

WORK TIME REDUCTION

in the

NOVA SCOTIA CIVIL SERVICE

Recommendations to the N.S. Government and Public Sector
Unions based on Successful Work Time Reduction Experiments in
Europe and North America

Prepared by

GPIAtlantic

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Halifax, Nova Scotia
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EXECUTIVE SUMMARY

In the course of its research on the hours of work, GPI Atlantic has reviewed dozens of case studies, policy and statistical analyses, surveys, and productivity reviews of work time reduction in Europe and North America. The evidence demonstrates clearly that, if implemented well, voluntary work time reductions in the Nova Scotia civil service can produce very substantial cost savings for government and taxpayers, save jobs, and benefit employees at the same time.

Historical evidence also indicates definitively that work time reduction is a vastly superior alternative to layoffs in saving taxpayers' money, because it:

- *Avoids* substantial additional direct costs in employment insurance, social assistance, lost production, a reduced tax base, and severance payments; and major indirect costs;
- *Retains* valued skills in the public sector, and therefore better public service delivery;
- *Improves* workplace morale, industrial relations and job security, compared to layoffs;
- *Reduces* stress, absenteeism, lateness, turnover, fatigue, and errors, compared to overwork;
- *Increases* voluntary leisure and personal opportunities, rather than forced leisure through unemployment;
- *Improves* work-family balance and quality of life, rather than the stress on families caused by both layoffs and overwork

Voluntary work time reductions are also superior to imposed, mandatory reductions, as legislated, for example, by the NDP government in Ontario in 1993. Successful execution of voluntary work time reductions depends on:

- Cooperation between government, union, and managerial/supervisory staff;
- A collective bargaining process based on a framework accord establishing common principles and a joint commitment to cut costs and protect employee interests;
- Including managers and supervisors in the process from the start, and extending work time reduction options to management as well;
- Decentralized implementation by union-management committees at the work unit level to match employee needs with service and output requirements; and
- A gradual, phased introduction allowing ample time for education, planning and adjustment.

Voluntary take-up rates by civil servants can be greatly increased by:

- Offering a wide range of work time reduction options, including reduced work weeks, shorter work days, job-sharing, additional days off or unpaid vacation, banking time off for extended educational and personal leaves or sabbaticals, phased retirement, and taking all overtime as "time off in lieu";

- Financial incentives that make pay cuts less than proportional to the reduction in work hours, and thus increase hourly pay and reward shorter hours. This can be achieved by returning to employees the combined savings of employment insurance, social assistance, and severance payments avoided by preventing layoffs. This brief recommends negotiations with the federal government to ensure that E.I. savings from layoffs avoided are returned to the province under work-sharing provisions.
- Guaranteeing that voluntary short-hour workers will have equal opportunity for career advancement and training, and not prejudice pay levels, benefits, or seniority;
- Guaranteeing that layoffs will be averted if government cost savings are achieved;
- Guaranteeing that voluntary choice of short hours is not permanent, and that movement between shorter and longer hours is possible after an agreed time period;
- Offering training for personnel transfers between programs cut and those retained.

The potential definitely exists for a successful and cooperative voluntary reduction of work hours in the Nova Scotia civil service that will not only produce significant cost savings, but establish the Nova Scotia government as a model employer and example of good practices that will be studied and emulated by other jurisdictions.

Initial Recommendations:

Each section of the brief that follows contains specific and detailed recommendations. However, the following five initial steps can be taken without delay to establish the basic framework and process of work time reductions on a sound footing:

- 1) A commitment to offer civil servants voluntary work time reduction options for one trial year before resorting to mandatory measures or layoffs, in order to explore the depth of cost savings that can be achieved, and to assess progress in attaining government targets;
- 2) An overture to the public sector unions to join cooperatively in this endeavour;
- 3) Explicit acknowledgement of the concerns and workloads of managers and supervisors, and an announced intention to include them in the process from the start;
- 4) Creation of a steering committee / strategic planning team including representatives of government, union, managers, and neutral parties, to report to ministers and deputies; and to draft both a basic accord outlining principles, constraints, goals and objectives, and a communications plan that will ensure cooperation, trust and respect;
- 5) Financial calculations (with Statistics Division, Finance Department) on:
 - a) targeted job hour cuts necessary to meet cost savings targets;
 - b) avoided E.I., welfare, and severance costs by averting layoffs;
 - c) effects of pay cuts and alternative work reduction options on actual take-home (after tax) pay of civil servants;
 - d) costing of alternative financial incentive schemes.

These and other statistics will provide a solid information basis for future discussions to ensure that negotiations take place in the framework of a common reality.

1. Layoffs or Shorter Work Time?

Cost savings in Canada have generally been achieved through layoffs, both in the public and private sectors, rather than through work sharing. However, there is growing recognition that layoffs carry heavy direct costs to the taxpayer in employment insurance, welfare costs, lost productivity, and a reduced tax base. Unemployment is also highly correlated with increased health costs, family breakup, child abuse and neglect, crime and delinquency. Severance payments, buy-outs, and early retirement packages can also be very costly to employers, and to the taxpayer when government is the employer.

A detailed statistical analysis in 1994 estimated that unemployment was costing the Canadian economy \$109 billion a year, 15.5% of GDP, or nearly \$4,000 annually per capita in direct costs alone.² This calculation does not include indirect costs in health, justice, education and other expenditures, which have been estimated to add an additional \$1,000 annually per capita. Each additional 1% of unemployment costs Canadians \$14.2 billion, or \$514 per capita in direct costs. Any potential cost saving achieved by the Nova Scotia government through civil service layoffs would have to be balanced by these additional costs to the economy.

In addition (and not included in the calculations above), layoffs produce subtle costs in the workplace due to loss of skills, knowledge and experience, and the expense of replacement training. Downsizings have sometimes decimated the capacities of organizations, as valuable employees are lost. A strategy that avoids layoffs can help the Nova Scotia government maintain the skills of public servants to ensure more efficient service delivery and save expensive retraining costs.

At the other end of the spectrum, overwork is highly correlated with stress and poor health, and is also costly. A recent Japanese medical study found that the unemployed and the overworked had similar stress levels and were at equal risk of heart attack. Increased interest in work time reduction in Canada is, therefore, due as much to rising stress levels and the need to improve family-work balance among the overworked, as to concern to prevent layoffs and save money.

Canadian households now work longer hours than they did 100 years ago when both paid and unpaid work hours are counted. In 1900, one breadwinner worked an average 58.5 hours a week for pay, and one homemaker worked 56 unpaid hours, for a total of 114 hours per week per family. Today, 70% of families are dual earners, working an average

² Diane Mellemare and Lise Poulin-Simon, *What is the Real Cost of Unemployment in Canada?* 1994. The authors applied methods developed by economist Arthur M. Okun in the United States and used by the U.S. Economic Advisors Committee in its annual report to the President calculating lost production due to unemployment.

of 78.5 hours a week for pay. If they have children, these couples put in an additional 56 hours a week in unpaid household work, according to Statistics Canada, for a total of 134 hours of work each week per family.

Working mothers are the most time-stressed demographic group, putting in 11 1/4 hours a day of paid and unpaid work on weekdays and an additional 15 hours of unpaid work on weekends. Sixty-two percent of Canadian mothers with infants (0-2 years old) are in the work force today compared with just 25% thirty years ago. A Statistics Canada study reports that "one out of three full-time employed mothers suffered from extreme levels of time stress" and fully 70% "felt rushed on a daily basis." Rising stress levels are reflected in the increased incidence of heart disease among women.

