



Autonomy

A Future Fit For Wales

The roadmap to a
shorter working week

February 2022



Autonomy is an independent think tank that provides necessary analyses, proposals and solutions with which to confront the changing reality of work today. Our aim is to promote real freedom, equality and human flourishing above all. To find out more about our research and work, visit

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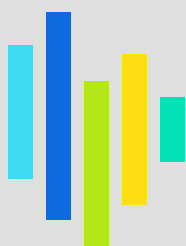
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Introduction

Introduction

This is a research document on the prospect of a shorter working week in Wales. We consider its feasibility in the short and long term and detail immediate steps - as part of a roadmap - that policymakers in Wales can take to move towards an economy of improved work-life balance for the population of Wales.

David Frayne and Will Stronge (editors)

Executive Summary

Executive summary

Wales is beset with a number of economic and social problems pertaining to health, income, the social security system and the labour market.

A four-day week in the Welsh public sector would:

- Create **37,859 jobs in Wales** (26,951 full-time and 10,908 part-time positions).
- Cost around **£1 billion**.
- Amount to **10.5% of the public sector salary bill** – or 6.7% if it was only rolled out to full-time workers.
- Amount to **2.5% of Wales' current public sector spending**.
- Be roughly **0.1% of the UK's annual public spending budget**.
- Be particularly impactful in Wales. Among Welsh NHS staff, sick absences are particularly high amongst UK nations.

Investment in a public-sector trial is recommended

- This would create employment, tackle the ongoing mental health strains that public sector workers face in Wales, and become an exemplar amongst Welsh employers.

Working time best practice should be encouraged in the private sector

- Public sector procurement strategies should be used – in line with the Fair Work Commission and the Well-being of Future Generations Act – to encourage working time reduction with private sector partners.
- A Working Time Committee should be set up in order to bring trade unions, politicians and businesses together to work towards the goal of shorter working weeks.

Worker voice in the workplace should be strengthened to allow for more effective collective bargaining on the issue of working time

- Trade unions have historically led the charge for working time reduction and they need to be central to the conversation in Wales.

The majority of medium- and large-sized Welsh firms can afford to move to shorter working hours in the long term

- Using an initial 'stress test' simulation, with conservative assumptions, we conclude that working time reduction is a feasible goal for most of the private sector in Wales.

Polling shows large appetite for working time reduction in Wales

- **76%** of the Welsh public would support the sharing out of work so that everyone can have good work-life balance.
- **57%** of the Welsh public would support the Welsh Government piloting a scheme to move towards a four-day working week.
- **62%** of the Welsh public would ideally choose to work a four-day working week or less.

1

Context

1. Context

As society emerges from the pandemic there is the opportunity, and the need, to revisit patterns of work. (The Marmot Review)¹

a. Working in Wales

Work and its discontents in Wales

As in many parts of the UK, working in Wales does not guarantee prosperity – underlining a major problem for policymakers looking to construct a more equitable future for the country. Average wages in Wales just before the Covid pandemic were still lower than before the 2008 financial crash.² It is estimated that over one-fifth of workers in Wales are paid less than the Real Living Wage, and the labour market is also beset with other inequalities.³

While standard employment contracts remain the most common arrangements in the Welsh labour market, the rise of more insecure ‘non-standard’ models is cause for concern. The use of ‘zero-hour’ contracts is particularly acute in Wales. Research conducted by the Wales TUC Cymru showed that

1 Institute for Health Equity (2020), ‘Build Back Fairer: The Covid-19 Marmot Review’. Available at: <http://www.instituteoftheequity.org/resources-reports/build-back-fairer-the-covid-19-marmot-review/build-back-fairer-the-covid-19-marmot-review-full-report.pdf>

2 Resolution Foundation (2019), ‘The RF Earnings Outlook | Q2 2019’. Resolution Foundation. Available at: <https://www.resolutionfoundation.org/app/uploads/2019/11/Earnings-Outlook-Q2-2019.pdf>

3 TUC (2019), ‘Pay, Work and Poverty in Wales: The facts that all Welsh voters need to know’. Available at: <https://www.tuc.org.uk/blogs/pay-work-and-poverty-wales-facts-all-welsh-voters-need-know>

between June 2018 and June 2019 the number of people on zero-hours contracts in Wales rose by 35%.⁴ There are now at least 50,000 individuals across Wales on such contracts – representing 3.4% of employees. One poll of workers on such contracts found that:⁵

- More than half (51%) have had shifts cancelled at less than 24 hours' notice.
- Nearly three-quarters (73%) have been offered work at less than 24 hours' notice.
- More than a third (35%) have been threatened with not being given shifts in the future if they turn down work.
- Only a quarter (25%) prefer being on zero-hours contracts.

Like many nations, people in Wales have turned to online work for sources of income. Between 2016 and 2019, the number of people in the UK working for online platforms at least once a week has doubled to 4.7% of the adult population to 9.6%.⁶ A study by the TUC found that there are now 1.4 million people who access online labour platforms as their main source of income. Just like zero-hour contracts, this form of work involves no contracted hours, few rights and low pay in general. Today, around 15% of Wales' working age population are 'platform workers' of one stripe or another, representing yet another signal that the traditional working life is changing in ways largely unfavourable to those in the labour market.⁷

4 TUC (2019), 'The use of zero-hours contracts in Wales is out of control. It's time to ban them'. Available at: <https://www.tuc.org.uk/blogs/use-zero-hours-contracts-wales-out-control-its-time-ban-them>

5 TUC (2019), 'Great Jobs with Guaranteed Hours What do workers really think about 'flexible' zero-hours contracts?'. Available at: <https://www.tuc.org.uk/research-analysis/reports/great-jobs-guaranteed-hours>

6 TUC (2019), 'Platform work in the UK 2016-2019'. TUC and The University of Hertfordshire. 2019. Available at: <https://www.feps-europe.eu/attachments/publications/platform%20work%20in%20the%20uk%202016-2019%20v3-converted.pdf>

7 Ibid.

The impact of COVID and lockdown measures on employment has been severe. In Q3 of 2021 total company insolvencies increased by 43% from the same quarter in the previous year.⁸ At the same time, the pandemic has also increased working time for many of those in work, with gendered outcomes. UK-wide studies have shown that 86% of women carrying out a standard working week alongside childcare responsibilities during the first phase of the pandemic experienced some form of mental health problem.⁹ A report carried out by Compass, Autonomy and the 4 Day Week Campaign found that women are 43% more likely than men to have increased their hours beyond a standard working week during Covid.¹⁰

A return to 'normal', given the state of working life in Wales pre-crisis, is far to desirable, and a new labour market, designed according to metrics of security, time-autonomy and decent pay, will be the remit of progressive policymakers going forward.

Oncoming automation

It is important to note that the future of automation is determined by a combination of forces, including industrial strategy, world events, trade union voice and – in tandem – the cost of labour. As noted above, the UK as a whole has a low-wage labour market characterised by relatively high labour precarity and job insecurity. This implies that on a basic cost analysis, investment in labour-saving technologies could be

8 ONS (2020), 'Employment in the UK: December 2020'. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/employmentintheuk/december2020#coronavirus-and-measuring-the-labour-market>

9 Murray, N. (2020), *Burnout Britain Overwork in an Age of Unemployment*. London: Autonomy, Compass and the 4 Day Week Campaign. Available at: https://autonomy.work/wp-content/uploads/2020/10/4DW-mentalhealth_cumpass_4dwcORANGE_C-v2.pdf

10 Ibid.

less prevalent given the availability of cheap human labour. Equally, the UK economy is currently seeing low levels of investment in research and development, in no small part due to the fact that large sections of industry are dominated by rentier firms whose business model is sweating assets that are naturally or artificially scarce on the market.¹¹ Monopolistic or oligopolistic positions are not conducive to investment in new labour-saving technologies (and their concomitant productivity gains) – simply because there is little (extra) competitive advantage to be gained.

