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EUROPEAN BUSINESS NEWS

Working Hard or Hardly Working?

By JENNIFER STERLING
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Europeans are getting worked up over working hours. Whereas Americans pride themselves on their high productivity and income, Europeans traditionally place a strong value on their leisure time. But growing global competition is forcing Europe to rethink this philosophy.



Illustration: K. Wilberding

gained in quality of life from generous free time often is offset by lower income and higher unemployment.

"The low labor utilization rates that we see in Europe are not mainly due so much to a preference for leisure but reflect policies that essentially condone paid leisure, policies which effectively made it cheaper and more attractive for people not to work than to work. This can no longer be afforded and needs to be reversed," said Michael Deppler, director of the International Monetary Fund's European department and mission chief to the euro area.

Here's a look at the numbers that illustrate the divide between the European and American workweeks – and the pressures felt in France, Germany and the U.K. to narrow the gap.

Quality of Life: Time Is Money

To Europeans, a generous amount of vacation and holiday time ranks up there with the *droits de l'homme*. Nodding to this sacrosanct ideology, the European Union Directive grants Europeans a minimum four-week stretch of paid leave. And many European countries exceed that minimum in their national legislation and collective agreements.



France, for example, enjoys a statutory minimum of 25 paid vacation days. Add in holidays, and the total can push the number above six weeks. In the U.S., there is no statutory minimum for vacation days or holidays. Paid time off is a matter of agreement between an employer and an employee, and on average is significantly lower than in Europe.

On the flipside, the French pay for their plentiful time off in lower annual income. "The French have 30% less income than the Americans, but correspondingly more time free for spending with their families or on holiday travel," said Paul Swaim, an economist at the Organization for Economic Cooperation and Development. He adds that American workers may be paying a significant price in diminished life quality due to the number of long hours logged in certain occupations and the "24/7 economy."

Productivity: Can Fewer Work Hours Equal Higher GDP?

European countries often are chastised for low economic growth and productivity compared with the U.S. The American economy grew 3.1% in 2003, compared with 0.5% growth in France.

The European Central Bank showed that annual productivity growth in the euro zone has slowed since the mid-1980s, dropping to 0.9% between 1996 and 2003, from 1.9% in the 1980s. At the same time, the productivity gap grew between the euro zone and the U.S. However, productivity levels per hour in France, Germany and the U.K. are nearly equal to those in the U.S. In comparing 2002 GDP-per-hour levels in the four countries with the U.S. fixed at a base of 100, France tops the list at 103, Germany comes in at 101 and the U.K. bottoms out at 79.



Some economists say because French workers put in overall less time, they perform better than workers in other countries. The problem thus is not lack of productivity, but the amount of hours worked.

In August, the International Monetary Fund reprimanded the European Union, saying more focus needs to be put on the use of labor to maintain Europe's competitiveness in a globalized world.

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WORKWEEK AVERAGES

- See the workweek numbers in the [table](#)⁰ below and [download the data](#)¹.
- [Read more information](#)² on how the figures in the charts and table were calculated.

European workers may find it easier than their American counterparts to get on-the-job training. See advice for advancing your career through training programs, in [Go Figure](#)³.

GDP PER PERSON EMPLOYED

As a percentage of U.S., 2002

France	88%
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Source: OECD

euro area, said: "Productivity is not Europe's problem. The productivity levels per hour in Europe are basically on a par with those of the United States, and there is no lag there. The real lag is in terms of use of labor, and that's where the catch-up needs to be."

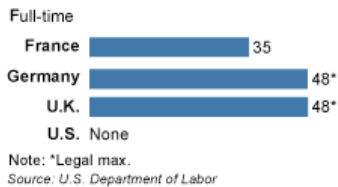
Michael Deppler, director of the IMF's European department and mission chief to the



The U.S.: Mind Your Own Business

The U.S. workweek is virtually unregulated compared with EU countries. There generally are no federal limits to the amount of hours worked and there is no statutory minimum of paid holidays or time off. Broad guidelines are provided by the Fair Labor Standards Act, which mandates overtime pay for work beyond 40 hours a week at a minimum of time and a half of regular pay.

WEEKLY HOURS BY REGULATION



Compared with Europe, unions in the U.S. play a much smaller role in the work force. In 2003, only 13% of wage and salary workers were union members, compared with an OECD country average of 34%. It's mostly up to employers to determine work schedules. Annual hours per worker in the U.S. stood at 1,792, compared with 1,431 in France.

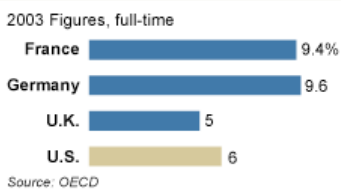
Unlike their European counterparts, the U.S. doesn't oblige employers to pay workers for holidays and vacations. A 2003 Bureau of Labor Statistics survey found 21% of all workers in the private sector didn't have paid holidays or vacation.

In August, the government introduced the FairPay initiative that dictates that workers earning less than \$23,660 a year, or \$455 a week, are guaranteed overtime protection. The government says this initiative will strengthen the overtime rights of 6.7 million workers, including 1.3 million low-wage workers. The rules also change the definition of some workers' titles, meaning that chefs, athletic trainers and embalmers, for example, now are exempt from overtime.

France: Will the 35-Hour Workweek Survive?

In 1998, France cut the workweek to 35 from 39 hours for most workers. Despite the reduction, the same weekly wages were maintained at the insistence of unions, which are a powerful force in the labor market. France's direct collective-bargaining coverage stands at 90%, compared with 36% in the U.K. In effect, the goal behind the legislation was to create jobs. But instead of lowering unemployment, the jobless rate actually increased, from a seasonally adjusted 9.1% in 2000 -- when the law went into effect for most employees -- to 9.4% in July 2004.