Time use surveys indicate that parents are spending less time than ever with their children, and that women have seen an absolute loss in their free time over the last 30 years. Workplace structure and schedules have not yet adjusted to a doubling of women's labour force participation in the last three decades, but still reflect an earlier era in which there was just one breadwinner and one homemaker. For all these reasons, there is renewed interest in work reduction strategies that can reduce stress and health costs, increase family and personal time, reduce the struggle to juggle work and household responsibilities, and improve the balance and quality of working people's lives.

Shorter work time has also been advocated for environmental reasons. Vancouver City's engineering department estimated that its four-day week saved 700 extra vehicle trips and 17,500 kilometres of auto travel per day, reducing air pollutants by 1,240 tonnes annually. It is also recognized that increased consumption is the primary cause of natural resource depletion, pollution, and greenhouse gas emissions. Taking productivity gains in the form of free time rather than higher wages has been advocated as a way of reducing the human impact on the environment.

In sum, a reduction in working time is now recognized as vastly superior to layoffs as a way of saving taxpayers' money because it:

- Avoids major additional direct costs in employment insurance, social assistance, lost production, a reduced tax base, and severance payments; and major indirect costs.
- Retains valued skills in the public sector, and therefore better public service delivery;
- Improves morale, industrial relations and job security, compared to layoffs;
- Reduces absenteeism, lateness, turnover, fatigue, and errors, compared to overwork;
- Increases voluntary leisure and personal opportunities rather than forced leisure through unemployment, and thus reduces stress and improves the quality of life;
- Improves work-family balance, rather than devastation of families, including the higher rates of family breakup and child abuse/neglect that are correlated with both layoffs and excess work stress;
- Can reduce traffic congestion and pollution, and help protect the environment.

2. Shorter Work Time in Europe and Canada: Lessons for Nova Scotia

Work time reduction has been widely and successfully used in Europe in recent years as a strategy to save and create jobs, to improve work-family balance and the quality of life, and to achieve significant cost savings to government. For example:

- France estimates that it has saved or created 118,433 jobs due to work time reduction in the first 14 months of its 35-hour week law.
- The Netherlands reduced its unemployment rate from 12% in 1982 to 3.2% today largely through work time reduction, and now has the lowest annual hours of work in any industrialized country.
- Work reduction in Germany is credited with saving or creating one million jobs in 10 years. A 1993 agreement at Volkswagen, for example, saved 30,000 jobs by reducing weekly work hours from 36 to 28.8 with pay cuts of 11%-15%.
- The Belgian government created jobs by offering civil servants a 20% cut in work hours at 90% of their former pay. If new jobs had not been created, the Belgian government would have recognized significant cost savings from the work reduction.
- Denmark, with 5.5% unemployment and the second lowest annual work hours of any industrialized country, has reduced work hours to improve the balance between family and work life and enable parents to spend more time with their children. Time use surveys show Danes have 11 more hours of free time weekly than Canadians.
- Shorter work time has been demonstrated to improve productivity through reduced absenteeism and lateness (doctors' visits and errands are scheduled in time off rather than work time), lower turnover, retention of skills, a reduction of fatigue and costly errors, and improved employee morale and industrial relations.

Canada has far less experience than Europe with work reduction strategies, but there have been modest policy initiatives taken in British Columbia (health and forestry sectors; Vancouver City Hall); Quebec (tax credits and subsidies for firms creating jobs through work time reduction); Ontario ("Rae Days"); and Manitoba ("Filmon Fridays"). Some of these experiments have been more successful than others.

In the private sector, Chrysler created 800 new jobs in Windsor by reducing work hours; the Communications, Energy and Paperworkers Union has negotiated work reduction agreements to save and create jobs in the rubber and paper industries; La Presse newspaper in Montreal has a 32-hour week; Alcan in Jonquiere, Quebec, reduced annual work hours to save jobs; the Royal Bank has a highly successful job-sharing program and optional reduced hours; Air Canada and Canadian Airlines allow older employees to reduce their hours and draw a portion of their pensions by phasing into retirement; and there are several other instructive examples.

3. Six Key Elements of Successful Work Time Reduction Strategies

In the course of its research on the hours of work and the potential for job creation and improved work-family balance, GPI Atlantic has examined dozens of case studies of shorter work time and flexible work arrangements in Europe and North America, in both the public and private sectors. From both successful and unsuccessful experiments, it is possible to draw several important lessons that are directly relevant to the Nova Scotia experience. If well implemented, there is no doubt that work time reduction can produce major cost savings for the Nova Scotia government *and* improve the well-being and family lives of civil servants at the same time. Nova Scotia could become a model employer, with high employee morale and good industrial relations, an example emulated by other jurisdictions.

The work time reduction experiments that have worked best successfully balance six key elements: consensus and cooperation among the partners; legislation; financial incentives; collective bargaining; a range of voluntary individualized options; and gradual, phased implementation allowing time for education and adaptation.

(i) Consensus and Cooperation

Experience demonstrates clearly that a cooperative, consensual relationship among the partners is key to successful work time reduction. By contrast, mandated public sector reductions, imposed in a confrontational, adversarial environment, as attempted by the NDP government in Ontario in 1993, can backfire badly. A broad initial accord between government, union, and management can benefit the entire society as well as the partners. Such an accord can create a framework of trust, enunciate a common set of goals and objectives, and announce an intention to work together cooperatively.

It is critically important that this initial accord frame negotiations within the context of the actual constraints faced by government, union members and management. Union representatives must recognize that government is determined to cut costs and reduce the deficit, and that lower debt levels ultimately benefit all Nova Scotians. Therefore, work time reduction options are not being compared to "business as usual" scenarios, but to the very real threat of layoffs. Union representatives may undertake to arouse a sense of solidarity among their members to make some personal sacrifices in order to protect the jobs of their colleagues. In other words, these are not "normal" times, and the reality of the present circumstances should be explicitly recognized and acknowledged in the initial accord.

At the same time, government representatives must recognize that civil servants are justly concerned about job insecurity and pay cuts, and that income loss may affect some civil

servants disproportionately. Equally explicit in the initial accord, therefore, can be government concern for the well-being of its civil servants, and a stated determination to cut costs in ways that will protect their interests and create the least harm.

Certainly the more voluntary the work time reduction program, and the wider the range of options available to civil servants, the more individual employee needs are likely to be met. The initial accord might express government willingness to consider and address security issues like possible guarantees against layoffs for a specified period provided that reduction targets are achieved with union cooperation. In addition government might guarantee that training and career advancement opportunities are not impeded for employees choosing part-time work or shorter hours.

