

# Working Time and Working Time Policy in Germany

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## 1. Introduction

In most industrialized countries 120 years ago, average working time was around 3,000 hours per year. Up to 1992, average working time has declined by almost 50 percent (Table 1). In 1992 hourly productivity in Germany, for example, is approximately seventeen times higher and wages have risen tenfold than 1,870, if we take gross domestic product per capita as a rough indicator of the evolution of wages, in the absence of any other data. From the perspective of our great-grandfathers, therefore, in 1992 Germans work “part-time” hours for ten times the wage they once earned. The pattern of development has been in the long run broadly similar in the other developed industrial economies. In the short run, however, the differences are substantial because of different institutions and regulations, levels of economic developments and also different household structures.

Table 1. The evolution of working time, hourly productivity and gross domestic product per capita in % (1870-1992)

	USA	Germany	Japan	France	Great Britain
Working time	-46.3%	-46.9%	-36.3%	-47.6%	-50.0%
Hourly productivity	+1,287.6%	+1,734.7%	+4,352.2%	+2,127.9%	+918.8%
GDP per capita	+918.6%	+998.3%	+2,632.0%	+967.1%	+501.7%

Source: Maddison, 1995.

However, workers work not only shorter hours today but also in a different way (Bosch 1997 and 1998). The sharp growth in productivity, out of which the tenfold increase in wages has been financed, has been mainly achieved only through the introduction of completely new forms of work organization and plant utilization. The labor process has been intensified through scientific management methods, such as Taylorism. Machine utilization times have been extended by reducing stoppage times and increasing operating hours (Anxo et. al. 1995; Foss 1984). Shorter average working times per worker have not proved to be an obstacle to increased capital stock utilization. Different forms of shift organization have been developed. In continuous (i.e. 7-day) production plants, such as in the steel, textiles and chemical industries, two-shift systems were the norm in the last century. At the beginning of this century, there was a change to three, after the Second World War to four and in recent years to five-shift systems.

In the early years of industrial development the man did not earn a family wage. In consequence women and even children had to work. The increase of hourly wages of the last century made it possible for households to reduce their labour supply and the bread-winner model with the women staying at home became the dominant model for combining work and family life. This has changed in the last decades. Because of many reasons (better education, changing preferences, decline of real wages) in most industrialized countries more and more

women are working. Their working hours depend very much on institutions of the welfare state like provision of child care, school hours, public care provision, tax and social security systems). Since these institutions differ substantially hours of women differ more than hours of man between countries.

In the following I would like to describe the recent developments of working hours in Germany. Section 2 of this paper provides a description of regulations of working hours. Section 3 surveys the usual weekly and yearly working hours in Germany also in comparison with other European countries. In section 4 I analyse the impact of the German conservative welfare state on working hours of men and women. Section 5 analyzes the decoupling of operating and working hours. Section 6 looks on the present discussion on work sharing after to mitigate the negative employment effects of the financial crisis. Section 7 summarizes the results from these empirical findings.

## 2. Regulation of working time

The German working time law (last revision in 2006) covers all employees with the exception of managerial staff. The law stipulates that daily working hours should not exceed 8 hours. The working day, however, can be extended to 10 hours if within six month the average of 8 hours is not exceeded. Deviations are possible by collective agreements, firms agreements or by approval through authorities. Since Saturday is a working day the maximum weekly working hours are 60 hours. Wages for Public Holidays are paid if they fall on a working day. Work on Sunday and Public Holidays is prohibited. Exceptions have to be approved by authorities. Possible reasons for exceptions are technical reasons like the need for continuous production, economic reasons to safeguard or create jobs, social reasons like caring for people or public interest like security. For daily working hours between 6 and 9 hours there is a minimum unpaid rest of 30 minutes, for longer working hours it is 45 minutes. The minimum rest time between 2 shifts is 11 hours. There are 20 working days paid vacation. Part-time workers have to be paid the same hourly rates as full-timers. Part-timers receive social benefits pro rata.

The German working time law had to be changed due to European directives. Because of the European Working Time Directive (1993)<sup>1</sup> paid vacations were increased from 3 to 4 weeks and due to the European Directive on Part-Time-Work (1997)<sup>2</sup> equal treatment of part-timers was implemented.

The duration and distribution of working hours is mainly regulated by collective agreements. Average weekly working hours were reduced to 40 hours in nearly all industries. Paid vacation were raised to 30 days for most workers. After the long strike on working time reductions weekly working hours were reduced in several steps until 1995 to 35 hours a week in the German engineering industry. Unions of other industries tried to follow this example but in most industries did not succeed to reduce working hours to the low level of the engineering industry. Since 1995 collectively agreed working hours are stagnating in West Germany. In some industries the unions even had to accept working time increases (like in public service from 38.5 to 39 hours). Only in East Germany slight adjustment to the lower West German level was agreed upon (Table 2). Today the agreed working hours for full-time workers are around 1,659 a year in West and around 1,720 hours in East Germany. There are substantial differences by industries. Agreed weekly working hours vary from 35 in the engineering industry to 37.5 in the chemical industry (West), to 38 in insurances and 39 in banks (East and West) up to 40 hours in construction (East and West) and 40 hours in hotels

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<sup>1</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32003L0088:EN:NOT>

<sup>2</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31997L0081:EN:NOT>

Table 2. Collectively agreed weekly and yearly working time 1990 to 2006 (in hours)

year	Weekly working time		Yearly working time	
	West	East	West	East
1990	38.4		1,689.1	
1991	38.1	40.2	1,676.0	
1992	38.1	40.1	1,672.9	
1993	37.7	40.0	1,659.8	
1994	37.7	39.7	1,655.9	
1995	37.5	39.5	1,651.9	
1996	37.5	39.4	1,645.1	
1997	37.5	39.4	1,644.4	
1998	37.4	39.4	1,643.2	1,735.5
1999	37.4	39.2	1,642.8	1,729.9
2000	37.4	39.1	1,642.5	1,727.7
2001	37.4	39.1	1,641.9	1,724.2
2002	37.4	39.1	1,642.6	1,722.7
2003	37.4	39.0	1,643.5	1,721.9
2004	37.4	38.9	1,643.3	1,719.2
2005	37.4	39.0	1,643.2	1,718.9
2006	37.4	38.9	1,644.7	1,720.3

Source: WSI-Tarifarchiv.

