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Four-Day Work Week? No Longer in Keeping with the Times

Debates about the number of working days per week are nothing unusual in Germany. In the 1950s, the six-day week was the norm until the unions pushed through the reduction of working hours with the slogan “On Saturday, daddy belongs to me.” After many decades in which the five-day week was the norm, Germany and other countries are now intensively discussing the introduction of a four-day week.

The discussion about a blanket four-day week is astonishing in that the labor market has changed dramatically. Working conditions have become much more flexible, part-time work and working from home are booming, and most employers offer a variety of working time models. The fact is that anyone who wants to reduce their weekly working hours to four days, and accepts the resulting loss of income, can already do so today if their employer agrees.

Shorter Working Time= More Productivity?

However, many advocates of a four-day week insist on full wage compensation, and this is where things get economically tricky: cutting working hours by one-fifth while keeping monthly wages unchanged would be equivalent to raising hourly wages by 25 percent. For companies, this would be financially viable only if the productivity of employees were to increase by the same amount – in other words if they were to accomplish in four days what they currently do in five.

Can it work? Studies show that people’s performance usually drops significantly on days when they work longer than eight hours. Those who work extremely long hours may be putting their health at risk.

However, working fewer hours per day is different from having a day off. The associated gain in free time may also have positive effects on life satisfaction. For industrial companies, much will depend on whether they can ensure that their production facilities remain consistently utilized. This will mean hiring more workers should a four-day week become the norm. However, it is likely to be the exception rather than the rule for overall output not to fall if a working day is eliminated.

Macroeconomic Consequences of a Four-Day Week

In an economy like Germany’s, where the workforce is becoming increasingly scarce due to demographic change, it seems absurd to also shorten working hours. But there is also a counter-effect: today, it is often the case among couples with children that one parent works full-time and the other part-time to be able to look after the children. The transition to a four-day week for full-time employees could result in childcare and housework being distrib-

uted more equally and the partner who has worked only part-time so far working more. This would, as a positive side effect, promote equality between men and women. On balance, however, the four-day week is likely to lead to a lower labor supply and thus also to lower economic output.

Moreover, the enjoyment of free time can also be understood as a consumer good that generates utility and thus prosperity. If people opt for a life with more free time and less consumption of goods and services, this is neither economically wrong nor irrational – and yet it is a macroeconomic problem. After all, people who earn money by working and spend it as consumers contribute to financing the government budget and social security funds through taxes and duties. Those who enjoy their leisure time do not.

Impact on Social Insurance Budgets

Because of the pay-as-you-go financing of pension insurance, falling labor incomes as a result of the four-day week would also require a drop in pensions. The consumption sacrifice accepted by employees would have to be forcibly transferred to pensioners, who would not benefit from more free time. There are similar problems with health and long-term care insurance. It is hardly possible to provide adequate care for the growing number of older people when revenues are falling.

Fortunately, our social market economy is not an economic system in which all employees have to be lumped together and told how long they should work. Modern companies and their employees are now flexible enough to arrange working hours in a way that suits both sides.

However, policymakers and collective bargaining partners should shape the framework conditions in such a way that strengthens incentives for employment. This includes promoting part-time work less and full-time work more in the area of basic income. It also includes further expanding childcare, reforming the taxation of spouses, and limiting public spending so that there is scope to reduce taxes and contributions on wages. Last but not least, labor shortages can also be alleviated through higher wages. Those who instead pursue the four-day week are heading in the wrong direction.

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