Nonetheless, history has shown that the introduction of labour-saving technologies in the workplace can be disruptive for workers' lives and for the composition of industries. Policymakers will need to remain attuned to the development of labour-saving devices and the business strategies of those who intend to adopt them. This will be particularly important given the long-term trend of the declining share of national income going to those who labour versus those who own capital.¹²

In their analysis of the relationship between furlough rates and the feasibility of automation, the Fabian Society have demonstrated a potential Covid-automation 'double whammy'. Those jobs in the accommodation, food services and retail sectors have seen both high rates of furlough and Covid-related redundancies and are often composed of tasks that are more feasibly carried out by automated technologies, compared to other occupations.¹³

11 Christophers, B. (2020) *Rentier Capitalism*. London: Verso.

12 ILO (2019), 'The Global Labour Income Share and Distribution'. Available at: <https://www.ilo.org/ilostat-files/Documents/Labour%20income%20share%20and%20distribution.pdf>

13 Fabian Society (2020), 'Sharing the Future'. Available at: <https://fabians.org.uk/wp-content/uploads/2020/12/FABJ8359-Work-LONG-report-WEB-201214v1.pdf>

In our analysis, we have combined data on the composition of the job market in Wales with ONS analysis of the number of jobs at potential 'risk of automation' across industries. In Figure 1, we have given those occupational categories that are most prevalent in Wales. We have highlighted in red those categories that the ONS estimate to be at high risk of automation. Making up six of the nine categories listed here, we can take this result as indicative of potential disruption.

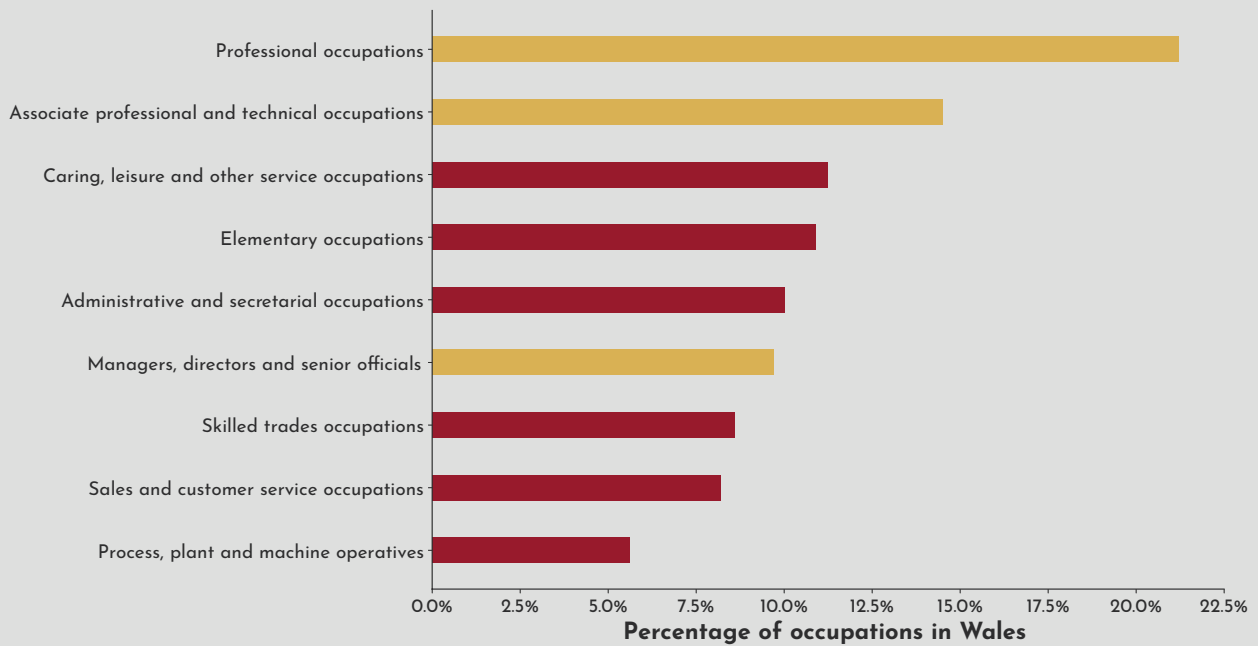


Figure 1. Prevalence of selected occupational categories in the Wales labour market as a % of overall occupations in Wales. Those occupations highlighted in red are those wherein 50% or more jobs in this category are classified as 'at risk of automation' by the ONS. Source: Autonomy analysis of ONS data on occupations in Wales and ONS analysis on risk of automation. Data sets: Labour Force Survey: <https://www.nomisweb.co.uk/articles/1036.aspx>
ONS automation study: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes>

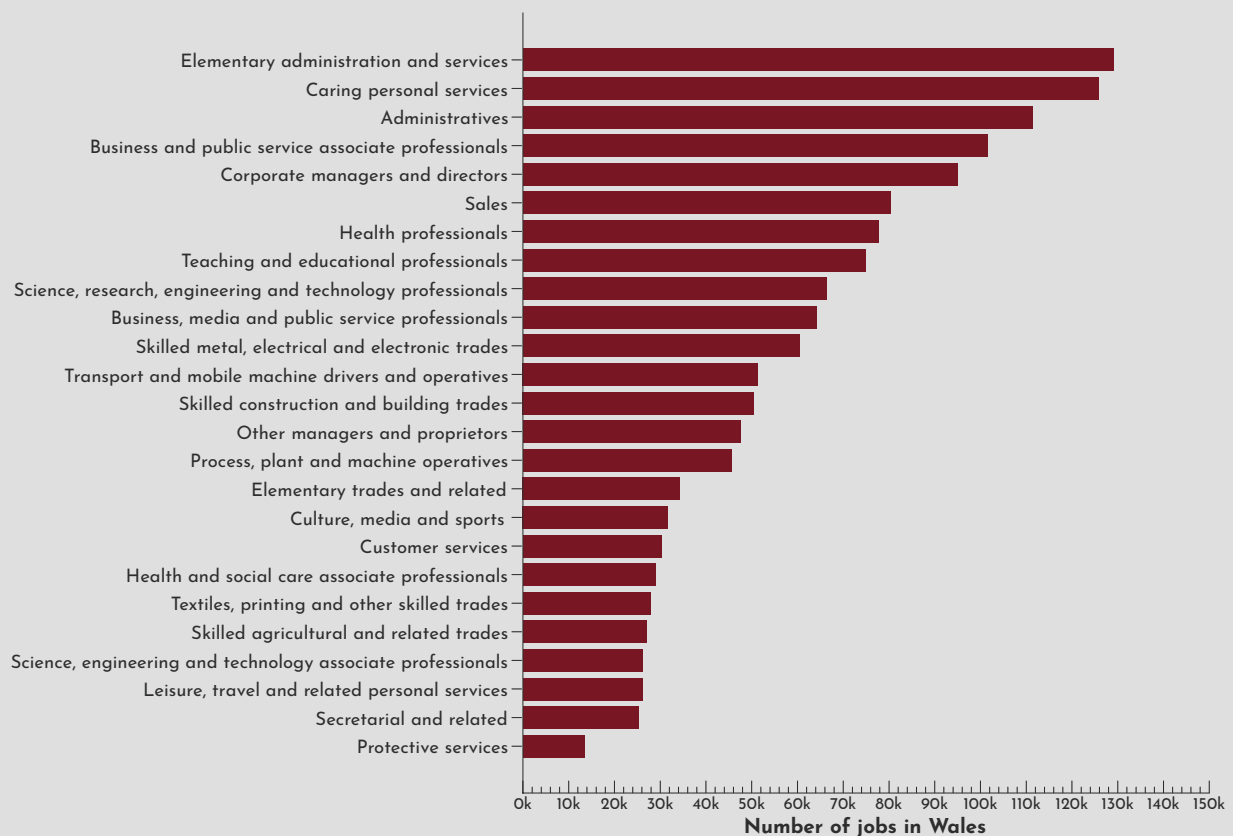


Figure 2. Number of workers across different industries in Wales. Source: ONS

b. Higher spend states

With these trends in mind, we are likely to see – and situations will require – the emergence of ‘higher spend states’ as we move further into the twenty-first century. IPPR’s Commission on Economic Justice identified that future public spending challenges are ‘likely to increase over time’, as multiple crises – environmental, demographic and/or epidemiological – intersect with demands on the economy.¹⁴

The Covid pandemic has been in this sense a ‘pilot’ wherein national governments have wielded state resources at scale in order to (attempt to) manage drastic economic circumstances. The National Audit Office estimates that the UK Government will spend in the region of £370 billion on its Covid policies, including the furlough scheme, the Job Support Scheme, the NHS Test and Trace system and the Self-Employment Income Support Scheme.¹⁵ Government intervention into the labour market is likely to become a regular feature in the coming years and decades: the question will be towards which purposes and in whose interests will these actions take place.

