Time For Change:
the four-day week as a strategy for unemployment

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Executive summary

- As the furlough scheme comes to an end, and firms across the economy continue to suffer from the effects of social distancing measures, bold economic strategies are required to support the economy and forge a recovery process that prioritises secure and decent work.

- Certain sectors require government attention more than others, namely hospitality, retail and the arts, which remain at risk of significant lay-offs and in the case of retail have been in stark decline even before Covid hit the economy.

- A shorter working time subsidy scheme (SWTSS) is proposed as a targeted strategy to support these industries in the short-term, preventing layoffs, but also to help them transition to more desirable working time patterns in the longer-term.

- Such a scheme follows from the similar German Kurzarbeit scheme, recognised as the 'gold standard' by the IMF as well as the Temporary Short Time Working Compensation Scheme (TSTWCS) overseen by the Thatcher government in the 1980s.

- The scheme would involve a five-year taper which would greatly reduce the state spending involved as well as allow for a gradual transition to a 'new normal' of shorter working weeks.
1. Introduction

As contributions from the government furlough scheme taper from the end of July and come to an end in October, a significant rise in unemployment is inevitable, unless sufficient supportive measures are taken. The true impact of Covid-19 on the labour market has so far been hidden by wage subsidies covering an estimated 9.3 million jobs, with retail and hospitality accounting for well over a third of those furloughed. Many businesses are not only struggling to reopen as lockdown eases, but are facing the problem of significantly reduced customer demand. As the furlough scheme ends, many sectors associated with high fixed costs and limited cash reserves - namely hospitality, retail and the arts - will be forced to reduce flexible costs, i.e. the workforce. This will not only mean higher levels of unemployment in these sectors but also overwork, as employees kept on are forced to shoulder more of the work of those laid off. After the 2008 financial crash the increase in unemployment was largely due to layoffs, whilst the hiring rate stayed roughly stable. Retaining staff is of singular importance in the current economic crisis.

Shorter working weeks have been a tried and tested instrument to prevent runaway unemployment and to bake in decent working practices into the labour market. The oft-cited example of President Roosevelt’s New Deal measures (Fair Labour Standards act of 1938), which reduced the working week to 40 hours maximum, is a case in point.

Such a scheme is also not unprecedented in the UK: the first Thatcher government inherited and maintained a similar initiative during the 1979-1982 recession. Nor is it merely an artefact from history: in Germany the tried and tested Kurzarbeit scheme was used during the 2008 financial crash to mitigate mass unemployment by subsidising a reduction and reallocation of labour, and

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1 Gov.uk (2020).
2 HMRC (2020b)
3 HMRC (2020c)
4 ONS (2020b)
5 Elsby and Smith (2010)
has again been used during the covid crisis. See later section for full details of each of these precedents.

The Covid recession again necessitates that a subsidised shorter working time scheme should be offered to employers in sectors particularly damaged by lockdown and social distancing measures - namely hospitality, retail and the arts. This would act as an alternative to mass lay-offs, with the aim of making the scheme as comprehensive as possible within these sectors. Over the period of its operation, the ultimate aim of the scheme is to gradually transition employers to shorter working hours, so that 32-hour weeks become a new gold-standard for employment in the post-Covid economy.

In this paper we outline the coordinates of how such a ‘shorter working time subsidy scheme’ (SWTSS) could function in the UK’s Covid and post-Covid economy, complete with some estimates of costs and hypothetical case studies.
2. Targeting the right industries first

Social distancing and lockdown guidelines have produced a stark drop in consumption, with hospitality, entertainment and in-person services such as retail particularly hard hit. At the beginning of June, only around 40 per cent of surveyed firms in the arts and entertainment sectors and around 45 per cent in accommodation and food services were open for trading. This compares to around 85 percent of firms across the economy as a whole.

As Figure 1 shows, the Business Impact of Covid Survey (BICS) reports that firms in the arts and hospitality industries are reporting high levels of temporary closure. 52% of firms in the accommodation and food services industry report that they are temporarily closed or have paused trading. The figure is 57% for firms in the arts and entertainment industry.

Figure 1: Percentage of firms reporting that they have temporarily closed or paused trading across industries. Source: Autonomy analysis of BICS.