Some initial assurances and acknowledgements along these lines from both sides can establish a very positive and cooperative framework for negotiations, recognize the constraints faced by the partners, and address the well-being of Nova Scotian society as a whole. It is important that the accord and framework not focus entirely on cuts, costs, negatives, and dire circumstances. It should be emphasized that positive quality of life gains may result for employees from shorter work hours, including more time with children and family, less stress, more relaxation, time to undertake personal projects, trips, education, community work, and so on.³

Beyond an initial framework accord outlining basic principles and objectives, a clear communications plan can establish rules of procedure; set targets, timelines, and guidelines for negotiations; and determine how to overcome roadblocks as they arise. It is vital that all interested parties have input and feel they are being heard, and that there are no unwanted surprises in the actual implementation of the agreements reached. A steering committee consisting of both the principal stakeholders and neutral parties is a key element both in forging the initial accord, and in keeping the process on track.

a) Working with the Unions

The success of work time reduction in the Netherlands is due largely to a context of tripartite consensus between government, labour and business. Unions have voluntarily agreed to salary moderation and reduced work hours in exchange for guarantees of job security and job creation. Former Christian Democrat (conservative) Dutch Prime Minister, Ruud Lubbers, describes the emergence of a new social consensus in Holland:

³ There are some very helpful sources here. NSGEU leaders, for example, may wish to distribute to their members a summary of the study prepared by the Communications, Energy and Paperworkers Union of Canada, entitled *More Jobs, More Fun: Shorter Hours of Work in the CEP*, that examines the potential benefits of shorter work hours from the perspective of employees, and examines four concrete case studies where the union has successfully negotiated work time reduction.

The Dutch are not aiming to maximize gross national product per capita. Rather we are seeking to attain a high quality of life, a just, participatory and sustainable society that is cohesive.... Thus, while the Dutch economy is very efficient per working hour, the number of working hours per citizen is rather limited.... We like it that way. Needless to say, there is more room for all those important aspects of our lives that are not part of our jobs, for which we are not paid, and for which there is never enough time.

A similar consensus exists in Denmark, where labour representatives have frequently bargained for more free time rather than more money, a movement supported by the 100,000-strong federation of female labourers, the KAD. According to one representative,

I'm satisfied with my salary. We have enough to live on without problem. And if I got more money, that would mean paying more taxes.

According to the European Industrial Relations Observatory,

More free time and time off to spend with children are at the top of the Danish agenda.

Elsewhere in Europe, labour unions that have long advocated shorter work time without loss in pay have shown that they are open to work reduction with some income loss *provided* this preserves jobs in difficult economic conditions. The French Democratic Labour Confederation (CFDT), the powerful German metalworkers' union, IG Metall, and the main German public sector union, OTV, have all been willing to consider pay reductions for those with above-average incomes in exchange for saving jobs through work time reduction.

In short, work time reduction has been most successful when implemented in a context and atmosphere of cooperation between management and labour. The European experience demonstrates that unions can be on side even when there is some income loss. As noted, IG Metall, Germany's largest union, accepted pay losses of 11% - 15% in its agreement with Volkswagen to save 30,000 jobs by reducing the work week by 20%. And successful implementation of the French 35-hour week has depended on the cooperation of the CFDT, which has endorsed several work reduction accords involving pay loss or wage freezes.

Where unions have actually been part of the initiative, shorter work hours have been particularly successful. In Canada, the Communications, Energy and Paperworkers Union has led the way, negotiating successful work time reduction agreements in exchange for job preservation at Polysar Rubber Company (now Bayer) in Sarnia, Ontario; Abitibi-Consolidated paper mill in Shawinigan, Quebec; SaskTel in Saskatchewan; and other places. The Quebec government's 1996 economy and

employment summit also produced a consensus that included the creation and preservation of jobs through work time reduction.

Since the Nova Scotia government's initiative to reduce civil service work hours is linked to a fundamental restructuring of government, a helpful Canadian model may be the restructuring agreement in the British Columbia health sector. Union cooperation in that case produced a successful collaborative work time reduction process linked to restructuring.

The importance of working cooperatively with the unions can also be demonstrated by an unsuccessful example of work time reduction -- the mandatory unpaid days off imposed by the NDP government in Ontario in 1993 against bitter union opposition. In fact, the "Rae Days" were so divisive and the climate so confrontational that this non-cooperative approach contributed directly to the defeat of the NDP government in the next election. Similarly unions vigorously opposed the mandatory, unpaid "Filmon Fridays" in Manitoba, also because they violated existing collective agreements.

b) Working with Managers and Supervisors

Experience shows clearly that it is just as important to secure the cooperation of managers and supervisors in successfully implementing work reduction strategies as it is to work with unions. In practice, work reduction and flexible workplace strategies have encountered the most resistance from managers and supervisors, who fear their already stressed lives will become even more complicated juggling new and varied schedules, and absorbing the extra work themselves.

According to Statistics Canada, managers report some of the longest unpaid overtime hours and highest levels of time stress of any occupation. A work reduction strategy that ignores this reality and applies only to lower-level workers can breed resentment and increase inequity and the polarization of hours. Since managers and supervisors are at higher pay scales, government can also achieve significant cost savings by including them in any work reduction strategy.

Implementing work time reduction and new schedules through joint management-union committees at the workplace, as discussed in section (iv) below, can accommodate the concerns of supervisors as well as employees, and thus ease the transition process. A decentralized implementation of work reduction strategies is most likely to identify specific overwork blockages and provide the means to ease work stress and adjust service outputs and expectations realistically in accordance with the needs and abilities of both union members and managerial and supervisory staff.

In addition, this is one area where expert outside consultation can be very helpful. For example, an Ontario consulting firm called Work-Life Harmony Enterprises, headed by Nora Spinks, specializes in assisting managers and supervisors to adjust to flexible and reduced work schedules. Such expert assistance could be very helpful in easing the transition to the new work schedules. Also, France has recently extended its 35-hour law to apply to managers, and thus provides a wealth of case studies on workload reductions for higher-level employees.

Any government initiative for shorter work time will therefore be most successful if it includes managers and supervisors in the process from the start. To the extent that stress reduction, improved work-family balance, increased personal and family time, and other quality of life considerations are an explicit goal of work time reduction, these objectives surely apply to all working people, including managers and supervisors. It would clearly be counter-productive to intensify the polarization of hours by increasing managerial workloads while reducing work time for union members.

It is best to address these concerns of managers and supervisors explicitly from the outset. If their concerns are openly acknowledged and addressed, there will be a far more cooperative atmosphere than if all attention focuses solely on government-union negotiations. The right climate can initially be created simply by stating that the reduction of overwork and stress levels among managers and supervisors is part of the equation in the government's work reduction strategy.

If existing workloads are excessive and appear to make work reduction impossible for managers and supervisors, it is likely that a reduction of managerial work hours and concomitant responsibilities will open the way for promotions and career advancement opportunities as part of the effort to share the work.

Recommendation: In Nova Scotia, three basic steps could create the right atmosphere for work time reduction in the civil service:

- a) An overture to the NSGEU and other affected unions, explaining the government's resolve to cut costs and reduce the debt, and inviting hands-on cooperation to achieve government targets. Government can publicly announce its intention to implement shorter work time in ways that reduce costs to union members, and to explore arrangements that can create real benefit in improving employees' lives. It is to everyone's advantage that the next round of collective bargaining is approaching, and that agreements on work reduction can be incorporated directly into the next accord.
- b) An announced intention to include managers and supervisors in the work reduction strategy, and to address their concerns at every stage of the implementation.

- c) Tremendous public support could be garnered for the government's cost-cutting and work reduction efforts in the civil service if managers, directors, deputy ministers and ministers were all willing to take pay cuts proportional to those expected of union members in their departments. Nothing could better forge consensus or create a better public atmosphere for work and pay cuts and cost savings than such a willingness to lead by example.

(ii) Legislation

As noted above, there is as much to learn from unsuccessful work time reduction efforts as from successful ones. The major flaw in the Ontario and Manitoba governments' attempts to reduce public-sector wage costs through unpaid days off, was their decision to take this action through legislation that reopened existing collective agreements, a move bitterly resented by the public sector unions. Where legislation has been used as a heavy-handed instrument to impose shorter work hours against employee resistance, it has often back-fired and led to increased costs in lost productivity due to poor morale, higher absenteeism, and confrontational industrial relations.

