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**Working Paper**

## New approaches to working time policy in Germany: The 28,8 hour working week at Volkswagen Company

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# **New Approaches to Working Time Policy in Germany: The 28,8 Hour Working Week at Volkswagen Company**

**(first draft)**

Hartmut Seifert, Rainer Trinczek

**WSI-Discussion Paper Nr. 80**

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# **New Approaches to Working Time Policy in Germany: The 28,8 Hour Working Week at Volkswagen Company**

## **Contents**

<b>1. The 28,8 hour working week at Volkswagen AG – a major achievement for collective bargaining policy</b>	<b>3</b>
<b>2. VW’s collective agreement in the 28,8 working week and its subsequent development</b>	<b>5</b>
<b>2.1 Safeguarding employment as the main aim</b>	<b>5</b>
<b>2.2 Making the company’s organization of working time more flexible</b>	<b>7</b>
<b>2.3 Reintroduction of flexibility into company working time arrangements</b>	<b>10</b>
<b>3. Employment policy importance</b>	<b>12</b>
<b>4. Observations on the labour force’s willingness to accept the working-time model of 28,8 hours week per week</b>	<b>13</b>
<b>5. Financial implications</b>	<b>20</b>
<b>6. Impact on gender-specific implications for sharing (non-paid) works in the family</b>	<b>24</b>
<b>7. The 28,8 hour working week in today’s perspective</b>	<b>26</b>
<b>Bibliography</b>	<b>29</b>
<b>Tables</b>	<b>31</b>
<b>Tables</b>	<b>32</b>
<b>Table</b>	<b>33</b>
<b>Table</b>	<b>34</b>
<b>Table</b>	<b>35</b>

Hartmut Seifert/Rainer Trinczek

## **New Approaches to Working Time Policy in Germany: The 28.8 Hour Working Week at Volkswagen Company**

### **1. The 28.8 hour working week at Volkswagen AG - a major achievement for collective bargaining policy**

In autumn 1993 the employment situation at VW, Germany's biggest carmaker was coming to a head. The works council had asked VW to outline the company's future staffing requirements. The management's response indicated that by the end of 1995 around a third of the more than 100,000 existing jobs in the company's six German car plants would be surplus to requirements. At the same time, there was intense public debate about Germany's international competitiveness as a production site. In particular, not only the Conservative-Liberal coalition government in power at the time, but also the employers' and trade federations were hugely critical of the trend which had swept through a number of sectors in the mid-1980s, aiming to reduce the working week to 35 hours. Their view was that it is by *increasing* working time, not reducing it further, that German companies would become more competitive in the increasingly global marketplace. As they saw it, extending working hours creates jobs, whereas reductions in working time destroy them.

In the context of this debate, VW's collective agreement on the 28.8 hour working week, concluded at the end of 1993, must have come as a real bombshell. In the agreement the carmaker consented to reduce working hours by 20%, specifically to safeguard the jobs of its workforce. Not only was a collective reduction in working hours on such a scale unprecedented in Germany, but some people even referred to the 28.8 hour week as collective part-time work. What had been agreed also broke down deeply ingrained lines of discussion, mindsets and taboos relating to previous policies on employment and working hours. What is more, this had been done when there was no need to look beyond the framework of the specifically German model, characterized by a capitalism that was regulated and 'tamed' by big business.

'Rhineland capitalism' (M. Albert) was clearly more innovative than some critics of this social model were willing to admit.<sup>1</sup>

Consequently, it is hardly surprising that the VW model quickly became the centre of public and academic interest. The academic interest soon focussed on two aspects of the model. Firstly, the employees' acceptance of such an arrangement and the reasons for a positive or negative assessment of the 28.8 hour week. The views of the affected parties seemed especially relevant to the debate on the precedent set by the solution at VW which was viewed as a potential example to be followed by other businesses or sectors with employment problems. Secondly, the arrangement provided a unique opportunity for analysing the effects of drastically reduced working hours on the employees' quality of life. For example, how do the employees make use of their newly acquired additional free time? How do they cope with their reduced income? Are there any perceptible effects on the division of labour within the family? In this respect, academics regarded the new working time model at VW rather like a large-scale social experiment.

This paper documents the key findings of two research projects carried out between 1994 and 1997 by Markus Promberger, Jörg Rosdücher and two authors at the Hans Böckler Foundation's Institute of Economics and Social Sciences.<sup>2</sup> A summary of the collective agreement and its subsequent changes to date (March 1999) (section 2) is followed by an examination of the impact of the 28.8 hour working week on employment policy (section 3). Section 4 deals with employees' feelings about the agreement, and is followed by their answers to questions about how they are coping with their reduced income (section 5). Section 6 takes a look at the different ways in which men and women use their newly acquired additional free time. Finally, a brief summary evaluates the collective agreement from today's perspective (section 7).

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<sup>1</sup> This is particularly true when considering how the original agreement developed up until the late 1990s (see section 2).

<sup>2</sup> The findings are documented in detail in Promberger *inter alia*, 1996 and 1997).

## **2. VW's collective agreement on the 28.8 hour working week and its subsequent development**

The collective agreement concluded in 1993 to safeguard employment by reducing working time has been modified several times. The story to date of the 28.8 hour working week can be broken down into three stages:

- (1) 1994-1995: safeguarding employment as the main aim
- (2) 1995-1998: making the company's organization of working time more flexible
- (3) 1999 onwards: the reintroduction of flexibility into company working time arrangements.

Below, we give a brief summary of these stages, presenting them along with the main elements of the collective agreements that have been concluded.