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7 ONS (2020a)
8 ibid.
9 ONS (2020c)
As Figure 2 shows, accommodation and food services as well as the arts and entertainment industries both have the highest reported rates of furloughed staff within business still currently trading.

![Figure 2: Percentage of firms reporting furlough rates across industries. Firms currently trading and those not currently trading included. Source: Autonomy analysis of BICS.](image)

Early indicators following the reopening of businesses on 4th July show that spending remains depressed.\(^\text{11}\) Though official estimates of economic output will not be available till the end of July, high frequency data from ‘Super Saturday’ shows that the reopening of restaurants, cafes and pubs did not see spending in the hospitality sector return to pre-corona levels.\(^\text{12}\) Estimates suggest sales and customers numbers remain at around half of those before the pandemic.\(^\text{13}\)

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\(^\text{10}\) ibid.

\(^\text{11}\) Ramei, V. (2020)

\(^\text{12}\) ibid.

\(^\text{13}\) ibid.
Aside from potential lay-offs, hospitality, retail and the arts are already associated with low productivity, stagnant wages and insecurity, with any further damage to these sectors likely exacerbating these problems.\textsuperscript{14} Already in 2019 a study from the Centre for Retail Research showed that over 140,000 jobs were eliminated that year, amounting to more than 2,750 lost each week.\textsuperscript{15} The British Retail Consortium reported that 2019 was the worst year on record for retail in the UK, with total sales decreasing by 0.1% on the previous year.\textsuperscript{16} Furthermore, damage to these sectors has the likely knock on effect of hindering recovery elsewhere in the economy, as workers in these sectors are forced to curb spending in other sectors.

In total, across these three industries there exist 4.3 million jobs. While the gender distribution is more or less equal in the arts and hospitality industries, women make up 58% of employment in retail.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{gender_distribution.png}
\caption{Gender distributions across three target industries. Source: Autonomy analysis of ASHE.\textsuperscript{17}}
\end{figure}

\begin{itemize}
\item TUC (2019)
\item Centre for Retail Research (2019); Zoe Wood (2019).
\item British Retail Consortium (2020)
\item ONS (2020d) Earnings and hours worked, industry by two-digit SIC: ASHE Table 4. Henceforth: ASHE.
\end{itemize}
3. The Shorter Working Time Subsidy Scheme: a road map to shorter working hours

As the furlough scheme winds down, employers in the hospitality, retail and arts sectors should be offered subsidies to place workers on shorter working hours, totalling the value of one day's wages each week per full-time worker, or 20% of their weekly pay or monthly salary. Employers would continue to pay workers for four day's worth of work (thus reducing their wage bill), while the government would top up earnings for hours no longer on the job to ensure no drop in pay. This would effectively reduce firms' wage bills by 20%.

In effect, employees work a four-day week in line with the pay they receive from their employer, and the government tops up their wages for the fifth day, in order to maintain living standards and potentially move toward an economy of shorter hours. This would fulfil a number of functions for the firm, the worker and the struggling labour market:

- Reallocate hours and retain jobs in firms at risk.
- Enhance worker’s work-life balance.
- Support the job market

Subsidies should be paid directly to employers and would be conditional on:

- Employers reducing staff working hours by 20%.
- Employers writing an annual report showing how subsidies have been used and how they have impacted the firm’s operations.

This is to demonstrate that the subsidies are being used in line with the scheme’s objectives of job retention, creation and improvement. Effectively, this encourages firms to not lay-off workers. Fulfilling these criteria will give firms access to future years of the subsidy scheme. (See 'Criteria for added support' section below).
• Advertising any new jobs via a Covid-Recovery Jobs platform (CRJ) to accelerate the process by which jobs are reallocated.

   By stitching together take up of the scheme with the necessity to advertise new vacancies, this would provide a quick and efficient means to placing workers in unoccupied positions. As it develops, the platform could come to act as a comprehensive information service about local labour markets, as well as access to training opportunities and career coaching to help workers find new jobs.

For the first year, the scheme should be open to all, based on a recognition of widespread economic need for support. After the first year, there should be a gradual tapering of subsidies.
4. Tapering off

After the first year, during which government will pay the full value to all employers who sign up to the scheme, subsidies will be gradually tapered over a five year period, conditional on fulfilling certain criteria.