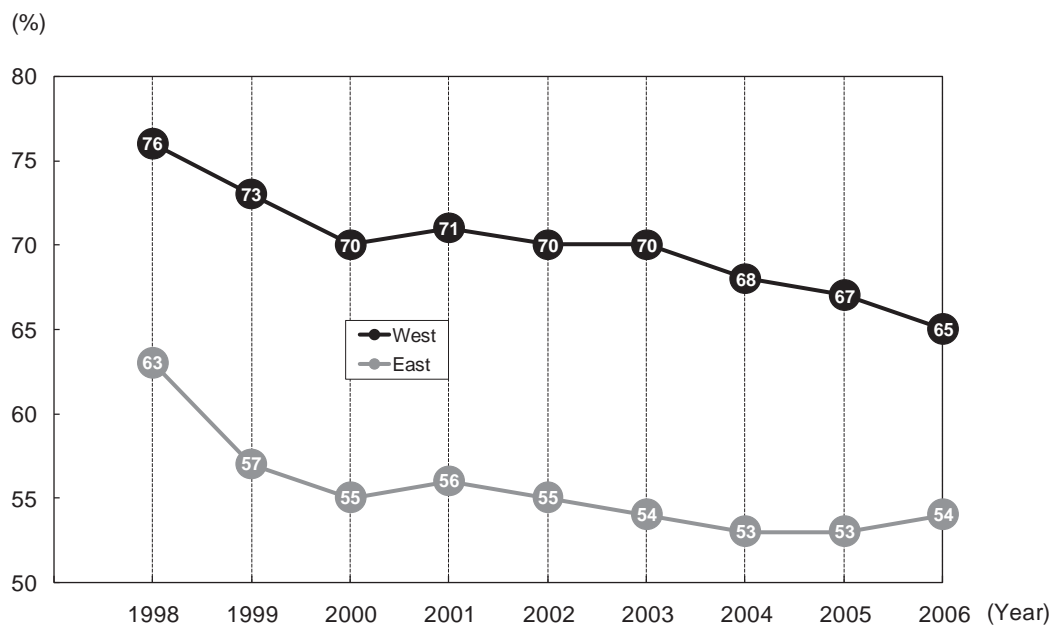
and restaurants (East).

The importance of collective bargaining to regulate working hours is declining since the coverage of collective agreements went down from over 80% in the 1980's to 65% in West- and 54% in East-Germany. Moreover, those firms not covered by a collective agreement are increasingly unlikely to use a collective agreement as a benchmark in setting pay and working conditions like working hours. There are several reasons for this: (1) Employers leave the employers' association to escape coverage, (2) Firms in industries with strong trade unions and a high rate of coverage by collective agreement are increasingly exploiting the high inter-industrial pay differentials in order to outsource certain activities such as cleaning, catering and logistics to other collective bargaining areas or areas in which there are lower or no collective agreements. (3) Employers' associations have revoked the traditional consensus on limiting competition on wages and working conditions. Under pressure from its members that benefit from outsourcing, the Confederation of German Employers' Associations (BDA) is blocking any attempt by the joint "Collective Bargaining Committee"<sup>3</sup> to declare collectively agreed wages rates and working hours generally binding. Consequently wage and working hours competition between firms covered by collective agreements and those not so covered is no longer restricted by declaring collective agreements generally binding like in the past in important industries like the retail trade. As the segments of the labor market no longer regulated by collective agreements have increased in size, so pay and working hours levels have once again become a factor in competition. This has given many firms outsider opportunities to recruit workers at below collectively agreed rates and above agreed working hours in order to obtain a competitive advantage.

As important as external erosion of collective bargaining (declining coverage) is the internal erosion which signifies local practice or agreements which violate standards agreed at higher levels. One form of violation are local "wildcat" agreements not authorized by the employers' association or the union at a higher level. The other form are so-called hardship or opening clauses. They allow for local deviations from industry standards in firms with

<sup>3</sup> Employers' associations and unions send the same numbers of members to this committee. Only if the majority of the committee votes for an extension of an industry agreement the state will declare this agreement as generally binding.

Figure 1. Coverage of employees by collective agreements in West- and East Germany (in per cent) 1998 - 2006



Source: IAB establishment panel, taken from Bosch/Kalina 2007; Ellguth/Kohaut 2007.

economic problems. In such cases it is possible for example to reduce wages in the construction industry by 10 percent, or to deviate from standards including weekly working hours in the chemical and the engineering industry. Most agreements allow temporary reductions of the weekly working time mainly to 30 hours to avoid dismissals in companies experiencing acute economic difficulties. Firms were initially slow to make use of hardship clauses, but the speed of adoption quickened subsequently.