### **2.1 Safeguarding employment as the main aim**

In autumn 1993, when the negotiating parties at VW agreed on the introduction of a 28.8 hour working week, their priority was to resolve the carmaker's pressing employment issues. Once other more traditional solutions, such as extending short time work, cushioning mass redundancies with compensation payments or offering early retirement, had turned out to be too expensive, too long-winded and too confrontational, the management sought a newer, more innovative solution. When the group works council and IG Metall asked the company to come up with a proposal for resolving unacceptably high overstaffing, the newly appointed human resources manager, Peter Hartz, came up with a personnel strategy to solve VW's employment problem. The mainstay of the strategy was to reduce the working week by 20% to 28.8 hours for all employees with only a partial loss of pay (see in particular Hartz 1994).<sup>3</sup>

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<sup>3</sup> Other elements of the collective agreement will be disregarded here as they were less relevant to company practice. They include the so-called '*Stafetten*' and 'block time' schemes and also the issue of evening out the numbers of employees at the company's various factories. The latter measure was deemed necessary because of variations in the surplus of employees at the six production sites in Germany (ranging from 48% at the Emden plant to 15% in Hanover).

There were four considerable advantages to this proposal compared with possible alternative strategies:

- Reduced employment costs would save the company billions of marks in the short-term;<sup>4</sup>
- a solution of this kind would prevent the loss of human capital, as would have been the case with mass redundancies, thereby ensuring that the company retained its knowledge and skills base;
- existing patterns of work could be largely maintained; and
- the new model would give the company considerable flexibility for dealing with fluctuations in the volume of work.

In principle the works council and union concurred with the thrust of Hartz's proposal.<sup>5</sup> The reason they were so quick to agree to a settlement which would after all entail considerable material sacrifice on the part of the employees was essentially due to the fact that it was in the workers' interest to avoid mass redundancies. In addition, the agreement was initially only valid for a limited period, so the notion of sacrifice could be held up as a short-lived prospect.

The reduction in income linked to the 28.8-hour week was the main stumbling block in the collective bargaining process. One of the main preconditions laid down by IG Metall's representatives for consenting to the arrangement was that whilst employees' annual income could be reduced, their monthly gross income had to remain the same. There were many reasons for this. Firstly, a fair number of social security benefits (e.g. unemployment benefit) are based on monthly income, so the workers' welfare entitlements could only be protected by safeguarding their monthly income. secondly, such a settlement would appear more acceptable in social terms, since many regular financial commitments (e.g. rents and loan repayments) entail monthly payments.<sup>6</sup>

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<sup>4</sup> Hartz cites expected savings of DM 1.6 billion in 1994 (Hartz 1994, p.68).

<sup>5</sup> For details on the progress of negotiations from the union's perspective see in particular Peters (inter alia 1994) and other articles cited in Peters 1994.

<sup>6</sup> IG Metall's insistence on safeguarding workers' previous monthly income could only be achieved by compensatory pay adjustment, and in the end the union managed to have its way: the complex remuneration package contained the following elements: bringing monthly gross income, which had initially been reduced by 20%, gradually back up to its original level; converting the special annual bonus equalling 96% of monthly pay and a portion of holiday money into monthly payments; bringing forward to 1 January 1994 the 35-hour working week and the compensatory pay adjustment of 2.8% due to take effect from 1 October 1995;

Altogether the collective agreement resulted in a reduction of some 16% in the gross income of VW employees, but the sliding scale of tax rates on bands of wages and income meant that their actual net loss of pay was less than that.

In return for reducing working time and income, the company undertook not to announce any job losses during the two-year period covered by the agreement.

## **2.2 Making the company's organization of working time more flexible**

When the time came to hold the second round of bargaining aimed at continuing with the 28.8 hour working week, there were various indications that VW's employment situation had eased. During 1994 the firm's order books reflected the improved economic situation in the automobile industry. In the meantime the number of employees had dropped by around 5,000 as a result of natural attrition and early retirement, as well as through the non-renewal of contracts. On top of this, the average number of actual hours worked per week in VW's factories was between 29.2 and 32.6 hours, i.e. more than the agreed 28.8 hours per week.

At the same time, increases in productivity that had already been achieved or were still in the offing meant that the number of excess employees would not decline significantly, at least not in the medium term, thus indicating that the real problem of overcapacity had not been resolved. Negotiators on both sides realized early on that working hours had to be reduced further in order to safeguard employment at VW in the medium term.

The new agreement concluded in 1995 provided not only for an extension of the 28.8 hour working week with its guarantee of employment (officially for an indefinite period, but with the possibility of cancelling it after two years at the earliest), but enabled the company to make considerable savings on costs. On top of the

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abolition of a holiday unique to VW (the so-called "Nordhoff Holiday" for shift workers) and the payment of due compensation; postponement of the 3.5% standard wage hike already agreed for 1 November 1993 until 1 January 1994 and offsetting of this increase with the reduction in remuneration. In retrospect this latter measure effectively changed the increase into a reduction in working hours. Finally the pay package also included a standard pay hike of 1% in anticipation of a wage and salary increase to be negotiated by 1 August 1994, with VW agreeing to an additional incremental increase of up to around 2% with a view to securing the original level of the workers' gross income.



reduction of additional pay for overtime and Saturday work, unpaid working time for employees and day workers was extended, with an obligation to work „1.2-hours more a week“. Similarly, employees on piece rates lost paid breaks and rest periods. This ‘contribution’ by the workforce was supposed to cover the so-called ‘residual costs’ (for instance incurred in the personnel and training departments) arising from the fact that VW had reduced its staffing overcapacity not by cutting the number of employees but by scaling back on the number of hours worked by individuals.

The new agreement also contained a number of options for increasing the flexibility of working time:

- The average working week of 28.8 hours could be spread unevenly over a calendar year within the framework of the „flexible Volkswagen week“, with employees working more or less hours than the average, as required. It was agreed that individual working hours accounts would be introduced to ensure that the average number of hours was worked over the calendar year.
- Working time could be extended by up to 10 hours above the regular working week of 28.8 hours, that is up to 38.8 hours, though in principle two months' advance notice was required for this. The option of working on Saturdays remained unaffected by this arrangement.
- Overtime would only be counted when the set number of hours per day and per week had been exceeded. If the working week was between 28.8 and 35 hours, then overtime pay was only due on those hours worked in excess of 35 hours. If the working week was between 35 and 38.8 hours, overtime would only be payable on time worked in excess of this.
- What is more, over the space of a year in principle overtime could be offset by days taken off in lieu and also be 'saved up' to pay for early retirement, with an individual credit account being set up for that purpose. An „employment cheque“ could be used to access this account (compare this procedure with Hartz 1996, 126 pages).