Yet legislation has its place in a successful work time reduction strategy. Again, the Dutch have created the best model, by phrasing legislation in terms of employee rights rather than imposed demands, providing added protections and guarantees of job security for short-hours workers.

The Premier of Nova Scotia has stated that shorter work time in the civil service would be voluntary. The main concern of employees in availing themselves of this opportunity will certainly be a loss of wages, benefits, seniority, security, and career advancement opportunities. Part-time work in Canada is usually feared as providing poorer hourly pay, few if any fringe benefits, and low job security. Part-time workers are often the first fired at a time of layoffs. In addition, employees will fear that managers may see a voluntary choice of fewer hours as signifying less commitment and loyalty to the work, thus imperilling career advancement and training opportunities.

Legislation, properly phrased, can play a key role in allaying these fears and encouraging a higher rate of voluntary take-up of work reduction options. Legislation in the Netherlands prohibits discrimination against part-timers and guarantees short-hours workers equal hourly pay, pro-rated benefits, and equal opportunities for promotion and career advancement. Unlike the high and rising rate of *involuntary* part-time work to which we are accustomed here, almost all part-time work in Holland is *voluntary*, even though that country has the highest rate of part-time work of any industrialized country (37%). A 1996 survey found that only 6% of Dutch part-timers would prefer a full-time job, compared to more than one-third here. Unlike North America, part-time jobs in the Netherlands are regarded as "good jobs" that encourage family-work balance.

Recommendation: Nova Scotia legislation on the Dutch model -- guaranteeing equal hourly pay, pro-rated benefits, and equal opportunities for job advancement for short hours workers -- would be welcomed by the public sector unions, thus contributing to a good bargaining atmosphere. It would also ensure a high rate of voluntary take-up of work reduction options offered by the government, thus increasing overall cost savings and providing a powerful model for other jurisdictions. If this legislation is not possible at this stage, the same guarantees can be entrenched within the collective agreement.

(iii) Financial Incentives

Any pay cut that is less than proportional to the reduction in work hours effectively operates as a financial incentive that can dramatically increase the rate of voluntary take-up among employees. In other words, a less than proportional pay cut effectively raises the *hourly* wage rate for short-time workers, even though their total weekly pay is reduced. By offering such an incentive to short hours workers, the additional "full-time" hours are literally worth less in monetary terms than their value in free time.

As mentioned above, Belgium offered civil servants the right to reduce their weekly work hours by 20%, at 90% of their former pay, a model that can achieve significant cost savings by dramatically increasing the rate of voluntary take-up. Twenty Finnish municipalities offered similar incentives for public sector employees who reduced their daily work hours to six instead of eight. Volkswagen, as noted, reduced weekly work hours by 20%, from 36 to 28.8, with an 11% - 15% cut in pay depending on job category, thus saving 30,000 jobs.

In France financial incentives for work reduction have been paid directly by government to firms in the form of payroll tax cuts, which are then passed on to employees in the form of reduced pay cuts. The logic is quite simply that savings to the public purse through reduced unemployment and welfare costs can be returned to firms and employees in the form of financial incentives to reduce hours and thus save and create more jobs.

Among 1,500 French work time reduction agreements achieved under the 1996 Robien Law, (named after the conservative legislator who sponsored it,) payroll tax reductions enabled 44% of accords to be achieved without pay loss; 18% with a temporary salary freeze; 37% with a less than proportional loss in pay; and only 1% with a proportional pay cut. For example, the publicly owned French electric and gas utility, EDF-GDF, offered employees a voluntary 32-hour work option for 37 hours of pay, thus reversing several years of job cuts averaging about 2,000 layoffs a year, and creating new jobs.

Belgium and Italy have taken similar initiatives that have encouraged a high rate of voluntary take-up of work reduction options. In 1994 the government of Quebec began

providing a \$4,000 subsidy for each job saved through reducing work time. The 1996 Quebec Summit on the Economy and Employment also announced a \$1,200 tax credit for each job created through a voluntary work time reduction program.

There are several European examples of work reduction pay cuts negotiated according to wage and salary level, so that marginal rates differ according to income level, just as income taxes do. Eurocopter, the largest helicopter manufacturer in Europe reduced work hours by 10% with pay cuts on a sliding scale to protect low-income earners. The president of Germany's largest union, IG-Metall, recently proposed a 32-hour week, with lower-income earners receiving a higher proportion of wage compensation for the cut in hours. He argued that one-third of the overall cut, on average, be absorbed by employees, one-third by employers (based on studies demonstrating higher hourly productivity with shorter hours), and one-third by government, based on employment insurance and welfare costs saved through job preservation and creation. The French government also protected low income earners by stipulating in legislation that minimum wage earners were protected against any pay loss through a reduction in working hours.

In Canada, the December 1994 report of the Federal Advisory Group on Working Time and the Distribution of Work concluded from a review of existing evidence that a 10% reduction in working time would produce a 5% increase in productivity (output per hour). Shorter hours have been shown to reduce absenteeism, lateness, turnover, fatigue and costly errors, and to improve morale and industrial relations. This increase in productivity can also be returned to employees in the form of financial incentives to reduce work hours voluntarily.

Work time reduction produces another direct financial saving to government in avoided severance pay costs. Buy-outs, retirement incentives, and layoffs can be hugely expensive with no gain to the public. Less than a year ago, for example, CN Rail announced that the layoff of 3,000 workers would cost the company \$590 million in severance and administrative costs. The Nova Scotia government could channel some of the savings from avoided severance costs into work reduction incentives.

From the point of view of employees, the real issue is not changes in gross pay but in take-home pay. The existing progressive tax system already ensures a natural premium on free time over wage increases. Thus, a 20% reduction in work hours accompanied by a 12% or 13% reduction in pay might result in a 10% cut in take-home pay, due to lower marginal tax rates. The Finance Department could calculate the exact effect on take-home pay for employees at different salary levels, so they are well informed of the real impact of work reduction on their pay cheques.

In addition calculations can be made to help employees factor in savings due to reduced work costs, such as commuting, child care, and eating out. When combined with the income tax premium described above and modest financial incentives, employees may find the actual financial loss from work time reduction is considerably less than anticipated.

An instructive case is the 1994 reduction of work hours at Bell Canada, taken to avoid 5,000 anticipated layoffs. Bell technicians initially vigorously opposed the move to a four-day 36-hour week that involved a 5% pay cut for a two-hour weekly reduction in hours, and an additional 2% pay cut for five unpaid leave days. But once the new schedule was in place, it became very popular. The technicians found that the loss of the two hours pay amounted to only about \$30 per week after tax. Workers so enjoyed their three-day weekends that, four months later, 80% voted to stay with the four-day week at reduced pay when they were offered the chance to go back to five days at full pay. The benefits of free time and the cost savings from work reduction were not immediately apparent to employees in the initial negotiations, but the actual experience of shorter work time quickly transformed opposition into whole-hearted support for the reduced work schedule.