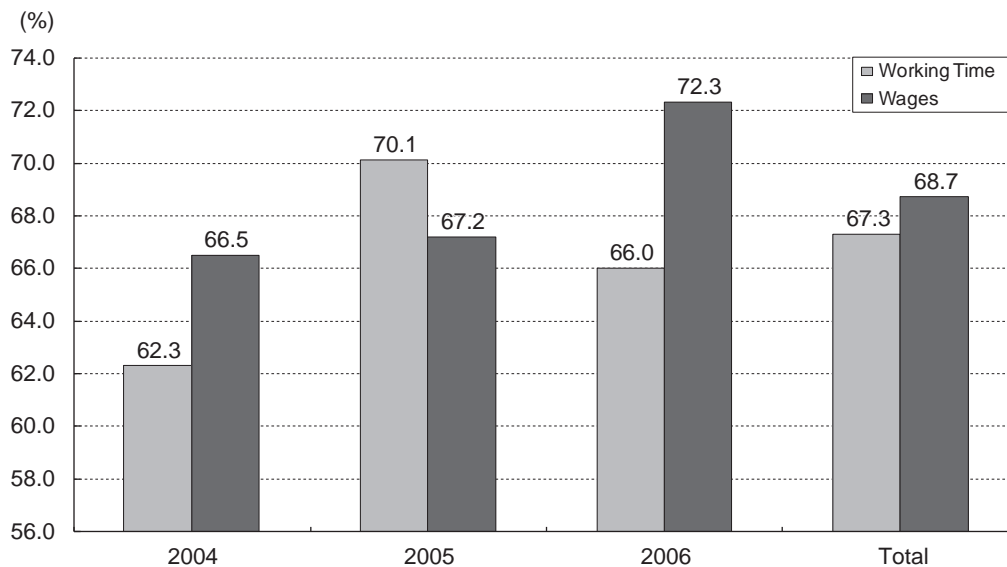
This situation changed with the signature under the '*Pforzheim<sup>4</sup> Agreement*', by the social partners in the engineering industry in 2004. The negotiation of this agreement was to a certain degree a reaction on the political pressure that the then federal red-green government had built up by threatening to introduce statutory 'opening' or derogation clauses. The agreement specified that derogation agreements were possible provided that jobs would be safeguarded or created as a result and they would help to improve competitiveness and ability to innovate, as well as investment conditions. The Pforzheim Agreement contained a number of provisions stipulating, among other things, that the measures should be scrutinised and negotiated by the bargaining parties at firm and industry level, that companies should make comprehensive information available and that the negotiating parties at industry level should be empowered to conclude derogation agreements.

The findings from an analysis of the 850 firm agreements negotiated in the industry from 2004 to 2006 show that the material concessions are clearly dominated by two topics or issues, namely working time and wages. Over the entire observation period, well over 60% of the derogation agreements contained provisions on these two issues (Figure 2).

The extension of working time is by far the most important single issue in the derogations. Of all derogation agreements, 58.5% (and 86.9% of those concerning working time) contain provisions on the extension of working time. Other working time issues, such as working time flexibilisation (in 19% of all derogations from working time norms), working time scheduling and working time reduction (both under 6%), lag significantly behind. Among the various forms of working time extension, increases in weekly working time, which

<sup>4</sup> A small city in the South-West of Germany.

Figure 2. Issues addressed in deviant agreements 2004-2006 in the German engineering industry



Source: Haipeter (2009).

account for almost 65% of all derogations involving extensions of working time, are by far the most important parameter, followed by working time budgets containing a certain number of extra hours to be worked by employees (26%) and additional training periods to be used for further and advanced training (about 12%). In 2006, however, the share of agreements on the extension of weekly working time declined to 53.5%, which suggests that trade union control of the substance of derogations has improved. Further evidence pointing in this direction is the decline in the average length of weekly working time extensions (as a weighted arithmetic mean based on the upper cut-off point of the hour intervals) from 3.7 hours in 2004 to 3.3 hours in 2005 and 2006. In the overwhelming majority of cases, working time was extended without any compensatory pay increase. In an increasing number of cases, however, provision has been made for the working time increases to be reduced – usually in stages – while the derogation remains in force. In 2006, 28.6% of all weekly working time extensions contained provisions of this kind (Haipeter/Lehndorff 2008).

It can be expected that in the present economic crisis many firms will use the possibility of reducing weekly working hours without wage compensation to retain their skilled workforce.

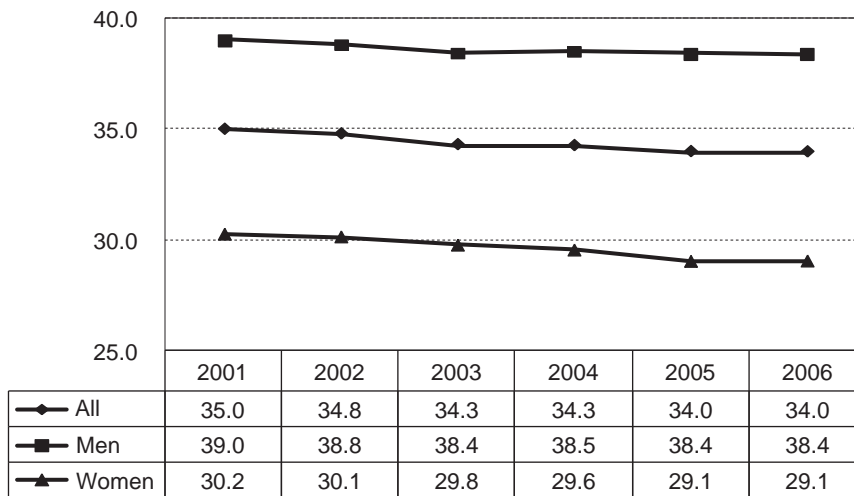
### 3. Usual Working Hours

#### 3.1. Duration of weekly working hours

In the following I will describe the recent development of actual working hours using the data of the microcensus, a yearly 15 sample. Employees are asked the question “How many hours you usually work a week including overtime hours?” Since 2001 the share of full-time employees fell from 76.8% to 70.9%, the share of marginal part-timers working less than 15 hours a week increased from 8.3% to 12.2% and the share of other part-timers increased from 14.9% to 16.9%. Because of this increase of different forms of part-time work average weekly working hours went down between 2001 and 2006 by one hour from 35 to 34 hours (Figure 3).