<table>
<thead>
<tr>
<th>Year</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of subsidy</td>
<td>100%</td>
<td>80%</td>
<td>60%</td>
<td>40%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Table 1: A gradual tapering scheme for the shorter working time subsidy scheme.

The aim here is to eventually move firms away from state subsidies and integrate shorter working hours as normal business practice. To oversee a smooth transition there should be:

- Shorter working time committees, aimed at guiding shorter hours transitions at sector level, consisting of MPs, business leaders, trade union representatives as well as experts from universities and wider organisations.

- Regular reports from firms demonstrating whether they meet the criteria for further support (see below section).

Special exemptions from tapering could be offered to firms and organisations depending on:

- Whether the firm expects significant lay-offs in the short-term.

- The profitability, revenue and overall financial health of the firm using the scheme.
- Whether the firm meets criteria for added support.

**a) Criteria for added support:**

Additional support beyond the first year will be decided by an audit at the end of the first year, whereby companies and organisations produce a report outlining how they have put the subsidies to use, to be assessed by the shorter working time committee. Firms will be judged on the four criteria below as to whether they will receive additional subsidies going forward:

- Number of jobs retained and/or created.
- Standard of working conditions.
- Living-Wage accreditation.
- Evidence of moving to and creating low-carbon jobs.
5. Costings:

Below we show the costs for a 20% subsidisation of employees’ wages for all sectors of the UK economy. We then scope into our three industries that are targets for the SWTSS. In Figure 4, each orb represents the relative employment levels in each industry.

Figure 4: Costings for a SWTSS for all UK industries, based on a 100% industry take up rate. Our three focus industries are highlighted in red. This amounts to a 20% subsidy of firms’ wage bill. Retail has been separated into retail trade (exempt of wholesale and repair of motor vehicles and motorcycles) so as to approximate the majority of in-person jobs. The key is on page 15. Source: Autonomy analysis of ASHE.
Figure 4 key:

0 AGRICULTURE, FORESTRY AND FISHING
1 MINING AND QUARRYING
2 MANUFACTURING
3 ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY
4 WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES
5 CONSTRUCTION
6 WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES
7 TRANSPORTATION AND STORAGE
8 INFORMATION AND COMMUNICATION
9 FINANCIAL AND INSURANCE ACTIVITIES
10 REAL ESTATE ACTIVITIES
11 PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES
12 ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES
13 PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY
14 EDUCATION
15 HUMAN HEALTH AND SOCIAL WORK ACTIVITIES
16 OTHER SERVICE ACTIVITIES
17 ACTIVITIES OF HOUSEHOLDS AS EMPLOYERS; UNDIFFERENTIATED GOODS-AND SERVICES-PRODUCING ACTIVITIES OF HOUSEHOLDS FOR OWN USE
18 RETAIL TRADE, WITHOUT REPAIR OF MOTOR VEHICLES AND MOTORCYCLES, OR WHOLESALE.
19 ACCOMMODATION AND FOOD SERVICE ACTIVITIES
20 ARTS, ENTERTAINMENT AND RECREATION
Figure 5: Costings for government subsidies of three target industries in the first year of the scheme, based on a 100% industry take up rate. Source: Autonomy analysis of ASHE.

The cost (in year one) of helping the arts, entertainment and recreation industry to transition to shorter working hours, reduce wage bills and retain staff is lower than the government’s plan to cut Stamp Duty tax (estimated at £3.8 billion).\textsuperscript{18}

\textsuperscript{18} HM Treasury (2020)
a) Tapering timeline

The tapering timeline sees government support decline steadily each year, whilst these industries adjust to shorter working weeks for staff.

Figure 6: The cost of the tapering scheme for government across three target industries, based on a 100% industry take up rate. Source: Autonomy analysis of Annual Survey of Hours and Earnings (ASHE)
The below tables detail tapered costs of the scheme for government over a five year period, presuming a 100% industry take up rate.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total cost of the three-industry scheme per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>£22 bn</td>
</tr>
<tr>
<td>Year 2</td>
<td>£17 bn</td>
</tr>
<tr>
<td>Year 3</td>
<td>£13 bn</td>
</tr>
<tr>
<td>Year 4</td>
<td>£8 bn</td>
</tr>
<tr>
<td>Year 5</td>
<td>£4 bn</td>
</tr>
</tbody>
</table>

Table 2: Total tapered costs for government subsidies for SWTSS, based on a 100% industry take up rate. Source: Autonomy analysis of ASHE.