¹⁴ Nanda, S. and Parkers, H. (2019), ‘Just Tax’. London: IPPR. Available at: <https://www.ippr.org/files/2019-09/just-tax-sept19.pdf>

¹⁵ National Audit Office (2021), ‘COVID-19 cost tracker’. Available at: <https://www.nao.org.uk/covid-19/cost-tracker/>

2

A shorter working week for Wales: enhancing well-being

2. A shorter working week for Wales: enhancing well-being

a. What is a shorter working week?

A shorter working week is **a reduction of weekly hours spent working, with no associated loss in pay**. It operates on the principle that people should be able to spend less time doing what they have to do to get by and have more time for other pursuits – be they shared family responsibilities, unpaid volunteer work, or simply pursuing one's own desires.

In the early and mid-twentieth century, this goal was advanced by collective bargaining, productivity growth and progressive legislation, but as the hours of workers across the UK continued to rise in recent decades, **we saw the reversal of this goal**, with all of the associated negative outcomes of overwork, reduced leisure time and poor mental health.¹⁶

Recent years, however, have witnessed the re-emergence of reduced working hours as a key policy objective. Its implementation is often proposed as a **four-day week** (reducing weekly hours, for example, down to around 40 to 32), and a growing number of studies and trials show that a significant reduction in working hours brings a range of benefits, such as more time for leisure, socialising and

¹⁶ TUC (2019), 'British workers putting in longest hours in the EU, TUC analysis finds'. Available at: <https://www.tuc.org.uk/news/british-workers-putting-longest-hours-eu-tuc-analysis-finds#:~:text=Workers%20in%20the%20UK%20are,a%20half%20weeks%20a%20year>

community activities, as well as enhanced mental and physical health.¹⁷ From the German manufacturing sector and the UK postal service to big tech companies such as Microsoft, reduced working hours have reappeared as a key objective for the twenty-first century workplace, called for by unions, employers and political parties alike.¹⁸



We would be happy about... the idea of measuring working hours and the adoption of things like a 4 day week policy as a measure of the health of the economy (TUC Cymru)



The shorter working week can be envisaged or accomplished in a number of different ways:

- In areas of the labour market benefiting significantly from automation and productivity gains, **worker-led** sectoral initiatives have demanded the right of employees to enjoy a share of the benefits, in the form of more free time.
- At the **firm level**, progressive businesses have been implementing shorter working weeks, often finding that the initiative brings significant improvements for productivity, reputation and staff well-being.
- At the **state level**, there have been calls for statutory measures and public spending to enable shorter working weeks by increasing the head-count in over-stretched areas of the public sector.

¹⁷ Autonomy (2019), 'The shorter working week: a radical and pragmatic proposal'. Available at: <https://autonomy.work/portfolio/the-shorter-working-week-a-report-from-autonomy-in-collaboration-with-members-of-the-4-day-week-campaign/>

¹⁸ The Irish Times (2020), 'Leading German unions propose four-day working week to save jobs'. Available at: <https://www.irishtimes.com/business/economy/leading-german-unions-propose-four-day-working-week-to-save-jobs-1.4344040>;

CWU (2020), 'Four-day week opportunities agreed at South Midlands Mail Centre'. Available at <https://www.cwu.org/news/four-day-week-opportunities-agreed-at-south-midlands-mail-centre/>; The Guardian (2019), 'Microsoft Japan tested a four-day work week and productivity jumped by 40%'. Available at: <https://www.theguardian.com/technology/2019/nov/04/microsoft-japan-four-day-work-week-productivity>;

Overall, there is no one way to accomplish a shorter working week, and it is clear that one size will not fit all. Instead, this report proposes a series of initiatives that could form a roadmap towards **a new normal for Wales**, gradually establishing new standards for working time. Taking into account the goals of the Well-being of Future Generations (Wales) Act 2015 and the current devolution settlement, we show how and why the shorter working week could become a new gold standard for public and private sector alike.

b. What could a shorter working week deliver for Wales?

A shorter working week offers a range of benefits, but its overarching goal is to enhance the well-being of individuals by providing more free time and enhancing mental and physical health, as well as helping to deal with our age's most urgent crises, most notably automation and the climate crisis. Available research shows the potential for the policy to deliver significant benefits, consonant with the goals of the Well-being of Future Generations (Wales) Act.

Combating work-related inequalities

A shorter working week could help towards the goal of **a more prosperous Wales**, creating a more equitable world of work by redistributing jobs and hours in a fair and rational way. By helping to iron out existent inequalities across the labour market, reduced working hours can alleviate harmful patterns of overwork and underemployment, as well as unemployment rates.

During the 2008 financial crisis and Covid pandemic, shorter working hours subsidy schemes were used across Europe to retain jobs across sectors and counteract

potential unemployment.¹⁹ Germany has introduced the most comprehensive of these schemes, Kurzarbeit, which has meant that – unlike in many other European nations – high levels of unemployment have not appeared during or after these crises.²⁰

Reduced working hours can also help towards the goal of **a more equal Wales**. The policy has been shown to generate greater gender equality in terms of the allocation of caring responsibilities. The Reykjavik public sector shorter working week trial found a marked improvement in male participants helping around the home and assisting with childcare.²¹

Enhancing community cohesion

A shorter working week can contribute towards **a Wales of cohesive communities**. One key benefit of reduced working hours is additional free time. This time might be spent creating or contributing to local groups and projects, engaging in the arts, or participating in sports.

A shorter working week has also been shown across a number of studies to reduce tiredness and stress, a necessary step in giving people both the energy and confidence to engage in their communities and democracy.²²

19 IMF (2020), 'Kurzarbeit: Germany's Short-Time Work Benefit'. Available at: <https://www.imf.org/en/News/Articles/2020/06/11/na061120-kurzarbeit-germanys-short-time-work-benefit>

20 IZA (2011), 'Short-Time Work: The German Answer to the Great Recession'. Available at: <http://ftp.iza.org/dp5780.pdf>

21 The full results of this trial will be published by Autonomy, Alda and BSRB in 2021. Summary findings can be found in Section 3.

22 Autonomy (2019), 'The shorter working week: a radical and pragmatic proposal'. Available at: <https://autonomy.work/portfolio/the-shorter-working-week-a-report-from-autonomy-in-collaboration-with-members-of-the-4-day-week-campaign/>

Improving health

Reducing working hours can be a strong, preventative step towards **a healthier Wales**. Working time reduction has been repeatedly shown to decrease stress levels and provide a range of physical and mental health benefits. These could counteract the initial cost of implementing the policy by providing relief for the public health system.

A comparative study of Swedish childcare and health workers investigated the effects of a reduction to a six-hour day, or 30-hour working week (reduced from 39 hours) on their health and well-being.²³ The study compared an experimental group - who had a nine-hour reduction in their working week - with a second control group who retained their normal working hours. Most health related variables - including sleep quality, mental fatigue and cardiorespiratory symptoms - improved significantly more in the experimental group than in the control group.

23 Åkerstedt, T., Olsson, B., Ingre, M., Holmgren, M. & Kecklund, G. (2001), 'A 6-Hour Working Day-Effects on Health and Well-Being', *Journal of Human Ergology*, vol. 30(1/2), 197-202.

A healthier Wales: working time and well-being

In collaboration with the Basic Income Conversation, Autonomy created an online survey for residents of Wales, asking them to think about the relationship between working time and well-being.²⁴ Of the 164 respondents, many suggested that the combined pressures of paid and unpaid work left them with little time for self-care, crowding out opportunities to relax, exercise, or prepare a healthy meal. Working time was a particular concern for people with pre-existing health conditions.

Due to working full-time and having children, I have no time for myself, I don't have time to go to the gym, or always cook healthy meals. I often have to do what's convenient and my well-being goes to the bottom of the priority list. (Resident of Llantrisant)

²⁴ Respondents were asked: 'How do your current working hours impact your well-being?' and 'What would it be like to do fewer hours of paid work?'

