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Comment/by Walter Block

Work sharing won't bring solution to unemployment

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Work Sharing seems to be the “in” thing. According to its advocates, unemployment is caused by people working too many hours; if they would just reduce their workweek to, say 32 hours, there would be plenty of jobs to go around for everyone.

The latest politician to make this proposal is Bob Rae, leader of the Ontario New Democratic Party, who estimates that the 32-hour workweek could create more than 780,000 additional jobs in that province, halting unemployment dead in its tracks. Superficially attractive as this idea is, it is deeply flawed. It flies in the face of the historical fact.

Modern rates of unemployment were almost unknown during the industrial revolution, and yet the workweek commonly lasted for 60, 80, and even 100 or more hours in that era. Surely, if the long workweek created unemployment, our rate of joblessness would have been reduced as the length of the workweek fell; instead, the unemployment rate has risen as the workweek decreased to 40 hours, and even fewer in some cases.

Modern-day Japan is another refutation of this thesis. The Japanese work 41 hours per week, and have an unemployment rate of only 2.7%; in contrast, the Canadian workweek is shorter than that of the Japanese, and our unemployment rate is 11.2%.

The work-sharing hypothesis also commits the lump-of-labor fallacy. In this view, there is only so much work to be done in society. There is a definite upper limit to employment opportunities. If some people do more than their fair share of work, there will be less left for everyone else. Hard work, responsibility, great efforts, are thus not virtues, as tradition would have it. Rather, these qualities are evidence of greed. Ambitious and untiring workers are hogging the available jobs.

But these are dubious propositions. There is no particular upper limit to the amount of work. Over the long sweep of time, the scope for employment is continually rising. As long as people are unsatisfied with what they have, want more goods and services, and are willing to work for wages that reflect their productivity, there will be room for additional employment possibilities.

At one time in our history, almost all laborers in Canada were tied to the farm; we needed them to feed ourselves. But now, thanks to vast gains in productivity, only about 5% of the work force is in agricultural employment, and we not only can feed ourselves far better than before, we can feed people in the rest of the world as well. Where did all of the additional nonagricultural jobs come from? If the amount of work to be done has a strict upper limit, almost all our labor force should be unemployed.

And the same analysis applies to the knitting mill, automatic elevators, the computer, and other labor-saving technology. At one time or another in our history, it was feared that a lot of jobs would become obsolete because of these innovations.

Higher remuneration

Unemployment, in reality, is created when employees price themselves out of the market, by demanding wages in excess of their productivity levels. And this is precisely what will result from work-sharing schemes when proportionate wage decreases are resisted, as they almost always are. Fewer hours, at the same weekly pay, translates into higher hourly remuneration. Work-sharing plans of this sort will thus exacerbate unemployment, not cure it.

A variation of this proposal is not to directly share work with one's fellow employees, but to legislate for a shorter work weeks for all Canadians. The problem is that such enactments seldom drive down the actual number of labor hours. Instead, they only succeed in redefining some of these hours as "overtime," to be compensated at higher rates of pay.

But what about work sharing of this type accompanied by proportional wage reductions, so that hourly pay remains the same? Can this help? Well, it would be far better than work sharing with increased hourly wages. At least it will not directly raise our already high unemployment rates. But there are still other difficulties.

First of all, productivity levels will fall. This is because the unemployed are likely to be less efficient, on average, than those already working. As well, it is extremely unlikely that each industry will have the same proportion of unemployment as every other. If the work is to be shared all across the board, this will mean that at least some people will be taken on in positions for which they have little talent, aptitude, even inclination. With decreasing productivity, wages will this have to be reduced even more than in proportion to the falling workweek, if the unemployment rate is not to be elevated.

Secondly, the shorter workweek, with pay reduced more than proportionately, is likely to be resented bitterly by those forced to do the sharing. Unwanted leisure is a burden. This alone would tend to make the scheme unstable. In addition, contrived inactivity is just plain inefficient. In economic terminology, it creates a “dead weight loss.” People who could be happily engaged in productive activity for 40, 45 or even 50 hours per week are forced to limit themselves to 32 hours, at reduced hourly pay.

And it is all so unnecessary. We can cure our unemployment rate without creating vast pockets of enforced idleness, bitterness and inefficiency. All we need to do is pursue public policies which do not encourage the boosting of wage rates beyond productivity levels.

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