government's *Programme for Renewal* to eliminating or removing any administrative tax or welfare obstacles to work sharing, the provisions in the *Programme for Competitiveness and Work* and the considerations outlined in the earlier Sections of this Report the Forum **recommends** that work sharing should now be given a greater impetus and priority at national level through:-

- the Government proceeding with consultations with the Social Partners, and with representatives of the unemployed and of women aimed at agreeing a work sharing framework strategy that has job creation as its central objective;
- clear targeting of the long-term unemployed and the other client groups of the Local Employment Service;
- delivery of new initiatives, where appropriate, through the Local Employment Service;

- agreeing on the principles and broad options which should then guide discussions at local level, as the actual negotiation and agreement on the details of work sharing arrangements is best achieved at this level;
- introducing new incentives and measures to encourage employers, employees and the unemployed to overcome the barriers and to participate more actively in the development of work sharing arrangements;
- developing and disseminating case studies and models of best practice;
- regular monitoring of initiatives in this area to ensure that they impact on the planned target groups and that they are cost effective; and
- the Government, in its role as an employer, playing a lead role in the development of more innovative work sharing arrangements in the public sector.

## Key Policy Principles

5.3 There are a number of key principles which the Forum recommends should inform the policy approach in this area. These are:-

- reductions in working time must have due regard to
  - equivalent reductions in weekly wage costs per worker, or
  - improvements in productivity, or
  - a combination of both, or
  - restrictions in excessive unremunerated working hours;
- a voluntary, decentralised approach to work sharing, based on agreement between employers and workers, is required, but in the context of a national framework agreement;
- tax/PRSI changes or other State incentives are required to enhance the benefits to both employees and employers of arrangements agreed at local level;
- the long-term unemployed and other groups excluded from the labour market should be the target groups for any employment expansion resulting from work sharing; and

- any incentives in this area need to be very carefully assessed for their expected employment impact and should be directed at the key target groups.
- 5.4 In the Forum's view, any approach which is not based on these principles is unlikely to prove successful. If work sharing increases unit labour costs, employment will be adversely affected. The scope for work sharing can only be established at local level where competitive pressures on employers and workers concerns can be reconciled. These principles should, of course, underpin the adoption of the framework strategy at national level to encourage greater work sharing which has been outlined above.
- 5.5 Finally, it would be inequitable if the employment gains resulting from work sharing did not accrue in the main to those most disadvantaged in the labour market particularly if incentives are to be provided. Employment for these groups should be seen as the essential return for any State incentives. Such incentives should essentially be self-financing, from savings in Social Welfare payments due to associated reductions in unemployment, and should be closely monitored with regard to their effectiveness and impact. It is understood that the Department of Enterprise and Employment is developing a number of work sharing options, including detailed costings for these options.

### **Option 1: Trading Hours for Jobs – Reduction in Standard Hours**

- 5.6 As mentioned in Section IV of the Report, available international evidence is not conclusive as regards the impact of working time reductions on increasing employment or even maintaining the number of people in employment. In the case of rationalisation and proposed redundancies in an enterprise, a reduction in standard hours worked across that enterprise may be one means of maintaining jobs and the Forum **recommends** that this should be more actively explored by the relevant employers and trade unions.

### **Option 2 : Trading Hours for Jobs – Control of Overtime**

- 5.7 Given the evidence of a great deal of excessive overtime in this country, which is systematic and continuous, curtailment of such overtime offers the potential for significant increases in employment. For this purpose, the Forum **recommends** that:-
- collective agreements should be negotiated at local level to reduce levels of overtime;

- after implementation, the EU Working Time Directive should be adequately enforced;
- the impact on workers, particularly those on low pay who would suffer a significant reduction in pay, should be recognised and treated sympathetically;
- any adverse impact for employers, especially in relation to recruitment, should be tackled through the new Local Employment Service;
- the cost savings and increased employment which may be available in continuous process shift work through the introduction of a fifth crew or through compressed shift patterns should be actively explored;
- the Government should play a lead role in curbing overtime which is excessive in certain areas of the public sector by recruiting more staff from the long-term unemployed where this is cost effective; and
- the Central Statistics Office should collect and publish data which differentiate between overtime and normal hours worked to focus attention on the reduction of overtime.