A final point on pay adjustments: Statistics Canada surveys on work reduction have found a higher percentage of employees willing to trade time off for future pay increases than are willing to take current pay cuts. In conditions of high consumer debt, it is difficult for many employees to envision reducing current household expenditures. They can more easily envision foregoing future expenditures. One issue for discussion in the collective bargaining process is, therefore, the degree to which work reduction results in immediate pay cuts or can be taken in wage freezes or agreements on future salary moderation. The latter has been the preferred option in the Netherlands where unions have accepted wage and salary moderation in exchange for work reduction that creates and preserves jobs.

Recommendation: Payroll tax cuts, subsidies, tax credits, and less than proportional pay cuts have all been used successfully to promote voluntary reductions in work hours. Final salary arrangements can be left to the collective bargaining process (see below), but the government can improve the negotiating atmosphere dramatically by announcing its willingness to consider financial incentives to encourage voluntary work time reduction. As in any economy of scale, the Nova Scotia government will likely achieve a significantly greater cost savings with a higher rate of voluntary take-up based on financial incentives, than at a lower take-up rate based on strictly proportional pay and work-time cuts.

Certain constraints limit the range of options to the Nova Scotia government:

- 1) As direct employer, tax credits and subsidies are not appropriate incentive tools. Work time reduction in the Belgian civil service, with less than proportionate pay cuts, is probably the most appropriate model for Nova Scotia.
- 2) Only some of the savings from avoided layoff costs accrue to the provincial government in avoided welfare and severance pay costs. The savings in employment insurance benefits accrue to the federal government. It is therefore advisable for the Nova Scotia government to negotiate with the federal government for a reimbursement equal to the savings that will accrue to the E.I. benefits fund by adopting work time reduction instead of layoffs. It will be easy to calculate the number of layoffs avoided through work time reduction. Given the massive \$21 billion E.I. fund surplus, it should certainly be possible to return the projected savings to the province from that source.

Though current legislation under the "developmental uses" (work-sharing) section of the Employment Insurance Act is restricted to temporary work time reductions, the work-sharing program has been used in the past as a temporary device to support the short-run transition to a permanently smaller workforce. Including the Nova Scotia civil service work reductions in this program could be a zero-cost pilot project for the federal government, as it is simply based on returning the E.I. savings realized from choosing a work reduction path rather than layoffs.⁴

Certainly simple justice demands that the federal government, with substantial budget surpluses and a massive E.I. surplus, not be the principle beneficiary and receive the major payoff from an enlightened decision to avoid layoffs by a provincial government with a severe budget deficit. There is no doubt that the Nova Scotia public would strongly support a tough negotiating stance by the Nova Scotia government on this issue, specially since Nova Scotians will be asked to make substantial sacrifices.

Since E.I. savings have been the main tool used by European governments to provide financial incentives to promote voluntary acceptance of work time reduction, the federal government should similarly help to ease the transition to shorter work time in Nova Scotia. Certainly Canada's federal structure must not become an impediment to the preservation of jobs in Nova Scotia.

⁴ Dr. Frank Reid, Director, Centre of Industrial Relations, University of Toronto, has unparalleled expertise in this area, and should certainly be consulted prior to opening negotiations with the federal government on this issue. Dr. Reid's forthcoming book, *Worksharing and Working Time Issues in Canada*, chapter 4, describes the E.I. worksharing provisions in detail.

Assuming these negotiations are successful, the combined employment insurance, welfare, and severance savings can then be used to provide the necessary financial incentives for significant voluntary work time reduction. Since the inclusion of E.I. savings in the financial incentive package directly benefits employees, the unions have every reason to support the provincial government vigorously, through their national parent organizations, in its negotiations with the federal government on this issue. It is another cause for alliance between employer and employee.

- 3) It should be left to the unions to determine whether wage compensation should be proportional to income level, as in the Eurocopter case mentioned above. Government need only assess the total amount available for financial incentives.
- 4) Lack of accurate information can be a severe impediment to wise decision-making. Therefore, the Department of Finance should calculate the impact of work reduction pay cuts on take-home pay (after tax) for employees at different salary levels, and the anticipated savings from avoided E.I., welfare, and severance pay costs. GPI Atlantic can assist in calculating indirect unemployment costs as well as employee savings in avoided work costs. This information is necessary to assist in calculating the potential size of financial incentives the government can offer at no net cost, and will ground negotiations with the unions in a common reality.

(iv) Collective Bargaining

Successful work time reductions have almost always been implemented through collective agreements. Where legislation has been used to impose mandatory shorter work time, as in the case of Ontario's "Rae Days," it is likely to be resisted and resented. Collective bargaining is the appropriate tool to determine salaries and pay adjustments, the range of short work time options offered to employees, the conditions under which they are taken, guarantees on both sides, and the duration of shorter work time schedules. In short, the details and the framework for implementation are best worked out in direct negotiations between the government and the unions.

In Germany, significant work reduction, estimated to have saved or created a million jobs in ten years, has taken place entirely without legislation and solely through collective bargaining. The Netherlands, Europe's most successful model of work time reduction, has used legislation primarily to expand the rights of short-time workers rather than to set targets or impose conditions. Initiatives for work time reduction are left to employers and unions.

Based on an analysis of existing case studies, two issues appear that are of primary importance in the collective bargaining process:

a) Decentralized implementation: Joint management-union work unit committees.

First, the evidence clearly shows that decentralized implementation is generally far more successful than across-the-board decisions that apply to an entire work force. French legislation for a 35-hour week set target dates and broad parameters, but wisely left all details to the collective bargaining process, including wages and the form in which work reduction is taken. Negotiations take place at the workplace in accordance with the particular needs and requirements of each work unit. In short collective bargaining will have to begin at the level of union leadership and government, but should filter down to the level of the work unit in actual implementation of schedules and work reduction options.

Some of the most successful cases of work reduction have instituted management-union committees at the work unit level to match the particular needs of employees with the service and output requirements of the work unit. Work reduction fails badly when shorter hours produce an increased workload, work speed-up, or added stress on employees who are expected to produce the same in less time. Further, solutions that may work in a bureaucratic office job may be completely inappropriate to a front-line service agency. A four-day week may work well in some settings, but severely disrupt service provision in others. A work unit with particular deadlines may prefer to give accumulated time off during slack periods rather than a shorter work week during busy times. Decentralized implementation by management-union committees at the work unit level can better determine appropriate work reduction strategies than any across-the-board policy.

In addition, different groups of employees have different needs in adjusting to work reduction. One unit may have a higher proportion of single mothers with particular needs, while another may have an all-male staff with very different needs. One unit may consist largely of entry-level workers with low salaries for whom any cut in pay may pose serious hardship, while another consists of higher-income employees who may welcome trading pay for leisure.

Across-the-board solutions that fail to account for these particular needs and service requirements will likely create more problems than they solve. At the level of the work unit, however, there is an acute understanding of what it takes to "get the job done," of ways in which output and services can be trimmed to minimize negative impacts on clients, and of the particular personal needs and work pressures of employees. One very successful work reduction strategy gave work units a window of several months to come

up with their own implementation system and methods, and allowed them to "come on board" as soon as they were ready.