- A company-wide agreement was reached on the introduction of a new flexitime procedure allowing for a more flexible system of working without clocking in ('hours worked on trust').

In subsequent years working arrangements at VW became even more flexible, in particular via the roundabout route of new regulations on early retirement. As is well known, the law had been tightened up, effectively denying the company the possibility of continuing to implement its schemes designed to provide generous early retirement packages for its employees, and not only VW was affected by this. The company alone found itself unable to fill the financing gap that arose in this connection; it was clear that the employees themselves would also have to contribute towards their own early retirement. The works council and management at Volkswagen agreed to offer employees the opportunity of saving up time or money during their working life in the company in a working time account, and then using the 'credit' thus earned to improve their financial situation during early retirement.

Two schemes based on this principle were introduced at VW. The first and less elaborate, of the two – the so-called 'employment cheque' - has been in operation since 1997. The second – the 'VW bond' – was introduced in 1998 and should make the employment cheque obsolete in the medium term. Without getting bogged down in the details of the agreements (see Promberger *inter alia* 1998) it is worth noting that these new schemes introduced considerable scope for flexibility in company working hours. In the end, in fact, the scheme introduced at VW looked at an employee's working hours on a lifetime basis, with the collectively agreed weekly working hours being used as a more or less fictitious basis for calculating the individual's regular income. If this model is to be used to contribute to an early retirement scheme, it is practically essential for the worker in question to deviate from the collectively agreed working hours in order to accrue sufficient additional working time to provide acceptable conditions for taking early retirement.

These agreements have also considerably boosted VW's flexibility in terms of individual working hours. The company no longer has to compensate workers in the form of time for hours worked in addition to the collectively agreed total; indeed, it almost invariably remunerates them – and the link to early retirement means that

most employees will no doubt be much more interested in financial compensation of this kind (i.e. the acquisition of VW bonds) than in a short-term solution involving time off in lieu. Should the company once more need less hours worked, it can fall back on the agreed normal working hours without any problem or even insist on less hours being worked than agreed as compensation for previous overtime.

Thus the parties to collective bargaining union and company-level negotiators agreed on a working time model which comes relatively close to the original idea put forward by VW's human resources manager Peter Hartz, namely of turning the carmaker into a "breathing company", whose (working time) structures are flexible enough to suit changing market requirements. And all this was achieved not by altering the number of employees, but by varying working hours. The VW bond scheme, combined with the other rules on working hours, has created tremendous scope for flexibility with regard to weekly working times.

### **2.3 Reintroduction of flexibility into company working time arrangements**

A third stage, accompanied by broad public interest, began at VW in early 1999, with the organization of a new shift system at the Wolfsburg factory in production and production-related:

- Standard working hours are based on a four-day week of 28.8 hours per week (or 30 hours including the special 1.2-hour contribution referred to above).
- A more or less universal three-shift system would be worked (three shifts of 8 hours).
- The beginning times and ends of shifts were re-synchronized, with the early shift running from 6.30 a.m. to 2.30 p.m., the late shift from 2.30 p.m. to 10.30 p.m. and the night shift from 10.30 p.m. to 6.30 a.m., all with the option of a flexible 30-minute changeover at the end of each shift.
- In practice, employees usually work nine weeks from Monday to Thursday, i.e. four days of 8 hours, and have the tenth week off, giving them an average working week of 28.8 hours.

- Because of growing demand, the 36-hour working week, introduced (for a limited period) at the Wolfsburg plant in 1998, has been continued. This was made possible by the options agreed in 1995 on boosting the flexibility of company working hours (see point 2.2). In reality, employees work 9 weeks from Monday to Friday, i.e. 5 days of 8 hours, and are then given the tenth week off.

By re-standardizing its shift work, the Wolfsburg plant effectively harmonized the 150 or so different variations in working time in the areas of activity affected. Such a variable working time situation had turned out to be increasingly problematic. From the company's point of view, it had resulted in more complicated channels of information, communication and production, which had been found to reduce both productivity and quality. The workforce complained especially about disrupted car pool arrangements, the more scant public transport available to them at times when they had to travel to work, and the fact that more or less every change of job in the factory led to a change in individual working hours, with an inevitable knock-on effect on private and family commitments. The new working time model alleviated many of these problems. However, the introduction of the three-shift system, with more night work, also brought with it new difficulties for employees (and their private lives).<sup>7</sup>

This new working time model has limited the various permutations possible with regard to working hours. However, merely having 150 different arrangements for working time at a single factory cannot, in itself, serve as a valid indicator that a certain degree of flexibility has been achieved. It is far more a case of the company still having a full range of instruments for achieving flexibility at its disposal, as described above. All things considered, the company cannot be said to have reduced the potential for flexibility; rather, it has embraced a kind of pragmatic 're-flexibilization' of the organization of its working time.

### **3. Employment policy importance**

The understanding on working-time reductions reached for Volkswagen AG has made jobs more secure without requiring the company to shed manpower and take

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<sup>7</sup> At the same time, adopting the new scheme enabled Volkswagen to boost its productivity considerably in those areas directly involved in manufacturing at the parent plant. The high demand for the new schemes suggests that this should really be a key objective when reviewing the previous arrangement re working time.

recourse to short-time work arrangements. Had these traditional forms of labour-force adjustment continued to be applied, the ailing company would have been moved into a lopsided position that would have threatened its survival. By contrast, the concept of securing employment by reducing the length of working time represented a way towards rescuing the company while allowing it to make a fresh start at the same time.

At that moment, labour-force cuts had been on the manpower policy agenda of VW for a long time already. But dismissals had proceeded surreptitiously. Total employment had dropped by about 20,000 from 1986. The adjustment instruments applied in order to manage this process were blunt. The number of workers aged 55 and over, who would have been eligible for early retirement, was at a rock-bottom low of 2,400. Had they been sent into early retirement, the company would have lost important company-specific know-how and skills. Nor would continuing short-time work arrangements<sup>8</sup> and/or voluntary termination contracts<sup>9</sup> have permitted VW AG to solve its employment and restructuring problems.