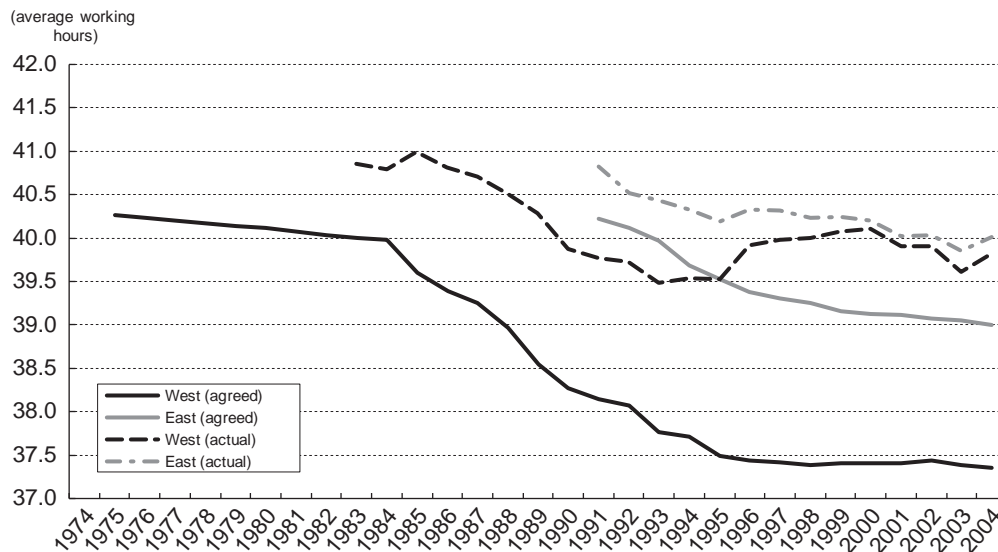
The impact of part-time on average working hours is especially strong in Germany since

Figure 3. Usual weekly working hours 2001 to 2006 (full-time and part-time)



Source: Kümmerling et. al 2008: 40.

Figure 4. Development of actual and agreed hours of full-time employed in West and East Germany 1975 – 2004 in hours per week

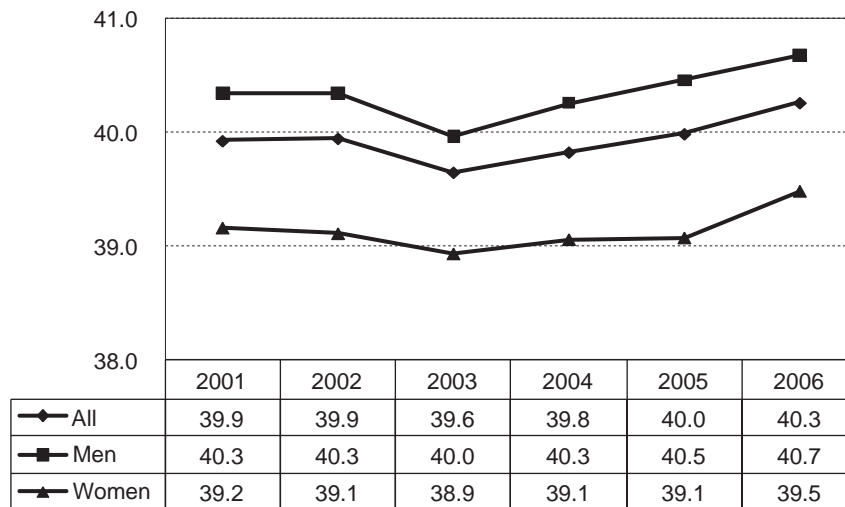


Source: Bosch/Schief/Schietinger 2005.

the average working hours of part-timers only amount to 17.9 hours a week in 2006 (17.8 hours 2001) which is low by international standards. Until the mid 90s usually worked hours followed the development of agreed hours. Figure 4 shows that since 1995 this is not anymore the case. The reasons are declining coverage of collective agreements, use of hardship clauses and extension of paid and unpaid overtime. Since 1995 the weekly working hours of full-timers are fluctuating with the economic cycle. They went down to 39.6 hours in 2003 and increased in the following economic upswing to 40.3 hours (Figure 5).

A more detailed analysis shows very different working time patterns behind these average figures:

Figure 5. Usual weekly working hours 2001 to 2006 (only full-time)

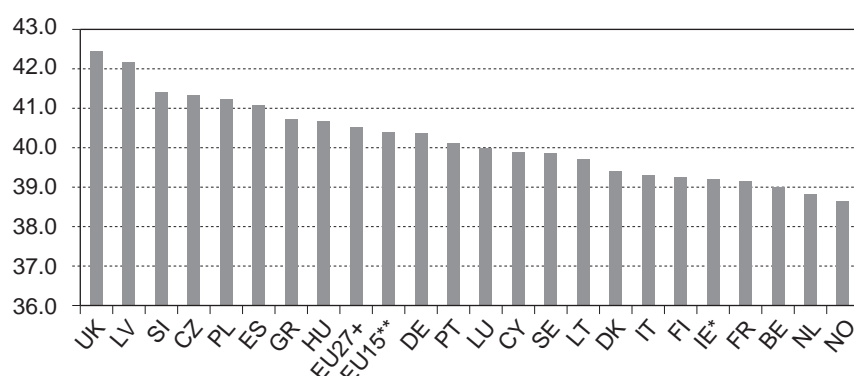


Source: Kümmerling et. al 2008: 43.