<table>
<thead>
<tr>
<th>Year</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gov cost of subsidy £(bn)</td>
<td>11.38</td>
<td>9.10</td>
<td>6.83</td>
<td>4.55</td>
<td>2.28</td>
</tr>
</tbody>
</table>

Table 3: Retail Taper Scheme

<table>
<thead>
<tr>
<th>Year</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gov cost of subsidy £(bn)</td>
<td>6.82</td>
<td>5.46</td>
<td>4.09</td>
<td>2.73</td>
<td>1.36</td>
</tr>
</tbody>
</table>

Table 4: Food and Accommodation Services Taper Scheme
### Table 5: Arts, Entertainment and Recreation Taper Scheme

<table>
<thead>
<tr>
<th>Year</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gov cost of subsidy £(bn)</td>
<td>3.79</td>
<td>3.03</td>
<td>2.27</td>
<td>1.52</td>
<td>0.76</td>
</tr>
</tbody>
</table>

*Tables 3, 4 & 5: Tapered costs for government subsidies for SWTSS for each industry, based on a 100% industry take up rate. Source: Autonomy analysis of ASHE.*
6. Potential second order impacts

a) The virtuous circle of demand-led growth

The New Economics Foundation (NEF) has found that key to understanding the ‘productivity puzzle’ that plagues the UK is Multi Factor Productivity (MFP). On its own, MFP tells us relatively little as it is a concept that covers any and all factors that might influence productivity beyond improvements to labour and capital. NEF suggest that one element that often goes unrecognised in contributing to this Multi Factor Productivity is growth in demand.

“When firms are confident in future demand growth they are also more likely to invest in the purchase of machinery, equipment and employee training. Such strategies are likely to increase output in a more cost effective way - and therefore productivity - but the costs are less recoverable if growth fails to materialise.”

As such, policy that induces such growth is required; shorter hours could be crucial in this regard. More economy-wide leisure time with pay levels maintained would be expected to increase aggregate demand. Recreational activities tend to involve higher spending than being at work and this boost in demand. To this extent, such a strategy to raise demand would be similar to, and complement, minimum wage demand boosting. Overall, the report notes that the boost to demand from each additional day of statutory leave is likely to be in the region of low, single digit billions of pounds. Although an extra bank holiday is not the same as an extra day off each week, we may nevertheless likewise expect a boost in demand with the introduction of the STWSS.

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19 New Economics Foundation (2019)
20 ibid.
b) Potential job creation

Although the purpose of the SWTSS is to retain staff, maintain businesses and prevent a growth in unemployment, in some cases we can expect firms to use the reduction in wage bill to create new jobs.

If, hypothetically, 100% of the government subsidies were utilised solely for job creation across these industries, then this would amount to the equivalent of a huge number of FTE roles. See Table 6:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Government subsidies in terms of potential FTE roles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>400,412</td>
</tr>
<tr>
<td>Food and Accommodation</td>
<td>304,400</td>
</tr>
<tr>
<td>Arts and Recreation</td>
<td>115,600</td>
</tr>
</tbody>
</table>

Table 6: Government shorter working time subsidies translated into the value of FTE jobs in these sectors. Source: Autonomy analysis of ASHE.

Assuming only a fraction of firms in these struggling industries will be able to create jobs (as opposed to merely retain jobs), we give much more conservative estimates of likely job creation as a result of the subsidy. See Table 7:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Government subsidies in terms of potential FTE roles (presuming ( \frac{1}{8} ) of subsidy would be used for job creation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>50,051</td>
</tr>
<tr>
<td>Food and Accommodation</td>
<td>38,050</td>
</tr>
<tr>
<td>Arts and Recreation</td>
<td>14,450</td>
</tr>
</tbody>
</table>

Table 7: Potential FTE jobs created as a result of the targeted SWTSS presuming that \( \frac{1}{8} \) of the subsidies are put towards job creation. Source: Autonomy analysis of ASHE.
7. Longer term transformations: ushering in the new normal

Transitioning these three industries onto a four-day week sets a precedent - or gold standard - for decent work in the economy at large. This would represent a significant proportion of the labour market, with nearly an eighth of the workforce (4.3 million of 33 million) moved to shorter working hours.