Currently I do most of my chores on the one or two days I get off, if my mental health allows. An extra day to recover from working so hard would change my whole life. (Resident of Cardiff)

Managing workload with a family of small children means I am rarely able to keep on top of basic housework, let alone self-care and focused emotional time with my children. Exhaustion makes weekends fraught rather than an opportunity for R and R. (Resident of Cardiff)

I'm noticeably more relaxed and less stressed when having time off. Otherwise I often think of work even when I'm not there, at evenings and weekends. (Resident of Llanellwedd)

There would be time to devote to my health, that of my disabled partner, and all the domestic necessities that currently get put off for lack of time/energy. (Resident of Aberffraw)

In terms of recovery from the trials of work, a shorter working week is preferable to stand-alone holiday periods: healthy detachment requires regular time away from work and a culture where we can 'switch off' from work mentally. Empirical studies suggest that people who experience holiday periods as a positive and satisfying event enjoy a higher degree of recovery than individuals who do not.²⁵ In their study of 80 workers (drawn mostly from the service and healthcare sectors), de Bloom et al. found that short vacations have a 'positive effect on [health and well-being]', but noted that this effect 'fades out three days after returning home'.²⁶ Westman and Eden found similar results with their 76 participants: workers' burnout 'returned to its prevacation level three weeks after the vacation'.²⁷ They concluded their study by stating: 'Respite effects fade. Researchers need to find practical ways to prolong respite relief'.²⁸

A shorter working week would increase the possibility for workers to experience the positive effects that derive from periods away from work, and would equally decrease the time at work that makes this recovery so crucial in the first place. Unlike annual holidays that are few and far between, a shorter working week would provide a regular recovery period to benefit from the positive effects of rest.

Responding to the climate crisis

A shorter working week can contribute towards the goal of

25 Lounsbury, J. W. & Hoopes, L. L. (1986), 'A vacation from work: Chances in work and nonwork outcomes.' *Journal of Applied Psychology*, 71, 392-401. Westman, M. & Eden, D. (1997), 'Effects of a respite from work on burnout: Vacation relief and fade-out'. *Journal of Applied Psychology*, 82, 516-527.

26 De Bloom, J. et al., (2012), 'Effects of Short Vacations, Vacation Activities and Experiences on Employee Health and Well-Being', *Stress and Health*, 28(4), 305-318.

27 Westman, M. & Eden, D. (1997), 'Effects of a respite from work on burnout: Vacation relief and fade-out'. *Journal of Applied Psychology*, 82, p. 524.

28 Ibid., p. 526

a resilient Wales, and also a globally responsible Wales.

There is a need to recognise that sustainability cannot be accomplished by technological fixes, but requires new rhythms of work, consumption and everyday life in general.

Reducing working time has been shown to reduce carbon emissions significantly. By reducing the number of hours spent undertaking carbon-intensive activities such as commuting and working, reduced working time represents one of the most direct and efficient methods of reducing emissions in Wales.

A Senedd research briefing concluded that Wales has some of the worst air quality in the UK, despite its low population density and relatively small cities. Cardiff and Port Talbot both have higher PM10 (particulate matter) levels than either Birmingham or Manchester. Hafod-yr-ynys, a road in Caerphilly, is the most polluted road in the UK outside London.²⁹

A study by Autonomy found that a four-day week across the economy would reduce UK carbon emissions by 117,000 tonnes per week (equivalent to removing 1.3 million cars off the road annually).³⁰ In terms of electricity production, the UK could expect to reduce its carbon emissions by up to 24% - reducing the entire energy sector's emissions by 5%. These figures do not even take into account the reduction in emissions generated by commuting.

It has also been shown that longer working hours are linked to a higher rate of consumption of 'convenience' goods: things

²⁹ Abernethy, R. (2018), 'Research Briefing: Air Quality'. National Assembly for Wales. Available at:

<https://senedd.wales/research%20documents/18-009/18-009-web-english.pdf>

³⁰ Autonomy (2020), 'Sparking change: electricity consumption, carbon emissions and working time'. available at: <https://autonomy.work/portfolio/sparkingchange/>

like packaged ready-meals, labour-saving gadgets and faster travel options, which become more attractive when people have less free time.³¹ Consumption of these resource-intensive goods could be reduced along with working time.

Adapting to automation

A shorter working week could contribute to **a more prosperous Wales** by relieving technologically induced unemployment and underemployment. By spreading total available work-hours more equitably across society, a shorter working week can reduce the more acute effects of automation, such as job polarisation and casualisation.

[The shorter working week] is an opportunity for automation to be introduced in a kind of staggered approach, making sure that the benefits of that technology reach the employer and the employee, rather than it just being seen as a negative thing for employment.
(Bethan Thomas, UNISON Cymru)

While there are no empirical studies on how a shorter working week trial directly dovetails with the implementation of automation, it is possible to point towards instances where shorter working hours have reduced the consequences we tend to associate with automation, such as unemployment. For example, as noted above, short-time subsidy schemes have been used to retain jobs and prop up employment during the Covid crisis, and before that, in the unemployment crisis of the early 1980s.³² Other academics and research organisations have suggested similar couplings between working time reduction and labour-saving technologies.³³

31 Devetter, F. & Rousseau, S. (2011) 'Working Hours and Sustainable Development'. *Review of Social Economy*, 69(3), 333-355

32 Autonomy (2020), 'Time for Change'. Autonomy. Available at: <https://autonomy.work/portfolio/timeforchange/>

33 See IPPR's output, including 'Managing automation' (available at: <https://www.ippr.org/publications/managing-automation>) and 'The future is ours: Women, automation and equality in the digital age' (available at: <https://www.ippr.org/research/publications/women-automation-and-equality>). For more theoretical linkages see Srnicek, N. and Williams, A. (2015), *Inventing the Future*.

Reducing precarious work

In line with the goal for **a more prosperous Wales** and its emphasis on decent work, a central aim of any shorter working week policy should be to impact not only the quantity of work undertaken but also the quality. Though no current research exists on the direct impacts of shorter working hours on precarious work, we argue that a shorter working week would be an effective means of reducing insecure and poorly paid work. As noted above, Wales suffers from a range of precarious non-standard employment arrangements: by growing and improving the 'standard' job market, better options can be offered to those who want more secure work.

Covid and beyond

Over the course of the Covid crisis, reduced working hours schemes have been successfully adopted by governments across Europe as a temporary measure to protect jobs. Beyond these short-term solutions, reducing working hours in the long term would allow economies to build back better, with good work, less precarity and more secure employment. In doing so, it could help to reestablish economic progress along new lines. In line with the Well-being of Future Generations Act, it could put a greater focus on a rounded definition of progress, based on social and individual well-being.

The 2020 'Sustainable Health Equity' Marmot review summarised the 'multi-dividend' nature of shorter working weeks, which could form a powerful post-Covid reform:

While the COVID-19 pandemic has led to a temporary reduction in global greenhouse gas emissions (GHG) emissions, these declines are not sustainable and are likely to be accompanied by significant mass unemployment. Redistributing working hours, reducing the working week to four days, and encouraging everyone who wants to work to

be able to work would reduce unemployment, reduce poor health and well-being resulting from unemployment, increase productivity and reduce GHG emissions.³⁴

Working alongside other measures

There is much that a shorter working week can accomplish, but to make the biggest impact, a shorter working week ought to synchronise with a broader progressive agenda for Wales, addressing connected issues of social care, welfare reform, wages, workplace governance and sustainability.

We see a particular opportunity to dovetail the policy with a basic income for Wales (see Autonomy's sister report on a basic income for Wales for the Future Generations Commissioner). By addressing the financial and regulatory dimensions governing work choices, the two policies would allow people to work fewer hours, more securely and with greater flexibility. This could ultimately bring about dramatic changes to Welsh culture, giving people time for community, leisure and autonomous activities.

Recent developments

Recent years have seen a range of proposals for a shorter working week, with elected and opposition parties the world over considering the policy. These proposals suggest a number of different ways to implement, finance and communicate the shorter working week, ranging from centralised state administration to softer private sector incentives. Varying strategies offer a range of options relevant to the Welsh context.