As noted above, a decentralized implementation of work reduction strategies is also most likely to identify specific overwork blockages at the managerial and supervisory level. Joint management-union committees can therefore provide the means to ease work stress and adjust service outputs and expectations realistically in accordance with the needs and abilities of *both* union members *and* managerial and supervisory staff.

b) Job Security Guarantees

A second major challenge of collective bargaining is the provision of guarantees that will encourage a high rate of voluntary take-up by employees. We have already mentioned guarantees of equal treatment for short-time workers, best embodied in enabling legislation on the Dutch model. However, there are two additional types of guarantees that are best embodied in collective agreements:

(i) Guarantees against Layoffs

In return for union cooperation in achieving stated government targets for work reduction and cost savings, employees' most important concern will be job security. Unions will want guarantees against layoffs for the duration of the collective agreement as the fundamental trade-off for agreeing to work and pay cuts. This guarantee has been a critical element in securing employee cooperation in work reduction agreements both in Canada and in Europe. At Bell Canada, at the Kamloops Daily News (B.C.), at Volkswagen in Germany, and in many other work places, agreements for reduced hours were dependent on no-layoff guarantees. One analysis of the 1994 Bell Canada four-day week describes the trade-off bluntly:

Despite the negative feelings about the 'forced four-day week', the technicians voted 70 percent in favour of the agreement, because it guaranteed that there would be no lay-offs.

The importance of this guarantee is supported by survey evidence. Surveys in Quebec and Finland found that majorities of workers were willing to take significant pay cuts along with reduced work hours *if* this saved or created jobs. The percentage of affirmative respondents was more than twice as high when the question was posed in this way than in surveys in which workers were simply asked whether they would be willing to take pay cuts in exchange for shorter work hours.

In other words, the rate of voluntary take-up of work reduction will be considerably higher when workers know they are protecting their own and colleagues' jobs, and they will be willing to sacrifice more in return for that guarantee. In addition, such guarantees

will make it much easier for the union leadership to sell any agreement to its own membership. Needless to say, such guarantees can be contingent on the actual rate of take-up matching government work reduction and cost saving targets.

Part of a non-layoff guarantee can be training for transfers within the civil service in accordance with specified program cuts. It is highly unlikely that service and program cuts will be uniform throughout the Nova Scotia civil service. The Premier's Task Force may well recommend significant cuts in some areas and the retention of essential services in other areas. In the latter case, work time reduction may produce shortages and service interruptions unless the shorter work hours are compensated by additional hiring. A collective agreement can specify that priority be given to workers displaced by program cuts in other departments.

In other words, a fundamental restructuring of government combined with work time reduction and a guarantee against layoffs will necessitate significant personnel transfers. In a well-managed transition, the total work reduction in the civil service will match the quantity of program cuts. If these changes are introduced gradually over a three-year period, there should be adequate time to make the necessary adjustments and provide the necessary training for these transfers.

There are several ways to address this sensitive issue in the collective bargaining negotiations:

a) Ideally both sides would agree to rely on voluntary work time reductions in the first year, to ascertain the depth of cost savings that can be achieved without coercion. In this scenario the union would be on side, actively explaining and promoting alternative work reduction options to its members as ways of averting layoffs. It could be a trial year, with ongoing monitoring and evaluation by the joint union-management committees. Mandatory collective reductions could be specified as a second-year option in the event that voluntary work time reduction was not meeting deficit reduction targets. In this case a one-year no-layoff guarantee would be reviewed after 12 months in light of actual work time reduction achieved.

In such a voluntary trial year, definite targets and outputs should be specified, both in terms of cost savings and work time reduction. Ongoing monitoring of results, and a year-end review and evaluation can assess achievements very concretely, and chart future directions based on actual information.

b) Alternatively there could be a no layoff guarantee that is not absolute, but contingent on certain work time reduction targets being met through voluntary means.

c) Alternatively again, the guarantee might simply be that for each full-time equivalent work reduction achieved against a specified target, the government will guarantee one job retained.

d) Government and union negotiators may agree on collective work time reductions, as happened both at Volkswagen in Germany and at Bell Canada, rather than individualized, voluntary reductions. This will be a harder sell for the union, as some of its members may find pay cuts a severe hardship that will propel them more deeply into debt. A collective work time reduction agreement in which government and unions agree that everyone will work x% less time for y% less pay (or with a wage freeze for a specified amount of time) is, in effect, "semi-mandatory." From the perspective of individual employees, it is certainly not voluntary. But it is also far more cooperative than a legislated imposition in violation of collective agreements, as occurred in Ontario and Manitoba. From the government perspective a collective reduction provides a more predictable assurance of the cost savings it needs, and therefore may make a no-layoff guarantee more feasible.

e) Ideally, there could be combination of both collective work time reductions and individual choices as to the quantity, type and timing of a range of shorter work time options. Such combinations have been successfully negotiated in the Netherlands and in several French accords, as in the EDF-GDF agreement at France's publicly-owned electric and gas utility. In this scenario, a modest collective reduction of work time, with protections for low-income earners, could guarantee government certain cost savings, and also provide individual employees with a range of voluntary options if they want to go further. For example, employees nearing retirement and mothers returning to work after maternity leave may very well be willing to work half-time, and thus take on a significantly greater work time reduction than that negotiated collectively.

These scenarios simply illustrate the wide range of alternative options available to the government and union which could include some form of guarantee against layoffs, either for a trial year *or* for the duration of the collective agreement. It is certainly not for the authors to specify which alternative is best, but simply to provide information that will be grist for the mill in the collective bargaining process.

ii) Duration of Commitment

Secondly, civil servants will hesitate to reduce their work hours voluntarily if they fear they will be locked into short hours and reduced pay permanently. Family and financial circumstances change, and employees need to know that they have the option to switch back to full-time hours if the need arises. At the same time, management requires some stability and cannot have continuous switching of schedules. Therefore any good collective agreement will specify the duration of employees' commitment to shorter work time. A year is probably a reasonable time period.

After the specified duration, a collective agreement can specify that employees have the option to change their work schedules. The evidence indicates that most workers are initially unaccustomed to the notion of reduced work time and uncertain about the value of leisure time, largely because consumer values have become so dominant and labour relations since the second world war have focused almost entirely on wage issues rather than work reduction.

However actual experiences with reduced work time at Bell Canada, Polysar Rubber, Abitibi paper mill, SaskTel, the Kamloops Daily News, and several other work places in Canada show clearly that experience quickly convinces workers of the benefits of increased leisure and family time, and converts initial suspicion of work time reduction into strong support. A recent York University masters thesis found that even the highly resented "Rae Days" of the Ontario NDP government were much appreciated by many workers when they were actually experienced. Interviews with Ontario civil servants quoted in the thesis typically produced comments such as this:

For me, the impact of the money reduction was nothing compared to the freedom I got with those extra nine days off.

In short it is realistic to expect that during the first year, workers who hesitated to avail themselves of work reduction options voluntarily will learn from the experience of their colleagues who are appreciating the additional time off, engaging in personal projects, taking three-day weekends, and spending more time with their families, children and friends. It is quite likely that the rate of voluntary take-up will increase in the second year, even while some employees with pressing financial needs may decide to return to full-time hours. In any case, the ability to switch between full-time and short-hours schedules after a specified period is a critical guarantee that allows experience to act as the best teacher, and that can produce a much higher rate of voluntary take-up than a permanent commitment to shorter hours.

This guarantee on duration is clearly linked to the no-layoff guarantee discussed above. It is likely that no-layoff guarantees will be contingent on a specified level of government cost savings being achieved through work time reduction, and will therefore depend on an equal or greater level of voluntary reductions in subsequent years when employees have the choice to make switches.