- Average weekly working hours in East-Germany are longer than in West-Germany (35.6 compared to 33.6 hours in 2006). The reason for the longer working hours in East-Germany are not – as might be expected – the longer agreed working hours but the longer hours of East-German part-timers (see section 3.2).
- In some industries the differences between agreed and usual worked hours are bigger than in others. Average weekly working hours in the West-German engineering industry amount to 39.1 hours which is 4.1 hours higher than the agreed hours. The reasons might be the increase of agreed hours in companies using hardship clauses or not covered by collective agreements, and paid and unpaid overtime because of the strong export demand for German manufacturing goods.
- Weekly working hours of blue-collar workers are about 1 hour shorter than working hours of white collar workers (39.7 compared to 40.6 hours in 2006 – only full-time employed). The main reason is that working hours for blue-collar workers are better regulated while white collar workers often work unpaid overtime.
- Weekly working hours of (only full-time employed) high-skilled (42 hours in 2006) are longer than of workers with middle (40 hours) and low skills (40 hours). This can be explained by skill bottlenecks for skilled workers and by the increasing informality of working hours for the high-skilled.
- Weekly working hours of employed in SME's (less than 50 employed) are longer than in bigger companies (40.7 compared to 40.0 hours in 2006). The reasons for this are: SME's are less covered by collective agreements, they often do not have work councils which control working hours, and they are under higher cost pressures as suppliers.

Usual weekly working hours in Germany are above the average of most West-European countries. They are longer in the new member states of the EU, in some South European countries and in the UK. Germany had the highest increase of weekly working hours between 2003 and 2006. Especially in the new EU member states weekly working hours were reduced but from a much higher level (Kümmerling et.al. 2008: 117-8).

Figure 6. Usual weekly working hours in selected European countries, 2006



\* Data for Ireland from 2004.

\*\* EU15 without Ireland, + EU27 without Ireland.

Source: Kümmerling et. al 2008: 119-20 (*European Labour Survey 2006*).

### 3.2. Yearly working hours

In Germany average vacation entitlements are 30 days per year (see Table in Annexe). About 10 public holidays are paid. The agreed yearly working hours amount to 1,642.8 which is longer than in Denmark, Sweden or France. Actual hours for all employed are shorter than the agreed hours since the part-time effect is much stronger than the overtime effect. Only in the Netherlands the part-time effect is higher and brings down the Dutch yearly working hours to the lowest level in Europe (Table 3).

Table 3. Calculation of yearly working hours based on different working time statistics in selected European countries, 2006

	A. Yearly working hours full-time only	B. Yearly working hours full and part-time	A-B	C. Agreed working hours (EIRO)	A-C
LV	1965.4	1925.8	39.6	1864.0	101.4
UK	1930.2	1655.9	274.3	1696.4	233.8
SI	1897.5	1829.6	67.9	1832.0	65.5
PL	1897.1	1838.8	58.3	1840.0	57.1
HU	1887.3	1858.5	28.8	1856.0	31.3
CZ	1868.5	1828.7	39.8	1717.6	150.9
ES	1856.6	1733.8	122.8	1740.2	116.4
EL	1849.7	1804.9	44.8	1816.0	33.7
IE*	1810.7	1623.9	186.8	1801.8	8.9
CY	1810.6	1768.1	42.5	1725.2	85.4
LT	1803.4	1755.8	47.6	1816.0	-12.6
PT	1793.5	1748.6	44.9	1707.5	86.0
BE	1793.4	1617.3	176.1	1729.6	63.8
DE	1775.7	1521.3	254.4	1658.8	116.9
FI	1766.7	1661.1	105.6	1687.5	79.2
NL	1766.6	1359.2	407.4	1707.5	59.1
FR	1753.3	1630.2	123.1	1568.0	185.3
DK	1750.3	1530.9	219.4	1642.8	107.5
NO	1747.1	1510.0	237.1	1695.0	52.1
IT	1737.7	1634.0	103.7	1679.6	58.1
SE	1730.1	1547.8	182.3	1631.7	98.4

\*2004

Source: EIRO.



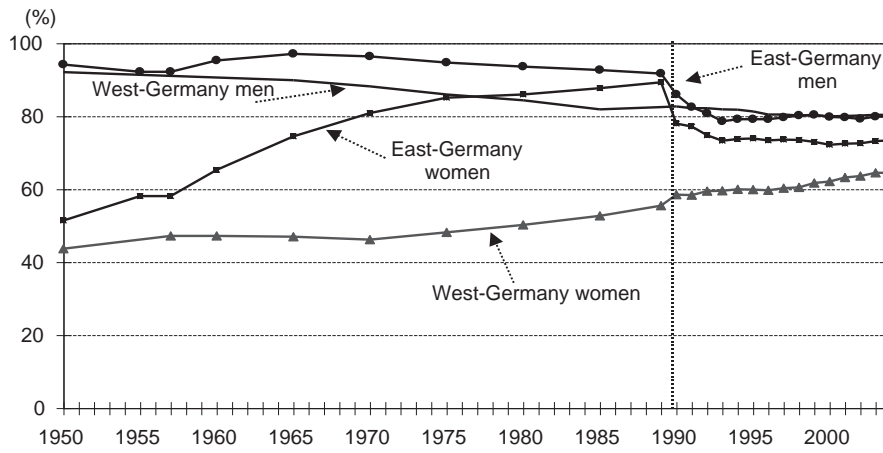
#### **4. The welfare state and working hours**

Between 1949 and 1990, the two German states developed completely different family policies. One of the GDR's policy objectives was a high female employment rate and this was made possible by a highly developed system of day nurseries and schools that stayed open all day. The female employment rate was almost as high as that for men and the part-time rate was low. As a result of their labor force participation, women acquired their own entitlement to social security benefits. In West Germany, on the other hand, in reaction to the Nazi regime but also to developments in the GDR, raising children was considered a matter purely for the family and any state intervention was rejected as an unwarranted intrusion into the private sphere. For children under three years of age there were virtually no public crèche facilities. Nurseries for children between the ages of three and six usually closed at midday, schools were open only in the mornings, there were no guaranteed school times (i.e. if a teacher was ill, the children were sent home) and after-school care was available only for socially disadvantaged children, regarded as pitiable, whose mothers had to work. The social insurance system was geared to the single male breadwinner. Married women and children obtained their health insurance at no extra cost through the family breadwinner and their husband's pensions or, if they died, the widow's pensions were the most important sources of old age insurance for women. Men were obliged to pay maintenance for their economically inactive former wives if they divorced, whereas divorced women in East Germany had to fend for themselves. In 1958, the so-called 'splitting' system of assessing married couples' income tax was introduced in West-Germany, in which both partners' pre-tax income is divided in two and then taxed. In a strongly progressive taxation regime like that in Germany, this system favors households with one earner or those with two earners whose incomes diverge sharply. Because of these strong incentives for women not to work Esping-Andersen (1990) put characterized the Germany as a "conservative welfare state".