³⁴ Institute for Health Equity (2020), 'Sustainable Health Equity: Achieving a Net-Zero UK'. Available at: <http://www.instituteofhealthequity.org/resources-reports/sustainable-health-equity-achieving-a-net-zero-uk/main-report.pdf>

Proposals diverge in terms of:

- How a shorter working week should be implemented
- How it should be funded
- How quickly the policy should be implemented
- Who should implement it
- Which workers are eligible for working time reductions
- Which bodies should oversee working time reduction schemes

Recent government and union proposals for a shorter working week include the following.

The UK Labour Party made reduced working hours a central pledge of its 2019 election manifesto.³⁵ The party planned to gradually reduce the full-time working week down to 32 hours over the course of a decade. Proposals recommended an independent Working Time Committee to guide the process, alongside strengthening collective bargaining to help unions and employers negotiate its implementation sector by sector.

The Scottish Government are considering the implementation of a four-day week in the event of the country's independence, and in September 2021 announced its plans to pilot shorter working-time with a £10 million fund. Large sections of Scotland's public sector such as the NHS are already devolved in full, and could immediately undertake four-day week trials. An Autonomy study found that a shorter working week in the Scottish public sector would cost between £1.4 billion and £2 billion.³⁶

³⁵ See The Labour Party (2019), 'Manifesto 2019: Tackle Poverty and Inequality'. Available at <https://labour.org.uk/manifesto-2019/tackle-poverty-and-inequality/>

³⁶ Autonomy (2020), 'A four-day week in Scotland: initial costings for implementation in the public sector'. Available at: <https://autonomy.work/portfolio/>

Valencia's regional government is planning to implement a shorter working week across the local economy, giving every full-time worker a four-day week with no associated loss in pay.³⁷ The plan is for the government to initially subsidise the scheme and gradually reduce subsidies. The Ministry of Sustainable Economy, Trade and Labour has included in the Generalitat's budget for 2021 around €4million to subsidise companies that reduce the working week to 32 hours.³⁸

The plan was first articulated in an Autonomy report from early 2019.³⁹ The Spanish Government is now analysing the possibility of implementing a four-day week across the whole economy, primarily as a strategy to reduce unemployment: Following an agreement with the Más País party, the Spanish Government accepted its proposal to trial a 32-hour week, committing €10million of its 2022 budget to this end.⁴⁰

Finland's Prime Minister Sanna Marin has mentioned the possibility of introducing a shorter working week.⁴¹ In 2019, the Russian Government also floated the idea as a way to reduce unemployment.⁴²

[scottish4day/](#)

37 Autonomy (2020), 'The Future of Work and Employment Policies in the Comunitat Valenciana'. Available at: https://autonomy.work/wp-content/uploads/2020/01/FutureOfWorkComVal_Eng_DGTL.pdf

38 Valencia Plaza (2020), 'Labor puts in the budget a subsidy to companies that implement the 4-day shift'. Available at: <https://valenciaplaza.com/trabajo-ayudas-empresas-con-jornada-laboral-4-dias>

39 Autonomy (2020), 'The Future of Work and Employment Policies in the Communitat Valenciana'. Available at: <https://autonomy.work/portfolio/valencia/>

40 20Minutos (2021), 'El plan piloto para la semana laboral de 4 días en España recibirá 10 millones en 2022'. Available at: <https://www.20minutos.es/noticia/4850165/0/plan-piloto-semana-laboral-cuatro-dias-recibira-millones-2022/>

41 The Guardian (2020), 'Will Finland introduce a four-day week? Is it the secret of happiness?' Available at: <https://www.theguardian.com/money/shortcuts/2020/jan/06/finland-is-planning-a-four-day-week-is-this-the-secret-of-happiness>

42 The Moscow Times (2019), 'Russia's Labour Ministry says 4-day week would improve employees' lives despite cost'. Available at: <https://www.themoscowtimes.com/2019/10/01/russias-labor-ministry-says-4-day-work-week-would-improve-employees-lives-despite-costs-a67536>

In response to the Covid pandemic, New Zealand's Prime Minister Jacinda Ardern considered the policy and urged employers to consider its benefits.⁴³ Ardern emphasised the policy's potential to give citizens more free time to travel around New Zealand and boost the country's ailing tourism sector.

The German party Die Linke has called for a four-day week to save jobs during the pandemic, following similar calls from Germany's largest union IG Metall.⁴⁴ Both party and union assert that a shorter working week was necessary even before the pandemic struck, to combat automation, the climate crisis and mass layoffs.

The Irish public sector union ForSa has joined the Four-day week Ireland campaign in pushing for a shorter working week to improve the lives of workers in the post-Covid economy.⁴⁵ The union has proposed introducing the policy alongside a Right to Disconnect, to make sure those working remotely also benefit from the policy.

c. The Welsh context: a favourable climate

Through the Well-being of Future Generations (Wales) Act 2015, Wales has demonstrated a unique legislative commitment to a more rounded and sustainable definition of progress. Its vision for Wales in 2050 includes dramatic improvements in well-being, and new working time policies could be an

43 The Guardian (2020), 'Jacinda Ardern flags four-day working week as way to rebuild New Zealand after Covid-19'. Available at: <https://www.theguardian.com/world/2020/may/20/jacinda-ardern-flags-four-day-working-week-as-way-to-rebuild-new-zealand-after-covid-19>

44 The Times (2020), 'German Ministers Raise Hopes of Four-Day Week'. Available at: <https://www.thetimes.co.uk/article/german-minister-raises-hopes-of-four-day-week-px6jjtmOr>

45 ForSa (2020), 'A four-day week is an essential step forward'. Available at: <https://www.forsa.ie/blog/a-four-day-week-is-an-essential-step-forward/>

important part of the solution.

In June 2020, the independent, formerly Plaid Cymru, MP Jonathan Edwards, was among the first six members in Westminster to sign an Early Day Motion calling on the UK Government to set up a commission to consider the introduction of a four-day week as a response to the pandemic.⁴⁶ The motion emphasised the Scottish Government's announcement in May that its Post-Covid Futures Commission was planning to explore the potential for a four-day week in Scotland, and called on the Conservative Government to consider similar plans for the rest of the UK.

Only days before the motion, the MS Jack Sargeant similarly called on Welsh Labour to push toward a four-day week alongside a basic income in the lead-up to the Senedd elections in 2021.⁴⁷ Sargeant proposed the policy as a way to tackle the multiple intersecting crises of Covid, climate change and automation. Beyond these crises, Sargeant emphasised that a shorter working week would benefit the well-being of his constituents and the Welsh public at large.⁴⁸ He expressed hope that the policy would allow communities to build on some of the positive changes occasioned by the pandemic:

A four-day week gives us time to work for our community, and one of the positives to emerge from the coronavirus crisis has been the way people have supported each other.⁴⁹

These parliamentary developments reflect recommendations already made by the Fair Work Wales Commission and the

46 UK Parliament (2020), 'Four Day Week in the UK: EDM 636 tabled on 18 June 2020'. Available at: <https://edm.parliament.uk/early-day-motion/57154/fourday-week-in-the-uk>

47 IWA (2020), 'The bold policies we need from Welsh Labour's next manifesto'. Available at: <https://www.iwa.wales/agenda/2020/06/the-bold-policies-we-need-from-welsh-labours-next-manifesto/>

48 Ibid.

49 Ibid.

Future Generations Commissioner for Wales in recent years. In their report to the Welsh Government, the Fair Work Wales Commission suggested that Wales had the potential to become a leader in the promotion of fair working practices, adding that any definition of 'fair work' ought to include a healthy environment, flexibility that works for the employee, and 'working time and patterns... conducive to well-being'.⁵⁰ The wide-ranging Future Generations Report made an even more explicit call for Welsh Government to pilot a four-day working week as a way to enhance people's well-being and reduce Wales' carbon footprint.⁵¹



I would see the Fair Work directorate, and the legislation around Fair Work, as being key to moving and progressing some of this work forwards. (Bethan Thomas, UNISON Cymru)



d. Welsh context: current barriers

Despite these signs of growing support for a shorter working week, the legislative and financial capacities of the Welsh Government under the current devolution settlement place barriers on the feasibility of certain forms of shorter working week policy.