Recommendations:

- 1) Details of reduced work time schedules, options, salary adjustments, conditions, and guarantees are best left to the collective bargaining process rather than legislated.
- 2) Decentralized implementation is most successful with management-union committees at the work place matching employee needs with service and output requirements, and ensuring that reduced work time does not increase workload and stress.
- 3) Though collective agreements apply to union members, it is highly advisable to extend work time reduction under similar conditions to managers and supervisors.
- 4) It is advisable to bring in an experienced professional to work with managers and supervisors in adjusting to flexible and reduced work schedules and easing workplace transitions.
- 5) Collective agreements can increase the rate of voluntary take-up of short work time options by providing guarantees against layoffs if government targets are met, and by offering training for internal transfers from cut programs to departments where essential services must be maintained with reduced work hours.
- 6) Collective agreements should specify the length of voluntary commitment to shorter work hours and allow for shifts between short and long hours after that period.

(v) Range of Voluntary Individualized Options

The Netherlands has achieved its dramatic employment gains through work time reduction largely by making available a wide range of voluntary options that suit different employee needs. Indeed the wider the range of voluntary options, the greater the rate of take-up and the more cooperative the industrial relations atmosphere are likely to be. Employee choice is generally three-fold:

- a) how much time off to take;
- b) how and in what form the time off is taken; and
- c) when it is taken.

Employee financial and family circumstances differ widely, and options and preferences that are highly suitable for one individual may be entirely unsuitable for another. For example, a young entry-level employee with a low salary, a new family and a new mortgage may find even the smallest pay cut a significant hardship that immediately increases indebtedness. A middle-aged employee with a higher salary may have seen children recently leave home, have reduced household expenditures, and be eager to trade income for more time off.

Mothers with infants returning from parental leave may welcome a half-time job-sharing arrangement. Another employee may wish to return to school part-time, while another would welcome long weekends to take trips. Older workers may wish to phase in to

retirement by reducing their work hours. Some parents may wish to match their work schedules to the school schedules of children, and save on child-care expenses. In short, the wider the range of options offered, the more interest employees will have in reducing their work schedules, and the greater the potential cost savings that government can achieve.

The European and North American case studies demonstrate a wide range of work reduction options that can save jobs, save taxpayer dollars and significantly improve the lives of employees. These include:

- a) The *right to work part-time* instead of full-time, with equal hourly pay, pro-rated benefits, and no loss of seniority or opportunity for promotion and career advancement, as in most collective agreements in the Netherlands.
- b) *Job-sharing*, in which one existing job is shared between two employees, each working half a week, half a day, or alternative weeks. Mothers with young children often opt for this arrangement. Some California municipalities have highly successful job-sharing arrangements, as does the City of Winnipeg and the Royal Bank in Canada. The current Nova Scotia job-sharing option in the civil service has few takers because it is extraordinarily difficult for employees to make the necessary arrangements. However a computer bank of willing job sharers, advice from the Royal Bank, and existing *Job Sharing Handbooks* can all help make job sharing a much more viable option for Nova Scotia civil servants than it currently is.
- c) A *four-day week*, as mentioned by the Premier, offers employees a three-day weekend and saves commuting costs.
- d) Some employees may prefer a *shorter work day* (six hours) to match their children's school schedules better, to be available when their children come home, to allow easier drop-offs and pick-ups, and to commute during non-rush hours.
- e) Additional *days off* during the year can be useful to attend to personal business, care for sick family members, take short training courses, or take trips.
- f) *Additional unpaid vacation* can allow parents to spend the school holidays with their children, and to save higher child care costs when school is not in session. A very successful program in Albany, New York, hired university students desperate for summer work to replace government clerical workers on unpaid summer vacation leave, thus saving the government considerable money because the students were paid less.

- g) Some employees may wish to "bank" their additional time off to take a longer *sabbatical* or *educational leave* a few years hence with guaranteed re-entry to the work force at the same level and rate of pay. Denmark and Sweden both have excellent legislation on leaves, and the Netherlands now has as a "career breaks" law, allowing extended time off for family, educational or personal reasons. A Canadian model is the Ontario teachers' "four-in-five" option which gives them the choice of working four years out of five, taking the fifth as a sabbatical and receiving 80% pay throughout. In other words, this would achieve the same cost saving for the Nova Scotia government as a four-day week, but provide a potentially attractive alternative option for employees that could increase the rate of voluntary take-up.
- h) Older employees may opt to take their time off in the form of *phased retirement*, gradually decreasing their hours over a number of years. The Scandinavian countries have taken the lead in this area, and are excellent models. This is often far more beneficial to the employee than the sudden transition from full-time work to enforced leisure, allowing a gradual habituation to the increased leisure time. For government, it also allows a gradual transfer of the potential retiree's experience and expertise, rather than creating a sudden void and an expensive and steep learning curve for the replacement. The NSGEU pension scheme already ensures that there is no loss of benefits as a result of phased retirement, because it is based on the "five best years" of salary rather than the "five last years," as is the case with some pension schemes. Many agreements also enable employees to draw a portion of their pension as they reduce work hours and phase in to retirement.
- i) Work time reductions can be most successful when coupled with *flextime* and other *flexible work arrangements*. This not only enables employees to coordinate work, family and school schedules, but also ensures that service hours to the public are maintained and even improved in the process. It is therefore important to present work time reduction in the context of "family friendly work arrangements." GPI Atlantic last year prepared for the N.S. Department of Transportation a full-cost accounting analysis of the potential savings of telecommuting over commuting.
- j) All overtime could be taken as "*time off in lieu*" instead of as overtime pay.

How much work reduction can this range of voluntary options achieve?

In fact, the potential for cost savings from voluntary reduction alone is enormous. Dr. Frank Reid, director of the Centre for Industrial Relations, University of Toronto, has meticulously analyzed the results of Statistics Canada's 1985 Survey on Work Reduction and found that even a limited range of voluntary work reduction options accompanied by *proportional* pay cuts can create the equivalent of an 8.3% increase in full-time

equivalent jobs. In the Nova Scotia circumstances that is equivalent to an 8.3% cut in the size of the civil service in just the first year.

This should be seen as conservative lower-bound estimate because respondents were only asked if they would be willing to trade a *proportional* pay cut or future pay increase for more time off. Financial incentives, and a *less* than proportional pay cut would clearly increase the percentage of positive answers substantially. Furthermore, surveys linking voluntary work time reduction to the preservation or creation of jobs more than double the rate of positive responses.

In short, the survey results clearly demonstrate the potential for very significant cost savings through voluntary work reduction alone and without the need for mandatory measures. It is not unrealistic to estimate that the rate of voluntary work time reduction and cost savings could approach 15% - 20% in the first year if financial incentives, a wider range of options, and guarantees against layoffs were part of the package.

Recommendations: *The most important recommendation in this brief is that the Nova Scotia government give voluntary options a chance. It is always possible to keep the mandatory stick in a back pocket, and there is nothing lost by experimenting to see how deep the cuts achievable through voluntary work reductions can be. The industrial relations atmosphere, employee morale, and workplace productivity can be very positively affected by adopting the voluntary option first. In addition, it is recommended that as wide a range of work reduction options as possible be offered. The wider the range, the higher the rate of take-up by employees will be.*

This recommendation is also in line with the December 1994 report of the Federal Advisory Group on Working Time that recommended:

The Advisory Group favours a voluntary and negotiated approach to work-time reduction in both the private and public sectors. Indeed, members strongly oppose imposition by governments of compulsory work-sharing arrangements. (page 52).