Since “soft” and socially acceptable instruments of manpower adjustment were, by and large, not available for solving employment problems at VW AG, the alternative would invariably have been mass layoffs. But this option had to be excluded as well for a variety of reasons:

- Any mass dismissal of labour for operations-specific reasons would have represented a clear breach of the company-specific “political culture” of industrial relations.
- Any mass layoffs that would have had to be made in accordance with legally prescribed criteria on exemption for social reasons would have resulted in

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<sup>8</sup> On the one hand, the maximum period eligible for short-time work compensation would have ended in the course of 1994. Had the company continued its short-time work arrangement, it would have been confronted with costs to the tune of DM500 million. The company would have been obligated by collective agreement to increase the level of short-time work compensation. Moreover, it would have had to contribute to social security the percentage share payable for the non-worked hours; this would have been equal to not less than a good 40% of the (reduced) gross wage.

<sup>9</sup> Besides substantial amounts of cost, the company would have had to fear losses in well qualified and competitive labour urgently needed for restructuring and modernising the company’s future operations. The

wearisome negotiations not only with works councils. Moreover, the company would have had to face a deteriorating manpower structure, since redundancy-scheme criteria (length of employment by the firm and number of dependants) rather tend to protect workers advanced in age.

- Mass layoffs to the tune of 30,000 would have given rise to billions of deutschmark in terms of redundancy-scheme costs. This outflow of funds might have strained the company's poor liquidity position to the point of collapse.
- As distinct from mass layoffs and/or recourse to voluntary termination contracts on a major scale, working-hour cuts made for enhancing job security allowed the company to retain its well qualified labour force and its smoothly functioning work teams.

In retrospect, drastic working-time cuts in combination with a limited employment guarantee must be referred to as a clever manpower policy move. The company was able to rid itself, at a single go, of its acute employment and cost problems while putting a lid on in-house tensions and turbulences, introducing a substantially more flexible working-time model and creating, overall, a good basis for making a fresh start out of the crisis threatening total commercial collapse. Such a strategy for coping with employment problems gives priority to some form of in-house functional over external numerical flexibility.

#### **4. Observations on the labour force's willingness to accept the working-time model of 28.8 hours week per week**

A 20% collective shortening of working hours represents a novelty in working-hour policy. So, the question whether and, if so, to what extent affected workers would be willing or not to accept regulations on working-hour reductions in exchange for greater job security is of crucial importance for the viability of such agreements in future. This the trade unions must take into account since they are organisations based on voluntary membership and can therefore not afford to ignore in the long run the interests of employees in a field of action of so big an importance. And the

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firm knew from the mid-1970s crisis when it had offered voluntary termination agreements to workers on a major scale what a negative personnel selection means.

employers must do the same, because it cannot be in their own best interest to conclude arrangements that end in dissatisfaction and demotivation in offices and workshops. The academic world had an excellent opportunity for studying ex post the level of acceptance by employees of the implications of a strongly dosed reduction in working hours as well as the labour force's preferences in the field of working-time arrangements.<sup>10</sup>

Overall, the 28.8 hour week has met with wide acceptance by the work force of VW AG: Just under one half of the respondents (49%) explicitly said they were 'satisfied' or 'highly satisfied'. A good third (35%) gave an ambivalent answer (partly in favour of the model/partly against it), and only 16% expressed their 'dissatisfaction' or even their 'strong dissatisfaction' (TABLE 1).

However, the generally positive evaluation of the 28.8 hour week does not mean that employees wish to see further cuts in working hours: Just 1 % would welcome an additional reduction, 53% want the length of the working time to remain what it is at present, and 46% would prefer a return to longer working hours (and, thus, to a higher level of income). This latter group comprises most of those who are dissatisfied with the 28.8 hour week as well as a large number of those who gave an ambivalent answer (partly in favour of the model/partly against it) and regard the pros and cons of the 28.8 hour week as balanced, although they would wish – if at all possible –to see their incomes return to some higher level.

It was to be expected that the workers of VW AG (72% of the respondents) would regard enhanced job security as a major asset of the collectively agreed working-time model which gives them more time to spend with their families (60%) and more leisure time (59%); thirteen percent of the respondents were unable to discover advantages of any kind of the model.

By contrast, only 2% of the workers see no disadvantages in the model; this means that most of the respondents, who are satisfied with the 28.8 hour week, have nonetheless qualified their otherwise positive views. Losses in income have been the

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<sup>10</sup> The following results have been taken from a standardised employee survey at the Wolfsburg, Emden and Braunschweig Volkswagen works in early summer 1995. The evaluation was made on the basis of 2,767

most widely quoted disadvantage of the 28.8 hour week (92% of the respondents). This was to be expected as well; 73% of the employees mentioned increased pressure for work performance as a major drawback of the 28.8 hour week.

It would be fair to sum up that, in the view of the work force, the positive elements of enhanced job security outweigh the negative ones of the 28.8 hour week so that the result of their evaluation is predominantly positive.

However, an analysis of the factors influencing the work force's evaluation of the 28.8 hour week shows an amazing variety of differences that will be briefly discussed hereafter.

### *Income situation*

The 28.8 hour week means a substantial loss in annual income to the work force. This suggests the supposition that the degree of satisfaction would positively correlate with wage and income levels as well as net household income. But empirical evidence shows that the opposite is the case: the higher an employee's net amount of household income and/or the higher his grading on the wage scale, the greater his dissatisfaction with the 28.8 hour arrangement: The group of dissatisfied employees grows from 9% if their households have a net monthly income of up to DM 2,500.— to 26% if their household income is in excess of DM 5,500.— per month; conversely, the share of satisfied employees diminishes from 51% to 43% (TABLE 2).

This does not mean that losses in income do not represent a problem in the view of employees. It is quite obvious that the levels of acceptance and income are not so much a matter of absolute figures, but a matter of how households are able to cope with income losses, individually (TABLE 3).