Legislative powers

The full implementation of a shorter working week for all Welsh workers would fall outside the current legislative capacities of the Welsh Government. The Working Time Regulations Act (WTR) can only be amended by the UK Government, which means that placing a nationwide

⁵⁰ Fair Work Wales (2019), 'Report of the Fair Work Commission'. Available at: <https://gov.wales/sites/default/files/publications/2019-05/fair-work-wales.pdf>

⁵¹ Future Generations (2020), 'Future Generations Report 2020'. Available at: <https://www.futuregenerations.wales/wp-content/uploads/2020/05/FGC-Report-English.pdf>

cap on employees' working hours does not currently fall within the devolved competence. The WTR is the domestic implementation of the Working Time Directive set out in EU law, which legislates that all EU citizens have the right to work no more than 48 hours in a given week, and are entitled to paid rest breaks and holidays. However, the directive contains a waiver, which the UK included in its implementation of WTR, allowing employers to opt out of the legislation on a case-by-case basis. This has meant that many workers, particularly those on non-standard contracts, have been working hours that fall far outside of the directive's limits.

Although, following Brexit, the UK is no longer bound by the EU Working Time Directive, this is unlikely to present the Welsh Government with an opportunity to reform working time legislation at the devolved level, since control of working conditions is set to be retained by Westminster.

Though these current legal restrictions prevent a full implementation of a shorter working week across the national economy, at a sectoral level there remain a number of plausible legislative avenues. The Welsh Government exercises devolved competence within a significant section of public sector services, where the policy could therefore readily be trialled and act as an exemplar for the economy at large (see Section 5 of this report). This would have the added benefit of not relying on the cooperation of the UK Government for either financial or administrative backing.

Likewise, the Welsh Government could look to pursue the policy beyond the public sector by incorporating a goal of working time reduction into its public procurement strategy. Public sector procurement comprises a significant component of the Welsh economy, and is already widely acknowledged as an existing policy lever within Welsh Government (see Section 5

of this report). Indeed, in its report, the Fair Work Commission reiterated the potential of procurement strategy to offer an alternative means of pursuing policy goals in areas beyond devolved competence, offering another avenue to ‘push’ the private sector towards well-being goals.

Financing

The full implementation of a shorter working week across the Welsh economy would squeeze the current capacity of the Welsh Government’s budget.⁵² This is because any immediate, wide-scale implementation would require a government subsidy scheme to cover the costs to those employers who would require new staff to mitigate any negative effects on output of fewer labour hours. Even on a smaller scale than the whole economy, such as a limited number of sectors, a subsidy scheme would be too costly to run over any extended period of time.

The income-raising powers that the Welsh Government could currently use to finance large-scale shorter working week schemes are limited, but not entirely absent, with fiscal devolution in Wales still in its early stages compared to the devolved administration in Scotland and government borrowing limited to £1 billion (ring-fenced for capital expenditure). However, in addition to control of local taxes such as council tax and business rates, in recent years the Welsh Government has assumed powers to set both a Land Transaction and Landfill Disposal taxes and, since 2019, has had the ability to vary the final 10p in the pound within each income tax band.

⁵² Welsh Government (2020), ‘Final Budget 2020 to 2021’. Available at: <https://gov.wales/final-budget-2020-to-2021>

The Wales Act 2014 also provided a clear route for the devolution of further new taxes, and in the years since, the Welsh Government have explored a series of proposals, including a hypothecated 'Social Care' tax, a Land Value tax and a Tourism levy.⁵³ While the revenue-raising capacity of the Welsh Government therefore remains limited - and with respect to income tax variation, as yet untested - the direction of travel has been set firmly towards greater devolved fiscal powers.⁵⁴ Paired with an interest in innovative fiscal reform, the potential for creative funding bases for a future shorter working week subsidies should not therefore be ruled out, even if current capacity is restricted.⁵⁵

Outside of large scale subsidy schemes, however, there are other ways to save on the costs posed by a shorter working week, such as auditing workplace activities and developing a leaner, more precise number of hours for each worker, so that employers still receive the same amount of work but over fewer days. However, this approach is not desirable in all sectors and does not readily lend itself to a national-scale implementation. Any measures would need to be decided and implemented on a firm-by-firm basis, or within the parameters of areas in which the Welsh Government holds competence, such as the public sector.

53 Welsh Government (2018), 'Developing new Welsh taxes'. Available at: <https://gov.wales/developing-new-welsh-taxes>

54 Wales Centre for Public Policy (2018), 'The Welsh Tax Base: Risks and Opportunities after Fiscal Devolution'. Available at: <https://www.wcpp.org.uk/publication/the-welsh-tax-base-risks-and-opportunities-after-fiscal-devolution/>

55 See the recent Welsh Government commissioned scoping paper by Bunt, J. (2020) 'An assessment of the feasibility of a local income tax to replace council tax in Wales'. Available at: <https://gov.wales/local-income-tax-scoping-feasibility>

e. Welsh context: looking to the future

Though the legislative and financial capacities of the Welsh Government are limited at present, restricting its ability to implement and initially subsidise a shorter working week across the Welsh economy, it can nevertheless focus on trials within parts of the public sector. These should be eminently affordable, relatively easy to administer and fall within its legislative powers (see Section 5).

Beyond any such trials, the Welsh Government could also incorporate shorter working time goals into its public procurement criteria, pushing the private sector towards the policy, in advance of any potential future devolution of employment law.

3

Learning from past Experience

3. Learning from past Experience

In this section we note precedents and practical experiences of shorter working hours from which Welsh policymakers can learn. These include public sector experiments, national economic policies suited to unemployment strategies as well as specific case studies of private sector firms who have reduced their working hours. Together, valuable lessons can be drawn for the feasibility of shorter working weeks in Wales, whether at individual firm level, sector level or at national scale.

a. Iceland

Between March 2015 and 2016, the city of Reykjavik trialled reduced working hours in the city council with around 70 employees taking part. The scheme was implemented in Árbæjar and Grafarholt Service Center, and the child protection department.⁵⁶ These departments were specifically chosen due to the high workload of their staff.

Weekly reductions in hours varied between workplaces. In the child protection organisation, the working week was shortened from 40 hours to 36. The service centre closed at three instead of four on each working day, reducing the working week by five hours, down from 40 to 35. In each case, there was no associated drop in pay.

⁵⁶ Full results of this trial are published by Autonomy, Alda, and the BSRB separately at autonomy.work/research. Here we are giving a summary.

Reports found that not only was participant performance and organisation productivity boosted, but also work-life balance improved and stress diminished.

The success of these initial trials led to a much bigger trial covering 2000 city council employees, working in care homes, play schools, museums, community centres and hospitals. These trials expanded their aims to see whether workers on non-standard hours such as shift work could also benefit from the same reduction in working hours. The same positive results were found across this wider sample of participants.

Social Impact

The impact on worker well-being was significant. Various studies demonstrated that workers experienced less stress, enjoyed greater work-life balance and had an improved domestic life.

Work-life balance

Participants across studies of the trials experienced significantly improved work-life balance. Most participants experienced:

- Improved leisure time
- More time and energy for exercise
- A better relationship with their jobs in terms of overwork and stress
- Improved domestic life
- Improved family life, particularly for single parent families
- Better communication between spouses/partners
- A significant rise in men's participation in domestic duties
- Better relationships between parents and children

These benefits were enjoyed equally by those on standard and non-standard employment contracts.

In none of the trials did productive output drop. Workers simply fit the same amount of tasks necessary for their job into fewer hours. The benefits in terms of well-being and health suggest that producing the same output in fewer hours was not a process detrimental to worker well-being.

Lessons for Wales from Iceland

Public sector as catalyst

The initial small trial inspired both wider support and take-up of a shorter working week across Iceland. After its success, several Icelandic state departments outside of Reykjavik began their own trials. Consistent positive news coverage raised the idea of a shorter working week to the forefront of public consciousness.⁵⁷ This has meant that reduced working hours has remained on the agenda since.

Trial participants

Reykjavik council specifically selected departments where employees were deemed to have a high workload and were consequently suffering from stress. Similarly, in a Welsh context, employees are most likely to benefit most from a shorter working week trial.

Short-time committees

Committees were set up to manage the trial and measure its success. These committees were instrumental in helping to design and measure performance indicators for productivity

⁵⁷ NEF (2019), 'Achieving a shorter working week across Europe'. Available at: <https://neweconomics.org/uploads/files/workingtime-newsletter1.pdf>

and worker well-being, as well as work-life balance. These indicators made clear the results of the trial, so that they could be communicated readily to the public.