To avoid an increase of registered unemployment the West German government supported early retirement schemes. After the mass redundancies in manufacturing beginning with the working life (mainly of men) was reduced and employment rates of the 55-64 year old dropped from over 50% to 37.6% in 2000 (EC 2007: 291). In the former GDR such early retirement schemes did not exist because of full employment. They were, however, introduced after the unification to buffer mass dismissal in East-German industries. Consequently labour market participation of older East-German workers decreased to an even lower level than in West-Germany. Figure 7 shows the different developments of labour market participation of East- and West-German men and women.

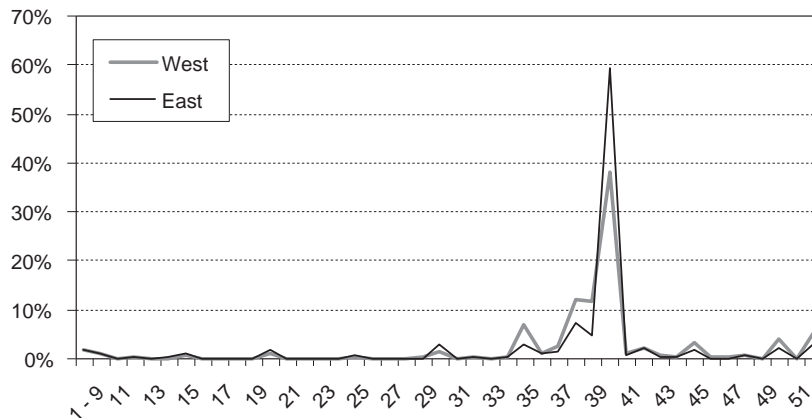
Most men in West and in East-Germany usually work between 37 and 40 hours a week. A small but growing group is working more than 40 hours (Figure 8). Also working hours of East-German women are quite standardized. Most East-German women work between 30 and 40 hours. Most female part-timers in East-Germany are working involuntary part-time. The working hours of West-German women are influenced by the conservative welfare state. High proportions are working few hours (Figure 9). Short working hours are made attractive by the so-called mini-jobs. Employees in mini-jobs are below a certain earnings limit (less than €400 per month since 2003). They are not covered by the general obligation to pay social insurance contributions. Employers pay a flat-rate contribution of 30 per cent (13 per cent for health insurance, 15 per cent for old-age pension and a 2 per cent flat-rate tax). These mini-jobs are attractive to housewives, since the income advantage by the splitting system and the derived entitlement to social protection is preserved. The marginal deduction rates for an increase in working time above the mini-job threshold is extremely high. Depending on the family's tax rate, they can easily be in excess of 100% and thus acted as a very effective brake on any increase in the female labor supply in particular, as the sharp increase in marginal part-time work shows.

Figure 7. Labour market participation of men and women in West- and East-Germany 1950 - 2007



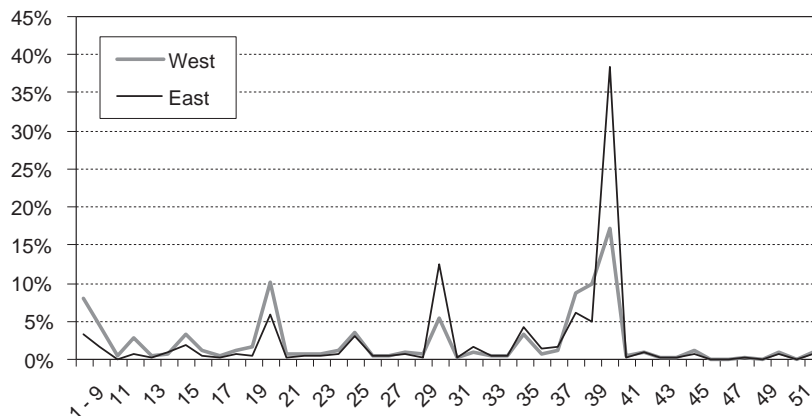
Source: Bothfeld 2005, Federal Statistical Office.

Figure 8. Usual working hours of men in West- and East-Germany 2006, for employees (16-64 years)



Source: Kümmerling et. al. 2008 : 81.

Figure 9. Actual working hours of women in West- and East-Germany 2006, for employees (16-64 years)



Source: Kümmerling et. al. 2008 : 83.

Because women are increasingly working part-time, their share in total volume of hours worked did not increase as fast as their share in employment. Between 1991 and 2004 the share of women in total employment increased by 4.6 percentage points to 48.7%. In the same period its share in the total volume of hours worker only increased by 1.7 percentage point to 41%. In East-Germany the share of women in the total volume of paid work is much higher than in West-Germany (45.7% compared to 39.9%).

Children have no impact on employment rates and working hours of men but a strongly impact on women. In 2006 the overall employment rate of women in East-Germany amounted to 60.8 and in West-Germany to 61.5%. The employment rate of mothers with children under 3 years is only 31.6% in West- and 41% in East-Germany. A higher share of young mothers is working full-time in East Germany (22.5% than in West-Germany (9.7%)) (Kümmerling et. al. 2008: 28).