Only 6% of the respondents are of the opinion that it is 'easy' or even 'very easy' for them to cope with cuts in income, whilst 43% of them feel that this is 'difficult' or 'very difficult'; 51% of them are undecided saying that it is partly easy to cope with



losses in income and partly not. This clearly shows some correlation between the level of acceptance of working-hour cuts and a worker's ability to make ends meet with the reduced amount of income occasioned by the working-hour cuts. Employees forced to consume less because of income losses which they deem problematic are also dissatisfied at the working-hour reduction. This correlation is much stronger than the one between the influence of absolute income levels and the acceptability of working-time cuts.

### *Specific implementation model*

Research in the field of working time has proved in several ways that satisfaction with working hour cuts depends also on the attractiveness of the respective implementation model (e.g. Ellguth et al. 1989, Joachim/Seifert 1991). The benefits employees derive from working-hour cuts in terms of time-off depend not only on the working-time length, but also on the positioning and distribution of the hours to be worked in the course of a specified period of time, which plays an important role as well.

Since – as mentioned before – the 28.8 hour week was implemented with the help of different models, it was obvious to suppose that the attractiveness of these models would be different in the eyes of workers and influence the degree of workers' satisfaction with the 28.8 hour week. Although the work force's level of satisfaction is generally high, there are a few nuances indeed that do, however, not deserve to be referred to as dramatic: Whilst 49% of the respondents say they are satisfied with the 28.8 hour week, this percentage goes up to 54% for employees on a work schedule of four days per week and falls slightly to 48% for employees continuing to work for five days per week in spite of a cut in the length of their weekly working time.

The fact that evaluations of different implementation models have produced like results suggests the view that the level of satisfaction with one implementation model as distinct from another strongly depends on whether employees deem a model appropriate and useful for meeting the needs they face in day-to-day life and at the workplace as well as for enforcing their own time-off preferences. Against this

background, it would obviously not be appropriate to call one working-hour arrangement 'superior' or 'inferior' to another; it could only be called better or less well suited for meeting individual needs. This finding has been confirmed by the fact that an employee's level of satisfaction with an arrangement rises and, as the case may be, falls with his ability to decide when he will be away from work for spending his extra time-off (or part of it); this correlation can be seen especially where a model does not from the outset provide for any fixed days-off, but makes it necessary for employees to negotiate with their employers about when they can have their hours off.

### *Gender*

Time-budget analyses generally show substantial differences in the length of the time men and women are prepared to allocate to different activities, especially (unpaid) household work. The following statement reflects a typical view: "Depending on their age, the intensity of their commitments in vocational life and the structure of their families, married women tend to allocate to house-keeping between 1.5 and 5.5 hours more, on average, than their husbands do. A gainfully employed childless wife spends 5 hours more on house-keeping than her husband (3 hours) " (Federal Ministry for Family Affairs, Elderly Citizens, Women and Young Persons, 1996, p. 7). This larger "time requirement" for house-keeping purposes is regularly used for justifying the conclusion that women have a clear "time preference" as distinct from men who prefer money because of the gender role they have learnt all through their lives, i.e. that of (potentially) being the family's only "breadwinner. This has largely been confirmed by our study, although it also says that, where women show a marked preference for gaining time, they do so for the sake of their companion or, what counts more, their children (cf. Chapter 6).

So the conclusion of the Study is not amazing that women are, on average, more content than men with the 28.8 hour week (58% against 47%); overall, women more often than men think that shorter working hours make it easier for them to reconcile the needs they must face in day-to-day and in vocational life (56% against 44%).

### *Employee status*

The most conspicuous difference in the level of satisfaction with the 28.8 hour week exists between manual and non-manual workers no matter whether they are males and females. The differences that may be taken from the two status groups' responses continue to be applicable almost unchanged even where the effects of the other relevant influencing factors have been kept under control. Non-manual workers, irrespective of the level of their household income, of their age and gender as well as of the structure of their preferences and the nature of their working hour pattern, are invariably less content with the 28.8 hour week than female manual workers. For this reason, the status of being a manual or a non-manual worker may be regarded as a key factor influencing the level of satisfaction as well (TABLE 3).

Whilst 53% of the manual workers, both male and female, showed themselves to be satisfied and 12% dissatisfied with the pattern of 28.8 hours per week, the corresponding values for non-manual (male and female) workers are 37% and 29%, respectively; if the (few) non-manual workers to whom the regular pay scale does not apply were taken together to form a special group, this segment of the employment market would show dissatisfaction with the 28.8 hour week: 63% of this employment group say they are 'dissatisfied' and 14% that they are 'satisfied'. What are the factors explaining these differences?

For the group of non-manual workers to whom the regular pay scale does not apply the situation is fairly unambiguous: Although the members of this group are, as a matter of principle, open-minded to the idea of running an employment policy that is based on solidarity – just under 80% of them deem it appropriate to accept a certain loss in income in the interest of job security – the working-hour arrangement of VW AG has turned out to be predominantly negative for them as regards their own working conditions: All (100%) non-manual workers not subject to the regular pay scale say that the 28.8 hour week has given rise to substantially tougher work performance standards; for 58% of them the actual number of weekly working hours has increased, but none of them has had the benefit of shorter working time. This class of non-manual workers report a weekly working time of 49.5 hours on average; this is some 70% up on the collectively agreed number of working hours. In these

circumstances it is not amazing that this group of non-manual workers do not regard the new working time arrangement as helpful in reconciling in a more efficient way than before the needs they face in private and vocational life. In short: Non-manual workers to whom the regular pay scale does not apply have reached the conclusion that the 28.8 hour week has given rise to a kind of 'justice gap'. This group of employees having worked, ever since, for more than the standard length of working time now feel that they have to make (financial) sacrifices, whilst employees on 'standard' working-time schedules now have the benefit of a reduced working time length.

The differences in the level of satisfaction experienced by manual workers on the one hand and by standard non-manual workers on the other have apparently been occasioned by the following factors: Non-manual workers are of the opinion that working conditions have more severely deteriorated in the wake of the introduction of the 28.8 hour week than manual workers are prepared to admit: 23% of the non-manual workers report deteriorating relations with their superiors and 31% worsening relations with male and female colleagues; 94% are of the opinion that the 28.8 hour week has increased their work loads. The corresponding values recorded for manual workers are 13%, 18% and 83% and are thus invariably some 10% below the values recorded for non-manual workers.