### **Option 3: Sharing Jobs**

5.8 The Forum considers that this option provides considerable potential for job creation, particularly for women or indeed men seeking to balance work, leisure and family responsibilities and it **recommends** that the obstacles involved need to be tackled, through:-

- equalising to a greater degree the terms and conditions of job sharers so that, for instance, they have full access to promotional opportunities and pension entitlements;
- encouraging more positive attitudes by employers in both the public and private sectors through a range of best practice work models;
- greater availability of child care facilities through public and private provision;
- the public sector building on the experience it has gained over the last decade to introduce more flexible and thus more attractive job sharing options;

- the private sector developing, with full consultation at local level, attractive schemes tailored to the needs of the firm and the employees including, for example, the option of five workers sharing four jobs, each working four out of five days and other combinations;
- the provision of State incentives to encourage employers to fill new job sharing positions from among the long-term unemployed and the tackling of other issues faced by employers ; and
- the Department of Social Welfare reviewing the Family Income Supplement Scheme with a view to making it available for job sharers.

#### **Option 4: Trading Jobs – Early Retirement**

- 5.9 In the case of early retirement, schemes in this area have been used in the main to rationalise activities and reduce employment. Besides, there is the loss of valuable experience to the economy in cases of early retirement as well as the costs involved. The Forum is not convinced, therefore, of the case for State incentives in relation to straight forward early retirement. However, it **recommends** that the advantages of gradual retirement – the retention of skills and expertise and the orderly handing on of skills and responsibility – should be exploited and means considered to overcome difficulties posed by the terms of existing pension schemes. The possibility of making some form of allowance available for those who gradually retire prior to the statutory age should be considered, where recruitment from among the long-term unemployed occurs. The Forum notes that partial retirement may also be used to extend working life beyond the official retirement age.

#### **Option 5 : Career Breaks**

5.10 While the public sector has been to the forefront in this country in making career breaks available to its staff, the Forum **recommends** that:-

- in the public sector more flexible and more attractive arrangements, using the experience of the operation of career break schemes over the last decade, should now be considered, including the filling of vacancies from the ranks of the long-term unemployed; and
- the private sector should develop, with full consultation at local level, arrangements appropriate to its own circumstances, but also including recruitment of long-term unemployed people, encouraged by a State incentive.

- 5.11 The Forum **recommends** that the Government should fully support the Framework Agreement on Parental Leave recently concluded by the European Social Partners, when it comes to the Council of the European Union for decision. The implementation of this Agreement in Ireland will not only allow men and women to strike a better balance between work and family responsibilities but also has the potential to create temporary work for the long-term unemployed. By allowing men to assume their parental responsibilities it may also begin to influence the high levels of unpaid overtime expected of some employees and create further employment opportunities for the long-term unemployed.

## **Part-time Employment**

5.12 The analysis in the earlier Sections of this Report has highlighted a number of key points in relation to the extent and nature of part-time employment:-

- the number of part-time jobs is expanding rapidly, having more than doubled in the period 1986 to 1994;
- this growth is in response to increased demand from employers, the growth of services employment and greater participation by women in the labour force;
- part-time employment offers a number of cost and flexibility advantages to employers; and
- voluntary part-time employment can provide employment possibilities for some groups, and even in the case of the vast majority of the unemployed who are seeking full-time work, part-time employment can provide a route back to work.

The growth of part-time employment has the effect of turning a given volume of employment in the economy into a greater number of people with jobs. This is seen clearly from the Irish experience where the volume of employment increased by just over four per cent between 1988 and 1994<sup>17</sup> but the total number of people at work increased by more than nine per cent. The continued growth of part-time employment will, therefore, of itself lead to greater sharing of work. The question is whether any policy changes are needed to accelerate or influence this trend and this is now addressed beneath.

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<sup>17</sup> This measures the volume of work in total hours worked.