When men have children they work longer than without children mostly to compensate for the financial losses when their wives stop working or reduce their working hours. Working hours of women go down with the number of children. Again the East-West-Differences are remarkable. While West-German men are working slightly longer than East-German men, East German women especially those with children are working longer than West-German women (Table 4).

Table 4. Usual working hours of men and women by number of children in West- and East-Germany

	Germany	West	East	E-W- Difference
All employees	35.3	35.6	36.9	+1.3
Men without children	39.7	39.6	39.0	-0.6
Women without children	32.4	32.8	34.4	+1.6
Men 1 child	40.7	40.7	40.5	-0.2
Women 1 child	25.9	27.6	33.6	+6.0
Men 2 children	41.6	41.5	40.4	-1.1
Women 2 children	21.6	23.0	31.4	+8.4
Men 3+ children	41.8	41.6	39.7	-1.9
Women 3+ children	21.4	22.2	29.2	7.0

Source: Kümmerling et. al 2008.

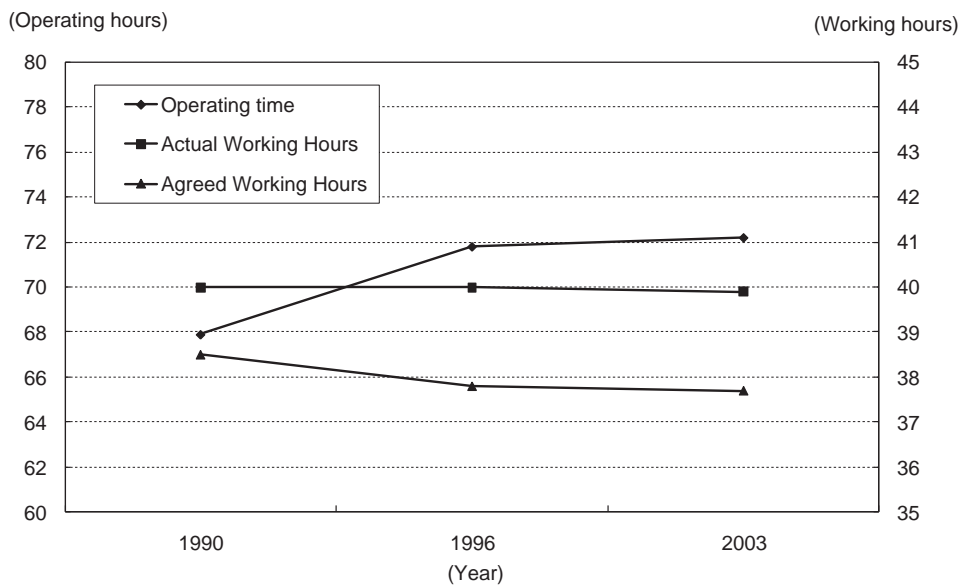
## 5. Operating hours

One form of increasing productivity is a better use of capital stock by increasing operating hours. One possibility is to increase operating hours by extending working hours. Such a coupling of working and operating hours limits the possibility of a better use of the capital stock. The decoupling of working and operating hours by new shift systems or staggered working hours offers new elbowroom for the extension of operating hours. In their comparison of working and operating hours in European and Japanese automobile plants Bosch and Lehndorff were able to show that in plants with shorter working hours operating hours were longer than in companies with longer working hours. They also showed that in plants with long working hours operating hours often were inflexible and rigid (Bosch 1995, Lehndorff 1995).

There are also empirically studies on the impact of working time reductions in Germany in the 1980s and 1990s on operating hours (Figure 10). While agreed working hours were reduced and usual working hours remained stable operating hours were increased. Average operating hours increased between 1990 and 2003 by 4.3 hours per week. This decoupling of working and operating hours was linked with an increase of flexible working schedules.

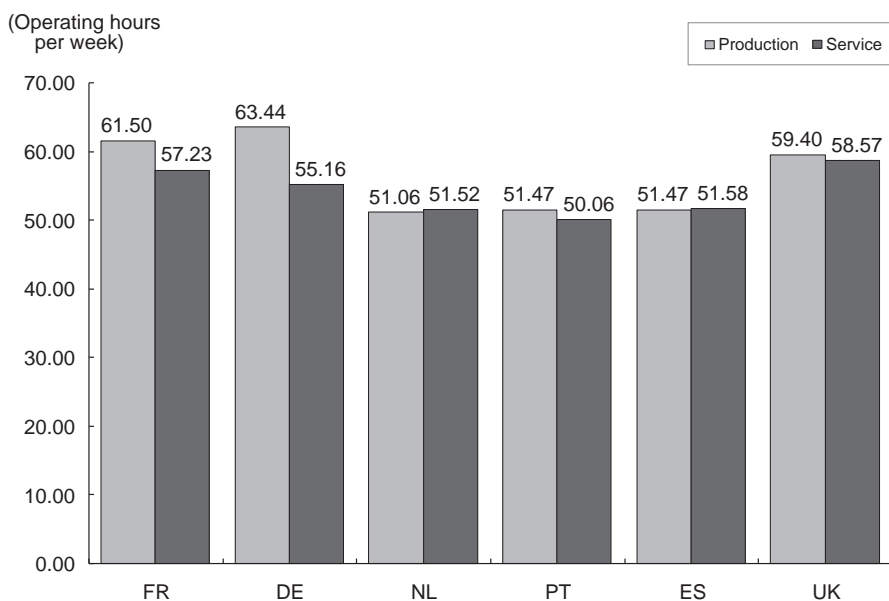
An international comparison of operating hours – using a slightly different indicator as in Figure 11 – shows that operating hours in the German production sector are the highest among the compared countries. The strong reduction of agreed working hours in the engineering industry and the high export demand were the main drivers for the introduction of flexible working schedules to increase operating hours. The operating hours in services, however, are a little lower than in France and UK. One reason for this might be the stronger deregulation of shop opening hours in these industries.