Trade union support

Trade unions played a significant role in establishing the trials. They had been making the case for shorter hours for around a decade and helped to push the policy through government negotiations.⁵⁸ Unions also played a significant part in guiding the trials themselves, helping to organise how the trials would be implemented and to manage and oversee the process as the trials developed. This led to a new collective agreement between trade unions and the Icelandic Confederation of Enterprise in 2019, which leaves open the possibility of reduced hours being implemented more widely across the national economy.⁵⁹

b. Germany

The German Government has used a shorter working hours scheme intermittently since the 1980s to help bridge temporary shortfalls in labour demand. The Kurzarbeit Scheme (short time work compensation scheme) entails government subsidising a temporary reduction of regular working hours in response to substantial drops in labour demand in an organisation or firm.⁶⁰ Its primary and most impactful use has been to combat mass unemployment during the 2008 financial crisis and more recently during the Covid pandemic.

58 Ibid.

59 Iceland Review (2019), 'Collective agreement opens possibility for shorter work week'. Available at: <https://www.icelandreview.com/news/collective-agreement-opens-possibility-for-shorter-work-week/>

60 Autonomy (2020), 'Time for Change: a four-day week as an unemployment strategy'. Available at: <https://autonomy.work/wp-content/uploads/2020/07/Time-for-Change-REPORT.pdf>

Kurzarbeit allows companies to retain their employees during periods of low demand and quickly adapt to increased economic activity once demand returns.

To cover shorter working hours the Federal Employment Agency pays out a level of compensation similar to unemployment benefit, totalling 60% of lost net income. Employees with children receive an increased amount of 67%. During Covid, these benefits increased to 70% (and 77% respectively) from the fourth month on, and to 80% (87%) from the sixth month on, paid for up to 21 months.⁶¹

Social impact of German policies

Unemployment

Kurzarbeit has proved itself to be an excellent strategy for retaining jobs during times of crisis, preventing levels of unemployment seen in other European countries that have not adopted similar schemes. During periods of deep recession, it has protected workers' income and in doing so supported aggregate demand. This has a preventative protective effect on both employment and consumer demand. Since workers are not set to lose their jobs, they have less incentive to save on a precautionary basis.

Kurzarbeit has also benefited firms and organisations, which by adopting the scheme can avoid the costly process of separation, re-hiring and training. On a more general scale, keeping unemployment down has protected society against the negative effects of inequality and reduced community cohesion.

⁶¹ BMAS (2020), 'Kurzarbeitergeld'. Available at: <https://www.bmas.de/DE/Themen/Arbeitsmarkt/Arbeitsfoerderung/kug.html>

Lessons for Wales from Germany

Though the devolved settlement would prevent the Welsh Government from introducing a policy on such a scale and one that would rely so heavily on the legal and financial backing of the UK Government, there are nonetheless a number of important lessons to be learned from Kurzarbeit.

Crisis management

Kurzarbeit demonstrates the effectiveness of shorter working hours in reducing unemployment, with the scheme used to prevent layoffs during a number of different crises. By supporting jobs during the 2008 crisis and the recent Covid pandemic, Kurzarbeit helped to support the material well-being of workers across sectors. Though the Welsh Government would not be able to implement a shorter working hours scheme to this extent, the same principle would apply to, say, public sector positions that fall within the remit of the devolved settlement. As the 21st century develops and more crises emerge – be they ecological, epidemiological or economic – a mechanism for sharing available, reduced hours of work will be increasingly useful.

Collective bargaining

Collective bargaining allowed specific sectors to secure extensions and top-ups to compensation. The industrial IG Metall union won a top-up of benefits to 80% of the net income loss for their metalworkers. The NGG, which organises workers in the hospitality industry, secured a top-up of 90% for McDonald's, Burger King and Starbucks workers, among other companies in the hospitality industry. Such backing by unions would be similarly advantageous for any shorter working week scheme carried out in the Welsh setting.

c. UK (firms and trade unions)

In recent years, a wave of firms and organisations have implemented shorter working hours across the UK. More than 50 known workplaces in all have now implemented or are planning to implement shorter working hours for their staff, stretching from small charities and voluntary sector organisations to large companies. A significant number of these workplaces have implemented the policy in the wake of the Covid pandemic.

The largest scale reduction in shorter working hours is to be implemented by the CWU. Over 120,000 Royal Mail workers will benefit from a reduction of 39 hours down to 35 hours, with the first stage of the scheduled drop implemented in 2018, which took hours down to 38 per week, with no associated drop in pay.⁶² A key component of the Four Pillars of Security national agreement, the plan is to gradually reduce hours in response to new technologies anticipated to negatively impact on hours and jobs.

Autonomy has consulted a number of UK firms planning to introduce shorter working weeks and helped them implement trials. In terms of enhancing worker well-being, trials have been an unambiguous success and, therefore, are instructive for any planned trials in the Welsh context. Here we isolate two case studies:

⁶² CWU (2018), 'Royal Mail "historic" advance in work-life balance'. Available at: <https://www.cwu.org/news/royal-mail-historic-advance-in-work-life-balance/>

Big Potato Games

The independent board game company reduced their entire staff team down to a four-day week for a two-month trial period. Autonomy helped to design and manage the implementation of a shorter working week trial, as well as record the results of the trial through surveys, one-on-one interviews and workshops.

Decisions about how to reduce working hours were made during staff workshops and interviews. The framework of the trial was therefore established using a bottom-up approach, whereby staff were able to communicate their thoughts and feelings on the trial itself, and to implement self-defined changes to work processes felt to increase productivity.⁶³ This meant that shifting five days' work into a four-day period was a process directed primarily by employees. This involved:

- Assigning daily tasks as 'urgent', 'important' and 'not urgent' and completing them accordingly.
- Blocking out time in quiet room spaces.
- Placing a cap on the time periods of meetings.

Impact of changes in private firms

Greater work-life balance

Staff reported a significant improvement to work-life balance. Many staff mentioned they had more time to relax, rest and recuperate, reporting a sense that the weekend felt more 'authentic', with chores and tasks usually undertaken on Saturday or Sunday now assigned to the additional day off.

⁶³ Autonomy (2019), 'A Four-Day Week at Big Potato: trial results'.

Greater autonomy

Staff felt a sense of greater autonomy and more time to engage with pursuits outside of work. Employees reported that the additional day off offered time during which hobbies, interests and life admin could be engaged with.

Lessons for Wales from trials in the private sector

More achieved in less time

Staff reported that concentrating their week's work into four days was a welcome change in working patterns. Staff did not notice a significant rise in daily work. In fact, they noted a new 'drive' to get work done in less time and enjoy a longer weekend. Many mentioned it made them more organised and focused on the task at hand. This demonstrates that in some firms and organisations workload can be streamlined without any detrimental effect on staff well-being.

Enhanced well-being

Nearly all members of staff reported a greater sense of mental well-being during the trial. In interviews, staff repeatedly mentioned feeling more relaxed and rested due to the extra day off.

Company reputation

Members of staff noted that clients and customers responded positively to the company's decision to introduce a four-day week, with the potential effect of boosting the company's reputation as an employer. The potential reputation gains should be emphasised to Welsh businesses considering similar trials.

d. A charity

Autonomy helped to oversee, analyse and evaluate a shorter working week trial within a charity.⁶⁴ The trial consisted of a 28-hour working week for the majority of staff over a six-month period.

In terms of administering the implementation of shorter working hours, Autonomy and the organisation's management:

- Consulted staff on how best to negotiate workload; how to change the organisation's workflow; how to deal with 'surge' periods.
- Allowed staff to design their own 'four-day week', whether that be a whole day off or hours reduced each day across the course of the week.

In terms of evaluating the trial results, Autonomy used:

- Interviews, surveys, one-on-one interviews, personal objective and check-in notes to assess the success of the trial as it developed. These methods helped to compare and contrast the differences between staff expectations (pre-trial), their critical responses (mid-point) and finally their reflections and evaluations (end of trial).
- Productivity and outcome-based data drawn from the charity's own benchmarks and evaluation methods.

⁶⁴ This broadly references an internal report for the charity in question, produced by Autonomy.