- 5.13 Recent legislative changes now mean that part-time workers are no longer discriminated against in respect of both employment protection and social insurance. The provision of pro rata benefits and protection to part-time employment is important, given that this is now a permanent and expanding feature of our labour market, accounting as it does for one in ten jobs in our economy.
- 5.14 The impact of the social welfare and taxation systems on the incentive to take-up employment generally is beyond the scope of this Report. The Forum will address this topic at a later date and looks forward to its being consulted when the Report of the Expert Working Group on the Integration of the Tax and Social Welfare Systems is published.
- 5.15 In the meantime, the Forum reiterates the **recommendation** in its *Report No. 3 on Social Welfare*, that the weekly limit on spouse's earning should be tapered and the rules reviewed in order to increase the incentive for work. In the case of part-time work, an earnings taper could increase the incentive for a greater number of spouses of unemployed people to take-up a wider range of part-time jobs. The Forum also wishes to draw attention to its **recommendation** in the same Report, that as the Part-time Job Incentive Scheme has not been a success, it needs to be reviewed.
- 5.16 Finally, the Forum notes that progression from part-time to full-time employment can be difficult. It, therefore, **recommends** that the work sharing framework strategy should encourage negotiations through collective agreement at local level to give part-time workers equal access to selection procedures for suitable full-time vacancies.

## Child Care Facilities

- 5.17 The inadequacy of child care facilities represents a considerable barrier to parents (particularly women) who wish to avail of work sharing arrangements and also contributes to involuntary part-time work. The Forum again draws attention to the **recommendations** in its *Report No. 7* on the principles which should influence the development of child care facilities and the potential of the social economy to meet needs in this area, while at the same time providing new employment opportunities.

## Role of the Local Employment Service

- 5.18 The Forum **recommends** that the Local Employment Service should play a proactive role in seeking to exploit the employment potential arising from the more active development of work sharing measures. In this context, it

**recommends** that the employment potential arising from these measures be targeted by the Local Employment Service for the purpose of the training, placement and employment options which it had recommended in its *Report No. 4*. In particular, the Forum is of the view that in addition to conventional full-time and part-time employment, valuable opportunities exist for training and introducing long-term unemployed people to employers through providing relief teams to replace overtime and to cover for phased annual leave arrangements and people on career breaks and absenteeism.

## Conclusions

- 5.19 The Forum's overall conclusion is that work sharing has the potential to increase the number of people in employment. The growth in part-time employment opportunities is particularly significant as a means of sharing work in the economy. The priority issues as regards part-time employment are to ensure that disadvantaged groups such as the long-term unemployed are able to access it, and that it does not remain a trap for those who wish to progress to full-time work. The Local Employment Service has an important role to play here and barriers such as poverty and unemployment traps and inadequate child care facilities need to be tackled.
- 5.20 The employment potential of job redistribution and rotation is more limited but should also be more fully exploited, bearing in mind the cost of creating additional employment in the grant-aided sectors. This potential should be developed through a voluntary approach which recognises the inherent productivity and cost constraints and should be targeted at the long-term unemployed. A national framework strategy based on these essential elements should be developed by the Government through consultation and agreement with all the relevant interests involved and should take into account fully the considerations, principles and recommendations outlined in this Report. This national strategy should be implemented in individual enterprises and sectors through negotiation and agreement at local level.

# **Annexes**



# Annex 1

## Terms of Reference and Constitution of the Forum

1. The Terms of Reference of the National Economic and Social Forum are to develop economic and social policy initiatives, particularly initiatives to combat unemployment, and to contribute to the formation of a national consensus on social and economic matters.