These sectors would act as an exemplar of the benefits that a four-day week offers both workers and firms. Of 500 firms surveyed who already offer a four-day week, 64% of employers say there has been an improvement in productivity, and 63% of employers saw an improvement in the quality of work being produced.21

As well as the evident benefits for firms and workers, there is growing public appetite for shorter working hours, with 63% of the UK public supporting the idea and only 12% opposing it.22

a) The public sector as pioneer

Beyond supporting certain industries making the transition, the state as employer can pioneer shorter working time as the new gold standard. The UK’s public sector can set a positive benchmark for the private sector to follow. This follows past policy examples where the public sector has acted as the primary adopter of better working conditions (such as equal pay and better job security), later benefiting workers in the private sector. A shorter working week in the public sector will bolster staff wellbeing, job satisfaction and productivity, while also incentivising these occupations to applicants.23 The costs for government of a public sector four-day week would, due to the tax returns on new employment created, be low.24

21 Henley Business School (2019)
22 Autonomy (2020b)
23 Autonomy (2019)
24 Autonomy (2019a)
b) Managed automation

Following in the footsteps of the ‘Ministry of Technology’ (1964-1970), an organisation named Automation UK, the board of which will be made up of trade unions, government and business leaders should be established. The organisation would aim to increase productivity in sectors that have seen low-investment in technology and tie these gains - through agreements - to a tangible reduction in working hours for workers whilst retaining incomes. This would concretely link the prosperity resulting from an enterprise’s growth with the individual prosperity of its employees.

Automation UK would have branches for each employment sector and each branch would have specific expertise regarding the nature of the work in question and the labour-saving technologies coming onto the market.

c) Short time committees

To consolidate the changes to working hours made over the course of the scheme, sector-run short time committees should be set up in the final year to guide the transition to shorter working hours arrangements in the long-term. Comprised of MPs, business and trade union leaders, as well as experts from universities and other organisations, these committees will provide tailor made plans for their respective sectors and offer advice about how to maintain shorter hours without the subsidy scheme.
8. Precedents:

#1 Thatcher’s Temporary Short Time Working Compensation Scheme

The Temporary Short Time Working Compensation Scheme (TSTWCS) began in April 1979 and ran until March 1984, remaining effective throughout the early 1980s recession period. The TSTWCS aimed to prevent jobs considered to have a long-term future from being lost due to the short-term effects of the recession. Employers across Great Britain were offered compensation to place their workers on short time and avoid significant lay-offs. Reimbursements by the state were made available to any employer who agreed to retract an impending redundancy involving at least 10 workers.

The TSTWCS functioned as follows: for 100 workers at risk of redundancy who normally worked a five-day week, the employer could claim support for 500 workless days in a week or 2000 days in a four-week period. How the time compensated was organised could be arranged in a number of ways. Staying with the example of 100 workers, the TSTWCS support could be given for 500 workers losing one day a week, 250 workers losing two days a week, or 400 workers losing a five-day week over a four-week period. When the scheme began, employees were paid 75% of their average pay for each day out of work. Eventually, compensation was tapered to 50% of average wages.

At the peak of the scheme’s use by employers, compensation was covering nearly a million workers, totalling well over 200,000 full-time positions supported. In the three-year period of the recession (1979-1982), the scheme protected around 900,000 jobs in total. Of all the special economic measures the government brought in to deal with the recession, the TSTWCS was considered to be among the cheapest and most effective.

25 Richards, J. (1987)
26 House of Commons (1983)
27 Richards, J. (1987)
28 ibid.
29 ibid.
30 ibid.
31 ibid.
32 ibid.
33 House of commons (1983)
#2 German Kurzarbeit

The German “Kurzarbeit” Scheme (short time work compensation scheme) enables a temporary reduction of regular working hours in response to substantial drops in demand for labour within an organisation or firm. Its primary use has been as an instrument to combat mass unemployment, both during the 2008 Financial Crisis and the current Covid pandemic. By adopting Kurzarbeit, companies can retain their employees and quickly adapt to increased economic activity once demand returns. So successful was the policy in preventing job losses in 2009 that the IMF described it as ‘the gold standard of such programs’ worldwide.\(^{34}\)