UNEMPLOYMENT RATES



Concerns about lower economic growth also emerged, and the law continues to cause sharp divides between workers, unions and policy makers. Many workers are dissatisfied with the situation as higher labor costs have led employers to freeze wages. In many cases these workers are compensated for overtime with extra vacation days instead of more pay. Amid public outcry and strikes, the government is now trying to add flexibility to the law.

In July, French President Jacques Chirac said he favored reforming the workweek to make it easier for workers wanting to earn more money to work longer hours. The current law requires employers to pay up to 50% more for extra hours. Meanwhile, workers at a Robert Bosch plant in France voted to work an additional hour each week for no extra pay after the German tool and car-parts maker

threatened layoffs and the outsourcing of a production line to the Czech Republic.

Germany: Unions Strike Out, Employers Fight Back

Nowhere does the clash between generous labor laws, driven by powerful unions, and the need to stay competitive appear more evident than in Germany. Workers took to the streets on a weekly basis this past summer, protesting moves by the government to push through stringent labor reforms to strengthen the economy after a decade-long slump. Germany's two main parties have been punished by the general labor discontent in regional elections, which saw far-right groups and ex-communists gain votes instead.

Big companies, meanwhile, have forced employees to take concessions in the form of longer hours or wage freezes under the threat of moving jobs abroad to cut high labor costs. Labor costs are roughly \$33 an hour in the manufacturing sector, compared with \$22 in the U.S. In June, engineering giant Siemens reached a landmark agreement with unions to extend work hours at its German mobile-phone facilities to 40 hours a week, instead of the 35 typical for much of the industry, to keep jobs from moving to lower-wage Hungary.

Germany has a legally set work limit of 48 hours a week, but 68% of workers are covered by sectoral agreements that mandate shorter weeks. In the auto manufacturing sector, for example, weekly work hours equaled 36.1 hours in 2003.

Union coverage declined by over one-quarter between 1980 to 2000 to a current level of 25%. In addition, unions are increasingly losing fights with companies, signaling a change in the power dynamic between German employers and workers. The pioneer of the 35-hour week in western Germany, the German Metalworkers' Union, last year failed to extend the statute to eastern Germany in the steel industry. Even after four weeks of strikes, the existing 38-hour week was upheld, marking the union's first defeat in a major dispute since the 1950s.

In November, the Finance Ministry announced plans to scrap a public holiday, as the country struggles to meet EU budget rules in 2005. Finance Minister Hans Eichel said the country's public finances are in a "dramatically difficult" state and Germany "needs to work more." But the government dropped its plan after it met strong opposition, with some labeling the move unpatriotic. The idea was to change the Oct. 3 Reunification Day, which is currently a public holiday, to the first Sunday in October. The government had hoped one extra working day would boost economic growth by 0.1 percentage point.

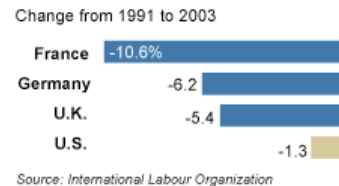
The U.K.: Longer Hours at a Price

The U.K. braved the recent global economic slowdown better than most of its European peers. Unemployment stood at 4.7% in May 2004, compared with a European Union average of 8.1% and 5.6% in the U.S. But the economic performance came at a price for British workers. Annual hours per worker in the U.K. stood at 1,673, about 100 hours above the EU average.

ANNUAL HOURS

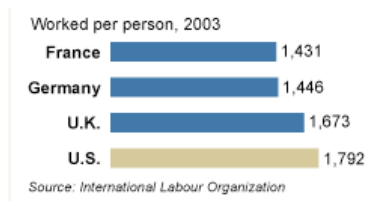
The country is the only EU member where weekly working hours have increased over the last decade. In an April 2003 U.K. government study, 16% of U.K. workers said they work more than

ANNUAL HOURS WORKED PER PERSON



ACTUAL WEEKLY HOURS WORKED





48 hours a week.

Longer hours may be beneficial if they translate into higher pay and better living standards. But an OECD analysis showed longer hours are also associated with greater perceived conflict between job and family responsibilities, as are working hours that are unpredictable and work schedules that require being on the job outside of normal working hours [e.g. nights or weekends].

The U.K. has some of the least strict employment protection laws among OECD countries, which makes it easier for less-skilled job seekers to find employment but also results in a lower level of overall job security.

Country	Weekly Working Hours		Annual Working Hours		Productivity		Quality of Life	
	Hours by Regulation	Actual Average Hours	Hours Worked per Person	Hours Worked per Person, change from 1991 to 2003	GDP per Hour Worked as % of U.S.	GDP per Person Employed as % of U.S.	Statutory Minimum Annual Paid Leave	Unemployment Rates, Full-Time
FRANCE	35	37.7	1431	-10.6%	103	88	25	9.4%
GERMANY	Legal max. 48	39.9	1446	-6.2%	101	80	20	9.6%
U.K.	Legal max. 48	43.3	1673	-5.4%	79	74	20	5%
U.S.	No legal max.	42.9	1792	-1.3%	100	100	0	6%

[Read more information](#)⁴ on how the figures in the charts and table were calculated.

Sources: U.S. Department of Labor; Bureau of Labor Statistics; Organization for Economic Cooperation and Development; European Central Bank; International Monetary Fund; U.S. Department of State, European Industrial Relations Observatory; Associated Press; International Labour Organization; Eurostat; WSJ reports

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