An aggravating factor to be noted here is the fact that non-manual workers (especially males) are apparently more 'work-oriented' than manual workers: The latter more widely than the former regard as an advantage the gain in time the 28.8 hour week means to them. Non-manual workers, by contrast, feel – more strongly than manual workers – that their work situation has deteriorated, and they avail themselves less than manual workers do of the opportunities a non-work environment can offer them by way of compensation for such deterioration. Both aspects show that the level of satisfaction of non-manual workers with the 28.8 hour week is lower, overall.

It is to be suspected as well that the differences in the level of satisfaction between manual and non-manual workers also reflect individual threats of manpower shedding varying in severity. Those who regard their jobs as secure can 'afford' to show dissatisfaction at the arrangement of 28.8 hours of work per week, whilst

others are simply glad to have a secure job; it has been a tradition for non-manual workers to regard their jobs as more secure than manual workers.

## **5. Financial implications**

Reductions in working hours have never failed to impact income levels. As a matter of principle, such reductions represent deals under which working time is exchanged for money. It depends on how strongly the changes in working-hour arrangements are dosed whether employees are prepared to do without income rises that might otherwise be possible or even to put up with a declining level of nominal income. Since most of the collectively agreed working hour cuts of the past were made in small steps and kept within the limits of the scope allowed for distribution as defined by the rate of productivity increase and the rate of inflation, there used to be some scope for simultaneous income rises as well. But no such scope exists when a change is made from full-time into part-time employment. This step implies reductions in nominal income because of the order of magnitude involved as well as for cutting the link with collectively agreed decisions.

VW's working-time model providing for a 20% cut in the number of hours may be compared to the step from full-time into part-time employment. The extent of the working-time reduction went beyond everything ever seen before in terms of collectively agreed working-hour cuts. So it has not been astonishing that the VW employees had to put up with a 16% average loss in income whilst the collectively agreed cuts in working hours, effective from the mid-80ies, had still permitted a certain rise, though slight, in the level of nominal income. But, as distinct from the switch from full-time to part-time employment, the present move represented a collectively agreed measure. To that extent the new working hour models have confronted individual households with the need to adjust to changes in their financial situation occasioned by decisions other than their own ones insofar as the benefits are concerned that would arise to them in terms of time and money. However, no matter what options people had for responding, it was necessary for them to adjust. But the situation of the family and the labour-market conditions do not give every household the same options for responding to income reductions.

The vast majority of the VW employees report that they feel the impact of the cuts in working-time on the level of their household income. Only a small number of them have been able to stabilise their income at the previous level by accepting additional paid work either for themselves or for members of their households. So the majority of the labour force had to look for ways that would make it tolerable for them to put up with income losses. Almost one half of them have reported difficulties of adjustment. The fact that this percentage has not been higher is to be attributed to cuts affecting workers' annual as distinct from their monthly levels of income. Changes in the level of monthly income impact day-to-day life and financial decisions much more strongly than cuts in the level of holiday and/or other bonuses, where appropriate.

The proportion of the households able to cope with income losses increases as the level of household income rises. A similar effect emanates from the number of income earners belonging to a single household. The larger this number, the easier the task of coping with income losses. The number of children, by contrast, points in exactly the opposite direction. The more children respondents have, the larger the number of those who say that it is difficult for them to cope with financial losses (TABLE 4). On the other hand, childless workers resign themselves to income losses more easily. Only a small number of respondents with more than two children report that it is easy for them to cope with income losses. Households of this size, if confronted with strong doses of working-hour cuts without wage compensation, are unable to cope with the resultant income losses especially where the respective household has just one breadwinner. Complaints about financial problems are frequent for employees aged 36 to 45. Compared with workers not yet or no longer having a family of their own for being either younger or older, this age group's financial needs are larger for being obligated to support dependants.

#### *How to cope with income losses*

Employees and/or households can respond to income cuts in different ways, as a matter of principle. They can offer to work more (accepting second jobs for themselves) or induce members of their households to go out for work, they can cut back on consumption, save less or draw on savings or even borrow. However, the

availability of the two options mentioned last is limited. In this context, family assets (especially built-up property) play a role as well, but this aspect has not been studied here.

Only a small minority of respondents say that losses in income do not mean much of a change for them. But the vast majority of the VW employees have reduced household consumption in level (TABLE 5). Next come the groups that either save less or report that they have started to go in for more paid work. A good quarter of the respondents attempt to fill gaps occasioned by income losses by drawing on savings, and 10% seek to meet funding deficits by increasing borrowings.

This response pattern existed about one year from the introduction of the collectively agreed working-hour cuts at the establishments of VW AG, but may change over time. Where income levels remain low for a prolonged period of time in the wake of cuts in working hours without compensation, those workers who run down their savings accounts or borrow more than before will have to exchange these practices for some other strategy. The probability is great that the situation especially of households with two or more children will become problematic in the medium term. An above-average number of respondents belonging to this group say that they borrow and/or accept to work more. The impact of income reductions in the wake of cuts in working hours is particularly strong on those employees (just under 6%) who cut back on consumption while drawing on their savings and borrow at the same time. It is not surprising that an above-average number of persons in the lower income brackets (monthly income of up to DM2,500.—) are over-represented in this group.

The patterns showing how people have responded to losses in income are different for male and female workers, because – at 47% - only the former seem to have a clear preference for extra paid work, whilst for the latter this value is just 20%. This is probably due to the fact that the average length of the time women spend on (unpaid) household work is two times longer than that of men (Federal Statistical Office 1995) and that this model is applicable also to the VW work force. The dual burden of vocational activity and household work to the benefit of their family leaves women much less scope for extending their gainful activity.

### *Cuts in expenditure*

The vast majority of the VW workers responded to income losses by cutting back on consumption. They did so mainly on the budgets earmarked for holiday travel, automobiles and leisure activities such as evenings out, hobbies etc. (TABLE 6). Spending cuts detrimental to children's needs and/or adversely affecting food purchases have been mentioned much less frequently. Quasi-fixed items of expenditure difficult to change in the short term, e.g. expenditures under insurance contracts, for club memberships and for rentals, for instance, have been mentioned much less often, by comparison.