To cushion the economic strain of temporarily reducing hours (and pay), the Federal Employment Agency pays out “Kurzarbeitergeld”, a compensation similar to regular unemployment benefits, totalling 60% of lost net income. Employees with children receive an increased amount of 67%. In the current pandemic, these benefits were increased to 70% (and 77% respectively) from the fourth month on, and to 80% (87%) from the sixth month on, paid for up to 21 months.\(^{35}\)

The scheme functions as follows: if a company moved all of its workers onto four-day weeks, the net income of workers would fall from e.g. 2,000\(\text{€}\) to 1,600\(\text{€}\). In this case, the Federal Employment Agency would step in and compensate:

- 240\(\text{€}\) for workers without children
- 268\(\text{€}\) for workers with children

With the subsidy rate brought in for coronavirus, compensation would increase over time, reaching a maximum of:

- 320\(\text{€}\) for workers without children
- 348\(\text{€}\) for workers with children

\(^{34}\) IMF (2020)

\(^{35}\) For general information on the scheme, see BMAS (2020) and BA (2020).
Combined with the remaining net income of 1,600€ paid by the employer, combined income would amount to 1,840€ (first month of short time work, for a worker without children) to 1,948€ (worker with children from the sixth month on). A reduction of working time by 20%, or a four-day work week, would thus only result in a loss of net income of between 2.6% and 8%, or less.36

Collective bargaining agreements as well as company-level agreements have been passed that include top-ups to compensation offered by the scheme. The industrial IG Metall for instance won a top-up of benefits to 80% of the net income loss for their metalworkers. The NGG, organizing workers in the hospitality industries, gained a top-up of 90% for McDonald’s, Burger King and Starbucks workers, among other companies in the hospitality industry. Chemical workers reached a similar agreement.37

#3 A Strategy for Valencia

In collaboration with Autonomy, the Valencian regional government published a roadmap for reducing working hours in the region over a ten-year period, which involved a tapered work time reduction plan. The report proposes that subsidies offered by central government or the EU should be utilised to support businesses implementing the shorter working time initiative. This should involve the government subsidising the per hour cost of reducing working time but maintain wage and staff levels at the firm.38

The subsidies would cover:

- 1st year - 100% of the difference in the wage cost per hour.
- 2nd year - 50%

36 In order not to overcomplicate things, we are leaving out the effects of decreasing relative tax burdens as income falls.  
37 DGB (2020). The IG Metall (2019), Europe’s largest industrial union, is campaigning for a Transformationskurzarbeitergeld (short time work compensation for the transformation). The basic idea is to adapt the existing short time work compensation scheme to face the challenges of technological and organisational change. With millions of jobs at threat from automation and 150,000 jobs being threatened by the move from combustion engines to less complex electric engines, a transformational short time work compensation scheme could be used to both cushion the blow of technological change as well as allowing for time for the upskilling of workers. The IG Metall suggests that such a short time work compensation scheme should be considered to shape the ongoing technological transformation in a way beneficial to workers’ interests and the whole of society.  
38 Autonomy (2020a)
For example: A company whose staff work 40 hours a week might have an average salary of 1,500€, or 9.30€ per hour for its staff. Transitioning to a 32 hour week, whilst maintaining the salary of 1,500€, would mean raising the hourly rate to 11.71€ per hour. The difference in wage cost per hour would be 2.41€ per hour, and therefore the government would provide 308.48€ per month as a subsidy. One of the explicit aims with the subsidy scheme would be to encourage the hiring of new staff to make up for the lost working time - thus increasing employment in the region.

Other policies proposed to bolster the subsidy scheme include:

a) A good employer award

For those firms that reduce the working hours of their staff. The award would be used in shop fronts and on websites, with the aim of encouraging consumers to use businesses that implement shorter working hours. Businesses that receive the award could also be rewarded with reduced tax rates.

b) A work transition team

This would entail a team of academics, analysts and consultants overseeing the transition to shorter working hours.

c) Public sector pilots

This would establish the public sector as the benchmark for desirable working hours and help stimulate employment in the sector.
9. References


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Autonomy (2020a) ‘The future of work and employment policies in the Communitat de Valenciana: Research and proposals for a transitional strategy’. Autonomy. Available at: https://autonomy.work/portfolio/valencia/

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