(vi) Timing and Education

The case studies demonstrate quite clearly that successful work reduction strategies are carefully and gradually introduced after a sufficient period of education of both employees and managers. Hasty and uninformed implementation can be disastrous and backfire, producing unanticipated and unnecessary costs. Bell Canada's four-day week was precipitously introduced and poorly implemented. Days off were assigned on Bell's busiest days, producing a need for costly overtime, and ill-conceived schedules lowered productivity and wasted valuable time. Not surprisingly, management decided to rescind

the new work schedule after a year over the opposition of employees who had become attached to their three-day weekends.

By contrast, workplaces that have allowed for employee information sessions, work unit discussions, time for managers to adjust schedules, and educational packages explaining clearly the impact of alternative work reduction schedules on take-home pay, have made the transition very successfully to the benefit of both employers and employees. The Finance Department can help with essential calculations and the preparation of materials. Statistics Canada has also designed charts and tables enabling employees to calculate potential pay cuts from shorter work time.

As mentioned, numerous case studies demonstrate that employees generally appreciate work time reduction once they have tried it, even though many are initially suspicious and anxious about it. There are cases in Canada, as at Bell, the Kamloops Daily News, and the Abitibi paper mill, where employees on short work time did not want to return to full-time work and salaries when offered the chance to do so, and other cases where short work time proved so popular that workers negotiated for further reductions later. An HRDC survey found that workers were more favourable to work time reduction at the end of the questionnaire than at the beginning, simply from having absorbed the information contained in the survey and familiarized themselves with the concept.

All the evidence therefore suggests that education is a critical ingredient in successful work time reduction programs, so that the range of options is fully explained and understood. Planning, consultation, adjustment of schedules and computer payroll programs also takes time. If the Nova Scotia government plans its changes as a fundamental long-term restructuring of government rather than a short-term measure to ease a temporary financial crunch, then taking the time to introduce the new system properly is particularly important.

In addition, there are experts in Canada with many years experience in analyzing, implementing and consulting on work time reduction. It is worth seeking their advice to carry out the transition well. Again, introducing work reduction options without haste will allow such consultations to happen properly. GPI Atlantic has been in touch with many of these experts in the last year, and will be glad to identify them and provide contact information to N.S. government officials.

Recommendation: Allowing time for consultations with these experts, for information and education of employees and managers, for proper planning, and for careful adjustment of work schedules, will save government far more money than introducing the reductions hastily and without adequate information.

4) Conclusion

Implemented well, voluntary work time reduction can produce very significant cost savings for the Nova Scotia government and taxpayers, prevent layoffs and save jobs, and provide real benefits to employees. Successful implementation depends on achieving the correct balance between six critical elements: consensus and cooperation, legislation, financial incentives, collective bargaining, a range of voluntary individualized options, and good timing. The potential definitely exists for the Nova Scotia government to become a model employer and example of good practices that will be studied and emulated by other jurisdictions.

5) Next Steps

Four immediate steps would help get the process of work reduction started successfully and create an excellent atmosphere for negotiations. Initial statements of principle are all that is necessary, with implementation details left to the collective bargaining process.

The four first steps are:

- a) An overture to the public sector unions to join the government in this initiative and to work cooperatively for the benefit of the public and employees alike;
- b) A public announcement that the government is willing to explore voluntary work reduction options before resorting to mandatory measures or layoffs;
- c) The initial public announcement would make clear that the interests and concerns of managerial and supervisory staff will be addressed as part of the strategy to ensure that work time and stress reduction objectives apply to all levels of government.
- d) Set up a small strategic planning team / steering committee, including representatives from the N.S. government and the public sector unions, a member to represent the interests of managerial and supervisory staff, and neutral parties, with some funds and power to set up special work groups or activities as needed. The team might report to a small group of Ministers and Deputy Ministers.

Among its first tasks, this steering committee can draft a framework accord acknowledging the constraints of all parties and their principal concerns, establishing broad principles, goals and objectives, and determining to work cooperatively both to cut costs and protect employee interests. This committee will also draft a basic communications plan to establish procedures for communication, resolution of difficulties, and methods for overcoming roadblocks in order to maintain trust and cooperation.

Information Base:

While these initial steps are taking place, a first priority should be to request the Statistics Division, Department of Finance, to undertake a series of calculations that will provide a solid information basis and common reality for future discussions. GPI Atlantic is willing to work with that division to construct the necessary materials:

Hard data needed include:

- 1) Calculations of the number of job hours that will have to be reduced to meet government cost-cutting targets each year for the next three years, figuring in expected rates of attrition. Calculations should be made for different rates of voluntary take-up and according to different depths of work time reduction. Phased calculations can anticipate the higher rates of voluntary take-up that might be required in future years.
- 2) Cost savings that would be realized by avoided E.I. and welfare costs for every layoff averted and every job saved. This information will be necessary for negotiations with the federal government in providing rebates to the province for E.I. benefit costs saved. In addition, GPI Atlantic can assist in making estimates for indirect costs of unemployment on health care, family breakup, and justice expenditures.
- 3) Calculation of effects of different levels of pay cuts on take-home (after-tax) pay, according to marginal tax rates and according to different levels of proportionality between work reduction and pay reduction. Employees should have tables to enable them to calculate the impact of work time reduction on real income. Thus, an x% cut in pay at a salary of \$y would reduce take home pay by \$z.
- 4) Calculation of the costs of work, including average employee expenses for commuting, child care and eating out.
- 5) Calculations can be made to explore various incentive schemes that reduce financial hardship and increase the rate of employee take-up and government savings, including a) increases in hourly pay in proportion to the depth of cuts or number of reduced hours volunteered; b) a sliding scale of pay cuts proportional to salary level and in accordance with the marginal tax rate structure, to protect low-income earners.
- 6) Estimates of severance pay saved by avoiding buy-outs, retirement incentives, and other schemes to reduce the work force.
- 7) Savings that can be achieved by converting all overtime to time off in lieu.
- 8) Following the Statistics Canada Survey on Work Reduction, calculating a series of cost options for employees to calculate the effect of alternative work reduction options on time off and pay.

Appendix 1: Some Experts on Work-Time Reduction in Canada

- Anders Hayden, Toronto, who has studied the European experience extensively, and is author of a new book (to be published later this year) on shorter work time.
- Dr. Frank Reid, Director, Centre for Industrial Relations, University of Toronto, who has studied the potential for job creation from work reduction intensively for 15 years, and has authored a new book (to be published in 2000) on work-sharing in Canada.
- Dr. Arthur Donner, economist and chair of two major advisory groups on work time reduction, for the Ontario and Federal governments.
- Nora Spinks, consultant and president, Work-Life Harmony Enterprises, Toronto, who has several years experience advising managers and supervisors on adjusting to shorter work time schedules.
- Bruce O'Hara, British Columbia, author of two books on short work time, consultant on shorter work schedules, and founder of *Work Well*, Canada's first work option resource centre advising on voluntary arrangements to reduce work time. Mr. O'Hara has prepared a proposal on work time reduction for the B.C. civil service.
- Tom Walker, British Columbia, who has experience in constructing cost-benefit spreadsheets to assess impacts of work reduction on after-tax pay levels, payroll taxes, and productivity.
- Mike McCracken, president of Informetrica consultants, who constructed detailed tables for the Federal Advisory Group on Working Time, on the effects of work time reduction on employment, GDP, disposable income, government revenues, productivity, wage rates and leisure time.
- Julie White, researcher and author of a study of the impact of shorter work time in four industrial sectors in Canada.

