



Business Trends

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HOW SHORT THE WORK WEEK?

Labor Day statements last week by several prominent trade union leaders drew renewed attention to organized labor's demand for the 35-hour work week. While it is not intended here to pass judgment on the merits of this highly controversial proposal, a summary of the arguments supporting and opposing the plan may be in order.

The campaign for a 35-hour standard work week was officially launched in August of last year when the Executive Council of the AFL-CIO urged all affiliated unions to seek the shorter work week both at the bargaining table and through legislation. This action came eight months after a local union of electricians in Greater New York, in a case attracting wide publicity, had struck for a reduction in its work week from 30 to 20 hours and accepted a contract which provided for 25 regular hours plus five mandatory overtime hours per week.

Organized labor's struggle for shorter hours has a long history. In the days when a work week of 50 or even 60 hours was the rule, the effort was aimed at gaining more leisure for working people in order to humanize their lives. By contrast, the current demand for shorter hours has a strictly economic basis - devoid of any claim that 40 hours per week, or less in the case of some industries and occupations, is burdensome - and is being offered as a remedy against a persistent high

level of unemployment, because, as the president of the AFL-CIO stated at the time, "nothing else has been done to meet the problem".

The loss in employment opportunities caused by technological advances, and the need for new jobs to absorb the rising number of new job seekers, have alerted the country to the urgency of developing additional employment. The sponsors of the shorter work week hope that their proposal of "a shorter work period without a reduction in take-home pay" will serve to combat unemployment by diminishing the need for further layoffs and, more important, by opening up additional jobs which would not otherwise be available.

Their argument, briefly, runs as follows. A cut in the work week will make it necessary to hire additional workers to replace the loss in total output of goods and services caused by the reduced input of manhours. For example, a cut in the 40-hour week by one hour would, in broad averages, cause a 2.5% reduction in output and require a replacement in the work force at the rate of 1 million new for every 40 million existing full-time jobs. Adding the earnings of the one million replacement workers to the undiminished earnings of the 40 million already at work would constitute an increase in aggregate consumer spending

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power. As a result, consumer demand would be strengthened and employment further stimulated.

Proponents of the shorter work week are, of course, aware that replacement jobs will not develop immediately in certain types of industries or in small enterprises and may be altogether impractical in some cases because of skill shortages. Yet they contend that even at a replacement rate of less than one for every forty jobs per one-hour reduction, the effect of additional employment on the economy would be beneficial and consumer demand would eventually be bolstered to a point where more employers would hire more workers to meet rising demands for their products.

Critics deny that the proposed reduction in hours would necessarily generate additional employment, as employers might find it less expensive to pay overtime rates to their present work force than to increase its size and pay the costs of hiring and break-in, in addition to fringe benefits which increase on a per-capita rather than a per-hour basis. Their main argument is focused upon the increase in labor costs that will result if 35 hours of work earn the same amount of wages formerly paid for 40 hours. Such an indirect wage increase, equal to 14 percent and greatly in excess of the average annual rise in productivity, would exert a strong upward push on prices. An inflationary rise in the price level, they assert, would nullify the expected increase in consumer spending power. It would also harm our competitive position in international trade, causing fewer exports and possibly more imports, and thus jeopardize employment in the industries affected.

Opponents of the shorter work week reject the belief expressed by its sponsors that the effects of rising labor costs would be greatly lessened by economies which a larger volume of production due to growing consumer demand would make possible. They assert, instead, that the higher labor costs would most likely lead to an accelerated pace of substituting machinery for human labor which would defeat the very purpose of the proposed shorter work week.

The 35-hour work week has been discouraged as untimely by spokesmen for the government and has not played an important role in contract negotiations during the past twelve months. A modified version of the proposal, in the form of an extended vacation plan involving a much smaller reduction in total hours, has made its appearance in the contract recently signed by eleven major steel producers and the Steelworkers Union. Under that plan, the senior half of the hourly-rated workers in steel mills will be eligible for a 13-week paid vacation every five years, instead of their regular 3 or 4 weeks. These "sabbatical" vacation periods, uniformly scheduled over the entire year, will have the effect of reducing the present level of the work force by 2.5 percent as a different group of eligible workers each calendar quarter will take a 13-week vacation. This will create a need for at least 15,000 replacement workers according to union estimates, with the number expected to grow as the steelworkers' organization intends to sell the plan throughout its entire jurisdiction. With the recent acceptance of a similar extended vacation agreement by the country's five largest aluminum producers and the initial adoption of the plan in the can industry last year, the union seems well on its way.

A cut in the length of the work year has the same effect on total manhours and output as a reduction in the number of hours per week. For example, the added vacation of 9 or 10 weeks per year for one-fifth of the eligible employees under the steel industry's extended vacation plan is equivalent to a cut of about one hour per week for the industry's entire hourly-rated work force. It should be interesting, therefore, to watch whether the arguments presented in the debate of the proposed 35-hour week will be borne out as the extended vacation plans become effective next January.

It is not known at this time whether future contract demands involving a reduction in work time will be focused upon a reduction in the work week or whether the shorter work year - specially suited for industries where around-the-clock operations make the retention of a basic 8-hour day seem desirable - will become a pattern for other industries.