The Forum will:-

- (i) Have a specific focus on:-
    - job creation and obstacles to employment growth;
    - long-term unemployment;
    - disadvantage;
    - equality and social justice in Irish society; and
    - policies and proposals in relation to these issues;
  - (ii) Make practical proposals on measures to meet these challenges;
  - (iii) Examine and make recommendations on other economic and social issues;
  - (iv) Review and monitor the implementation of the Forum's proposals and if necessary make further recommendations; and
  - (v) Examine and make recommendations on matters referred to it by Government.
2. The Forum may consider matters on its own initiative or at the request of Government.
  3. The Forum will work in two year cycles and will inform Government of its programme of work within three months of the beginning of each cycle.
  4. In drawing up its work programme, the Forum will take account of the role and functions of other bodies in the social and economic area such as NESC and the CRC to avoid duplication.
  5. The Forum may invite Ministers, Public Officials, Members of the Forum, and outside experts to make presentations and to assist the Forum in its work.
  6. The Forum will publish and submit all its reports to Government, to the Houses of the Oireachtas and to other Government Departments and bodies as may be appropriate.
  7. The Forum will be drawn from three broad strands. The first will represent the Government and the Oireachtas. The second will represent the traditional Social Partners. The third strand will be representative of groups traditionally outside the consultative process including women, the unemployed, the disadvantaged, people with a disability, youth, the elderly and environmental interests.
  8. The Forum will have an independent Chairperson appointed by Government.
  9. The term of office of members will be two years during which term members may nominate alternates. Casual vacancies will be filled by the nominating body or the Government as appropriate and members so appointed shall hold office until the expiry of the current term of office of all members. The size of the membership may be varied by the Government.
  10. The Forum is under the aegis of the Office of the Tánaiste and is funded through a Grant-in-Aid from that Office. This Grant-in-Aid is part of the overall estimate for the Office of the Tánaiste.

# Annex 2

## Membership of the Forum

<b>Independent Chairperson:</b>	Maureen Gaffney
<b>Government Representative:</b>	Eithne Fitzgerald, T.D., Minister of State at the Office of the Tánaiste and at the Department of Enterprise and Employment
<b>Chairpersons of the Standing Committees:</b>	Dr. Eileen Drew Professor Donal Dineen
<b>Oireachtas</b>	
<i>Fianna Fáil:</i>	Martin Cullen, T.D. Chris Flood, T.D. Tom Kitt, T.D. Sen. Willie Farrell Sen. Marian McGennis Sen. Paschal Mooney
<i>Fine Gael:</i>	Alan Dukes, T.D. Frances Fitzgerald, T.D. Sen. Bill Cotter Sen. Madeleine Taylor-Quinn
<i>Labour:</i>	Joe Costello, T.D. Sen. Mary Kelly
<i>Progressive Democrats:</i>	Sen. Cathy Honan, T.D.
<i>Technical Group:</i>	Kathleen Lynch, T.D.
<i>Independent Senators:</i>	Sen. Mary Henry
<b>Social Partners</b>	
<i>Trade Unions:</i>	Paula Carey Philip Flynn Patricia O'Donovan Manus O'Riordan Tom Wall

*Employer/Business Interests:*

Mirette Corboy  
David Croughan  
Karin MacArthur  
Declan Madden  
Aebhric McGibney

*Agricultural/Farming  
Organisations:*

Mary Coleman  
Ciarán Dolan  
John McGee  
Monica Prendiville  
Michael Slattery

**“Third Strand”**

*Womens’ Organisations:*

Ursula Barry  
Noreen Byrne  
Cris Mulvey

*Unemployed:*

Mike Allen  
Brendan Butler  
Jane Foley

*Disadvantaged:*

Niall Crowley  
Mary Daniel  
Eithne McNulty

*Youth:*

Gearóid O’Maoilmhichíl

*The Elderly:*

Breda Dunlea

*People with a Disability:*

Roger Acton

*Environmental Interests:*

Jeanne Meldon

*Academics:*

Fr. Seán Healy  
Monica McWilliams

**Secretariat**

Director:

Seán O’hÉigearthaigh

Secretaries of the Standing:

Committees:

Tony Smyth

Greg Heylin

Economist:

Maura Conneely

Executive/Secretarial:

Theresa Higgins

Liz Reason

# Annex 3

## Reports Published to-date by the Forum

Report No.	Title	Date
1.	Negotiations on a Successor Agreement to the PESP	November 1993
2.	National Development Plan 1994-1999 – the Proposed Local Development Programme	November 1993
3.	Commission on Social Welfare – Outstanding Recommendations	January 1994
4.	Ending Long-term Unemployment	June 1994
5.	Income Maintenance Strategies	July 1994
6.	Quality Delivery of Social Services	February 1995
7.	Jobs Potential of the Services Sector	April 1995
8.	First Periodic Report on the Work of the Forum	May 1995