Figure 10. Average operating hours, usual and agreed working hours 1990, 1996, 2003



Source: Groß et al. 2004, *European Labour Force Survey*, BMWA 2004.

Figure 11. Operating hours in the production and service industries (in hours per week, indirect measurement)



Source: Groß et al. 2004.

## **6. Work-sharing after the financial crisis**

The German economy with its strong manufacturing industry is highly dependent on exports. Demand for German exports goods has been substantially decreased after the financial crisis. German unions were demanding a moratorium with the main component not to dismiss workers in 2009. In the recent upswing 2004 – 2008 employers had employed 1.5 million new workers and had invested much in the training of these new workers. They still remembered the long-term negative consequences of the mass dismissals in last two economic downturns (2001/2 and 1995/6). In the following economic booms companies were confronted with substantial skill shortages.

Due to union and employer pressure the state extended the so-called “short-time scheme” (Kurzarbeit) from 12 to 18 months and made it cheaper for companies. Companies with lack of orders have the possibility to reduce working-hours or shut-down the plant temporarily. The workers remain on the payroll of the companies but receive 67% of their usual net income. The short-time allowance of the Employment Office will only be granted if overtime has been abolished and credits on working-time accounts have been used up. The maximum duration of short-time work is now 18 months. Companies receive in addition half of the contributions to social security. If they train workers the employment office will pay all contributions and reimburse the training costs.

A high proportion of German manufacturing companies are now (January 2009) using this scheme. In many cases they top up the income of their workers, so that the income losses for workers are modest. By using the short-time scheme the companies are able to retain their skilled work-force and avoid high dismissal costs. Short-time work is regarded a bridge between the present situation of low turnover and the increase of demand when the anticyclical fiscal programmes in Germany and in other countries will have its intended positive impact on demand. Human resource directors of some companies, for example BMW, have declared in public that they will not dismiss workers in 2009.

Beside this state subsidized scheme all German collective agreements provide the possibility of unpaid temporary working time reductions of about 20% of the yearly agreed working hours to avoid dismissals. This instrument has been used in some companies in recent years. The most well known case is Volkswagen. In the early 90s working hours were reduced for many years from 35 to 28.8 hours per week to avoid 30,000 dismissals. These temporary working time reductions were cheaper than short-time work which at that time were quite costly since the employers had to pay all contributions to social security. In the present crisis companies may use both schemes. The idea to dismiss hours and not workers seems to be well accepted.

## **7. Conclusions**

Until 1995 agreed weekly working hours have been continuously reduced. After the unification the rise of mass unemployment reduced bargaining power of the unions substantially so that working time reductions came to a standstill. The unions had instead to accept hardship clauses which allow deviations from the agreed pay rates and working hours. Due to overtime, decline of coverage by collective agreements and negotiated deviations from the standards of the agreements weekly working hours increased again. Although employers resist further reductions in agreed working hours they accept the idea of temporary work sharing to buffer the negative impacts of the financial crisis on their work-force. The state supports work-sharing by subsidizing the salaries of workers which are temporarily working less. In addition all German collective agreements provide the possibility to reduce working hours without wage compensation to avoid dismissals. Therefore it makes sense to differentiate between permanent or structural and temporary work sharing.

Working time reductions in the engineering industry together with the strong demand for products of the German export industry were the main drivers for the introduction of flexible work schedules and the increase in operating hours.

Working hours especially of women are substantially influenced by the conservative German welfare state. The welfare state is setting strong financial incentives for the spouse (mainly women) to work short hours or to stay at home. These incentives channelled the increasing number of women who were looking for work into marginal part-time work. In spite of a strong increase of the female employment rate their share in the total volume of paid work only rose slightly. Remarkable are the differences between East- and West-German women. East-German women were brought up in a socialist welfare state supporting work life balance by public child-care provision and all-day school. In addition social security entitlements and taxes were individualized. This legacy still influences working time patterns and preferences of East-German women. With the unification Germany did not use the historical chance to reform the out-dated West-German welfare by taking over the more future-proofed elements from the East-German family model. At present first steps to reform the welfare state are finally taken since women less and less accept the old system and also because birth rates went down substantially.

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## Annexe:

Table 5. Average agreed hours in Europe 2006

	A. Usual weekly working hours	B. Yearly gross working hours (A × 52)	C. Vacation entitlements in days per years	D. Public holidays	E. C + D	F. Yearly working hours (B–E)
LV	40.0	2080.0	20.0	7	216.0	1864.0
HU	40.0	2080.0	20.0	8	224.0	1856.0
PL	40.0	2080.0	20.0	10	240.0	1840.0
SI	40.0	2080.0	20.0	11	248.0	1832.0
LT	40.0	2080.0	20.0	13	264.0	1816.0
EL	40.0	2080.0	23.0	10	264.0	1816.0
IE	39.0	2028.0	20.0	9	226.2	1801.8
ES	38.5	2002.0	22.0	12	261.8	1740.2
BE	37.6	1955.2	20.0	10	225.6	1729.6
CY	38.0	1976.0	20.0	13	250.8	1725.2
CZ	38.0	1976.0	25.0	9	258.4	1717.6
PT	38.2	1986.0	24.5	12	278.9	1707.5
NL	37.5	1950.0	25.6	7	244.5	1707.5
UK	37.3	1939.6	24.6	8	243.2	1696.4
NO	37.5	1950.0	25.0	9	255.0	1695.0
FI	37.5	1950.0	25.0	10	262.5	1687.5
IT	38.0	1976.0	28.0	11	296.4	1679.6
DE	37.7	1960.0	30.0	10	301.6	1658.8
DK	37.0	1924.0	30.0	8	281.2	1642.8
SE	37.8	1965.6	33.0	10	325.1	1631.7
FR	35.0	1820.0	25.0	11	252.0	1568.0

Source: EIRO, 2006.