This basic pattern of expenditure cuts remains fairly stable also when applying an approach differentiated by socio-demographic factors such as age, vocational qualifications, marital status or monthly income. On the other hand, the frequency figures pertaining to cuts in daily consumption correlate in a negative sense with the income level and in a positive sense with the family size.



## **6. Impact on gender-specific implications for sharing (non-paid) work in the family**

In the policy discussions about women rights the question of whether the length of the working time should be cut to below 35 hours per week played a role of strategic importance: A drastically reduced length of working time was deemed to be an important (though perhaps not sufficiently strong) condition for breaking up traditional family structures and changing the perpetuated gender-specific roles in the division of labour. The argument was that this would give men and women the possibility to share in vocational and family work on an equal footing (Kurz-Scherf 1988).

Although it had originally not been intended to use the 28.8 hour week as a pretext for advancing gender-specific issues, the public understood this reduction in working time as a new opportunity for changing the traditional pattern of division of labour between men and women. The conclusions of our analysis are rather unambiguous: Although we have drafted our conclusions with extreme caution<sup>11</sup>, it would be fair to say that men and women apparently again behave in the traditional way when spending the time-off they have gained from working-hour cuts, i.e. according to the gender role they have learnt. Irrespective of the real structure of work-sharing within the family that was customary in the past, there is nothing to indicate that the dividing line between the gender-specific roles has been lifted; empirical data rather confirm the general impression given in literature that the gender-specific roles have remained what they always have been although there are indications of slight changes 'at the periphery'.

Even though there may be indications to the effect that men are apparently ready to a greater extent than before to spend in the family, especially where this is the wish of their children, the extra time-off they have gained from working-hour cuts, the inducements to men are small to share in the household work which has continued to be done primarily by their spouses, e.g. washing, cooking and house-cleaning

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<sup>11</sup> There are two restrictions in the main: On the one hand, we do not have any data showing what the situation was at the beginning of work-sharing between men and women within a family nor do we know exactly the extent to which the lengths of time allocated to the different purposes was (re)distributed; on the other hand, it could be argued that, at the time the study was prepared, the new (reduced) working time length was just a good year old and therefore perhaps not long enough to allow long-established ways of life and patterns of time uses to be fundamentally changed.

(TABLE 7). The housekeeping activities involving female more strongly than male workers are as follows: shopping/errands (+17 percentage points), cooking (+16) and washing/house-cleaning (+13), whilst male workers spend the biggest chunk of their extra work-free time on 'house repair and gardening' (+23 percentage points).

This finding is supported by the results of a study on typically male and female preferences for time and money uses at different stages in life. Although, when children have been borne, men seem to be prepared to dedicate part of their time to the family, it does not occur to them more often than to male singles that the 28.8 hour week has made it easier for them to reconcile the needs of vocational and family life. This opinion held by 45% of male singles without children is not much different from that of married couples without (47%) and with (42%) children. This is entirely different where women are concerned: Whilst female singles (43%) record values more or less identical with those of their male counterparts, visible increases are to be observed for married women, i.e. women with a male companion though without children (55%) and for married women with children (69%).

This conspicuous difference in the responses of male and female workers is obviously due to the gender role they have learnt: it is typical for male workers to behave as if they were the family's sole 'breadwinner'. On average, males - more often than females - aim for pecuniary compensation, and this - normal - tendency gains in strength as a men found their own families (living together as husband and wife followed by childbirth). Men realise that they bear an increasing responsibility for earning enough money as their families grow; but the not insignificant loss in income occasioned by a working-hour cut to 28.8 hours per week, as has been the case at the VW plants, runs counter precisely to this dominant interest. Female respondents, by contrast, show a rising preference for extra time-off from work (and a diminishing preference for pecuniary compensation) as their families place rising demands on their time. So, their interest is satisfied by the new working hour arrangement. This is, not least, one more reason why there are specific differences between men and women when evaluating the benefits of the 28.8 hour week.

## 7. The 28.8 hour working week in today's perspective

### *Stimulating corporate policies on enhancing job security*

The collective agreement concluded with Volkswagen AG has chimed in new eras both for working-hour and for employment policy. The model of cutting working hours in exchange for greater job security has fathered numerous others (Rosdücher/Seifert 1994). More recent industry-wide collective agreements (Bispinck 1998) allow companies straightjacketed by an employment emergency to derogate from the agreed length of working time by shortening it within previously defined bandwidths in the interest of getting rid of the threatening need to dismiss labour. The collective agreement concluded with VW AG has broken a variety of taboos as regards wage-rate and working-time policies: since then, cuts in the length of working time have increasingly been recognised and applied by individual establishments as an instrument appropriate for pursuing employment policy objectives<sup>12</sup>. On the other hand, the trade unions have dropped their demand of full wage compensation in return for working hour cuts. Finally, reductions in working time in the interest of greater job security have contributed to a policy process of organised decentralisation (Traxler 1995) of collective agreements (Seifert 1999).

In the meantime, a large number of companies have availed themselves of the possibilities of working-hour cuts for raising the level of job security. First empirical results concerning dissemination and structure of such cuts have been taken from two representative enquiries involving works councils and staff associations (WSI project group 1998; Herrmann et al. 1999). By the turn of 1997/ 1998, about 10% of the companies having works councils and staff associations had cut the length of the working time, collectively agreed upon, in order to stabilise the existing level of employment. Working-hour cuts for raising the level of job security are often closely linked to steps towards making the working-time regime even more flexible at the same time. The most important element in this respect is the introduction of working-hour accounts increasingly manifest in different forms such as overtime accounts,

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<sup>12</sup> This is applicable not only where cuts in working hours are aimed at making jobs at risk more secure, but also where these cuts aim for encouraging new labour hirings pursuant to the objectives agreed upon in June 1998 for the Lower Saxonian metal industry.

flexitime schemes, annual working-hour accounts, etc.<sup>13</sup> However, there is no longer any talk about exchanging working-hour cuts for more flexible working hour regimes as agreed upon in some cases by way of compromise solution from the mid-1980s. The process of increasing working-hour flexibility is autonomous now.

### *Level of generalisation*

Strong doses of working hour cuts without full wage compensation imposed upon the whole work force of a branch, a group of enterprises, a company, or an establishment can only be enforced, realistically speaking, in precarious employment situations and can hardly be considered to represent a viable option for prospering companies. This opinion is subject to some element of relativity in as much as the impacted work force gets part of the working-hour cuts compensated for. In different economic situations, management and labour face basically different decision-making needs reflecting their specific positions in the calculation of costs.

Companies, all of whose production factors run at full capacity, would be required to either hire new manpower or require more overtime work where strongly dosed cuts in hours are on the agenda and factor substitution is not possible in the short term. Either way would give rise to additional costs, i.e. either for hiring and qualifying new personnel or for paying overtime bonuses. To this must be added the costs arising for each worker participating in an advanced in-house vocational training programme etc., for instance. It is still not clear to what extent it is possible to get these costs compensated for by working time-induced productivity increases. So, working-hour cuts in support for greater job security seem to be attractive only to companies facing either short-term cyclical or longer-term restructuring problems. In the first case, shortened working times would take the place of dismissals and subsequent re-hiring of manpower. In such situations, working hour cuts recommend themselves as alternative strategies mainly to the (“soft”) adjustment measures of the traditional kind often preferred by management for being less costly.

From an employee point of view, the income question is of great importance for the issue of acceptability as regards more strongly dosed working-hour cuts. Even

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<sup>13</sup> In the meantime, about four fifths of the companies (with works councils) have replaced the previously applied system of evenly distributed standard lengths of working time by a time account-steered variable distribution of the agreed working time.

after the working-hour reduction, VW paid an average annual income to each of its employees of DM60,500 (gross) in 1994; this was thus about 12% up on the wage average paid in the economy overall, although the collectively agreed length in weekly working-time was substantially longer at an average of 38 hours per week in the economy, overall. Where the average income level is crucial in general for the scope of working-hour cuts made in support of greater job-security, low-wage districts where standard qualifications are customary would be poor candidates as regards their eligibility for such working-time arrangements.

One important condition allowing temporary working-hour cuts to be made in support of greater job security is the „climate“ between the in-house interest representations and the work force on the one hand and management on the other. In the case of smoothly functioning consensus-based and pragmatic industrial relations between both sides of industry it would be more realistic to expect such arrangements. It may be assumed that in this situation both sides take an interest in consensus-based solutions, in preventing rises in the costs of dispute handling and in co-operation in the implementation of arrangements.

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**Table 1: Satisfaction levels among VW employees re the collective agreement on reduced working hours**

	Employees (%)
satisfied/highly satisfied	49
partly satisfied/partly dissatisfied	35
dissatisfied/highly dissatisfied	16
total (N=2,767)	100

**Table 2: Acceptance of reduced working hours per monthly net income group**

%	below DM 2500	2501- DM 3500	3501- DM 4500	4501- DM 5500	DM 5501 and above	All
(highly) satisfied	51	50	49	45	43	49
partly satisfied/partly dissatisfied	40	34	37	29	31	35
(highly) dissatisfied	9	16	13	27	26	16
total (N=2,688)	100	100	99	101	100	100



**Table 3: Acceptance of reduced working hours by blue-collar/white-collar workers at Volkswagen**

%	Blue-collar workers	White-collar workers	All
(highly) satisfied	53	37	49
partly satisfied/partly dissatisfied	35	34	35
(highly) dissatisfied	12	29	17
total (N=2,726)	100	100	101

**Table 4: Ability to cope with reduced income, according to the number of children in the household (in percent)**

	VW AG N=2,139			
	None	One or two	More than two	Total
(very) difficult	39	44	60	43
neither difficult, nor easy	55	51	39	51
(very) easy	7	5	2	6
Total	101	100	101	100

Source: IPRAS/WSI survey 1995.

**Table 5: Managing on less income(in percent, more than one answer possible)**

	VW AG N=2,723
Spending less	83
Saving less	66
doing more themselves	43
using up savings	27
other remunerated activities	not asked
Incurring debts	10
Other	4
little change	7

Source: IPRAS/WSI survey 1995.

**Table 6: Reductions in expenditure  
(in percent, more than one answer possible)**

	VW AG N=2,231
holiday	82
car	70
free time (going out, hobbies etc.)	63
furnishings (furniture, household appliances, etc.)	57
clothes	52
insurance	34
housing (moving to cheaper accommodation, delaying renovation work on property)	30
memberships (associations, church, unions, political parties)	30
food	17
children	12

Source: IPRAS/WSI survey 1995.

**Table 7: What do you do with your extra free time since the introduction of the 28.8 hour working week? VW AG (in percent, more than one answer possible)**

	Women		Men	
	n=334/13 percent Answers: 1,929		n=2,220/87 percent Answers: 11,721	
	Percent	Ranking	Percent	Ranking
<b>FAMILY AND HOUSEWORK</b>	43	6.4	37	8.2
shopping and errands	50	3	33	9
children/relatives	39	8	40	6
washing, cleaning	50	4	27	10
cooking	28	11	71	2
DIY and gardening	48	6	71	2
<b>FREE TIME + SOCIAL ACTIVITIES</b>	37	8.3	35	7.8
meeting friends or acquaintances	48	5	41	5
partners/family	70	1	74	1
relaxing at home	54	2	50	3
theatre, cinema, cultural events	26	12	15	12
sporting activities	32	10	35	8
excursions	36	9	37	7
longer trips	15	14	11	15
hobbies	46	7	48	4
pubbing and clubbing	9	15	6	16
<b>QUALIFICATIONS AND PUBLIC COMMITMENTS</b>	13	14.5	15	12
continuing training	19	13	15	11
public commitments	7	16	15	13
answers per respondent	5.78		5.28	

Source: IPRAS/WSI survey 1995.