Impact

The trial improved staff well-being in a number of key ways.

Less stress

Pre- and post-trial surveys showed that staff stress levels in the workplace dropped markedly during the period of the trial. This is likely due to the benefits of increased rest and relaxation.

Working better

Pre- and post-trial surveys showed that staff considered themselves to be working better over the course of the trial, to be giving more to their job and getting more out of it. Most staff reported an improvement in work culture during the course of the trial.

More and better free time

Pre- and post-trial surveys showed that staff were significantly more satisfied with their free time during the period of the trial.

Lessons for Wales from the charity sector

No intensification of work process

Like employees at Big Potato, staff at the charity reported no sense that their workload had significantly grown during the trial. Most staff were confident that in the long term they would be able to adapt their workload and processes to suit a 28-hour working week. There are no reasons to believe that this would not also be true of a larger trial in the Welsh setting. During the short term, workers are able to adapt their working habits to shorter hours in ways that make a longer

term implementation possible. It should be noted that not all organisations will follow this pattern, and new hires may be required in certain cases (e.g. certain public sector roles: See Section 5 below).

Increased productivity

The trial coincided with an increased per-hour improvement in productivity across the organisation. This suggests that more free time and enhanced well-being are not incompatible with productivity increases; quite the contrary, the trial suggests that the former in fact generated the latter.

Remote work and shorter hours

Workers that continued remote work arrangements during the period of the trial found that working away from the office and shorter working hours are complementary strategies for making work more flexible.

4

Local
perspectives:
what do
Wales'
stakeholders
think?

4. Local perspectives: what do Wales' stakeholders think?

In line with the Future Generations Commissioner's commitment to collaboration in the improvement of well-being in Wales,⁶⁵ Autonomy has sought to learn from the views and ideas of key stakeholders. Stakeholders were contacted on the basis that their remit spoke to one or more of the seven key well-being goals for Wales.⁶⁶ We were particularly keen to hear from representatives able to provide an equalities perspective, and to include respondents with knowledge of public, private and voluntary sector employment.

In the interviews, we asked stakeholders about their current organisational challenges, whether a shorter working week would be desirable, what the impacts might be, and their views on how it could be implemented. More details about the method of our stakeholder engagement can be found in Appendix b.

⁶⁵ See Future Generations Commissioner for Wales (2020), 'The Five Ways of Working'. Available at: <https://www.futuregenerations.wales/faqs/>

⁶⁶ See Future Generations Commissioner for Wales (2020), 'Seven Well-being Goals'. Available at: <https://www.futuregenerations.wales/about-us/future-generations-act/>

a. How might a shorter working week impact Wales?

Among the stakeholders we interviewed, existing awareness of the shorter working week as a policy objective was mixed. One participant said they had only previously considered the shorter working week as a personal option: 'I was just thinking you work one day less and then get paid a bit less' (Anonymous Stakeholder).

As participants considered the shorter working week, many proposed guiding principles that are consonant with the policy's history, namely, that reductions in work-time should not have an adverse effect on pay, or simply amount to a compression of the same workloads:

it's not about trying to do 40 hours in 4 days. (Anonymous Stakeholder)

One interviewee also praised the shorter working week as a way of ensuring that workers in manufacturing industries receive greater dividends from technological advances,

making sure that the benefits of that technology reach the employer and the employee. (Bethan Thomas, UNISON Cymru)

Even though existing awareness of the policy was mixed, most interviewees talked very positively about its potential impacts. Representatives from Women's Equality Network and Chwarae Teg believed the policy could be particularly relevant for women, who we know experience less free time than men on average, and are more likely to be shouldering a 'double shift' of employment and unpaid care work.⁶⁷

It all comes back to the same point that women are time-poor, so giving them additional time would be a positive. (Natasha Davies, Chwarae Teg)

I'm in favour of anything that supports work-life balance and gives people a more rounded, better life. A day a week to pursue your own studies, learn something new, to spend it with your child... If it can work economically, why not? (Catherine Fookes, Women's Equality Network)

Interviewees were asked how members of their organisation (and its associated public) might choose to spend an extra day off per week. This brought a variety of responses.

Staff have talked about wanting to have more time at home, commuting less, being able to spend time with family, taking up new hobbies, going to the gym, so work isn't just their life. And just down-time, relaxing with friends, doing volunteering. (Anonymous Stakeholder)

⁶⁷ See the Women's Budget Group's proposal for shorter hours as a response to the need for more care in our economies. (2020), 'Creating a Caring Economy: a call to action'. Available at: <https://wbg.org.uk/analysis/creating-a-caring-economy-a-call-to-action-2/>. See also: Autonomy (2019), 'The shorter working week: a radical and pragmatic proposal'. Available at: <https://autonomy.work/portfolio/the-shorter-working-week-a-report-from-autonomy-in-collaboration-with-members-of-the-4-day-week-campaign/>

Natasha Davies from Chwarae Teg thought that the policy could be a good way to help resource caring responsibilities, but also explained the organisation's additional focus on the importance of freedom from care. Natasha believed that public communication around the shorter working week might be limited if it only focused on those activities considered 'virtuous' like care and civic contribution.

This for me is where the focus on well-being is important. Most women spend most of their time either working or caring, and we need to support that reality. But we also need to focus on shifting and changing that... The real problem is having time for women to do whatever it is they want to do. If that's going out for a hike, spending a day reading, spending a day on the Playstation, setting up a new business - that's all great. There shouldn't be a judgement... Widening that discussion about time away from work without tying it specifically to care is important. (Natasha Davies, Chwarae Teg)

What would you do?

Our online survey asked residents of Wales to reflect on the activities they might contribute more time to, if they had a shorter working week.⁶⁸ 36% of respondents said they would spend more time exercising, 30% on advocating for a social cause, 27% on education, 26% on self-care, 26% on voluntary work and 24% on creative work (the most popular choices from a list of 18 options).

In their responses to open questions,⁶⁹ respondents often described the pressures of working life, highlighting the tendency for free time to be eaten up by domestic chores and recovery from work. Many suggested that having a shorter working week would improve their capacity to contribute time and talents to other things, carrying out voluntary work, beginning new business ventures, or being more 'present' for family life.

It would give me more time... I might finally be able to learn Welsh properly! Be more present in my community and do more volunteer work. (Resident of Cardiff)

I feel my weekends are a rush to get chores done... I don't have as much energy for my volunteer work as I would like. (Resident of Cardiff)

68 Respondents were asked to elect their top three priorities of 'things they would do more of' from a list of options: seeing friends, recreation, entertainment, childcare, education, shopping, developing a business, advocating for a social cause, elderly care, self-care, exercise, voluntary work, cooking, sport, engaging with the arts, creative work, community projects, and 'I would do nothing differently'.

69 Respondents were asked: 'How do your current working hours impact your well-being?' and 'What would it be like to do fewer hours of paid work?'

I would like to develop one of my other interests into a second business, but I don't have the time or the resources. (Resident of Mynachlog-ddu)

I would have more time for actual leisure activities, and to make the most of the fact I live in a beautiful area, rather than resting and catching up on housework. (Resident of Bangor)

It would give me more time to do the things I need to that are unpaid - including seeing my family, enjoying the home and garden, developing new projects with people. (Resident of Cardiff)

I love my job, but I would still prefer more time for studying, learning a language, quality time with friends and more time in nature. (Resident of Camrose)

At the moment there just aren't enough hours in the day, in my spare time I have to choose between study and family. This is detrimental to all of us as we're not spending enough time together, and it's damaging my mental health because I feel perpetually guilty. Working a few days less would mean I didn't have to make that impossible choice. (Resident of Cardiff)

The only strong opposition to the shorter working week among our respondents was from Darren Williams, representing the Farmers' Union of Wales. Darren said 'the shorter working week is not a nice Welsh headline', explaining that the union's only encounter with working time policy was in relation to the EU Working Time Directive. As a one-size-fits-all policy, imposed from above, Darren suggested that the directive had ignored the challenges of agricultural work, such as the

labour-intensive job of caring for animals, and the pressure on farmers to supply high volumes at a low price.

He was concerned that a shorter working week policy could be imposed on agricultural workers in a similar way, and possibly act as an incentive for farms to favour self-employed contractors over secure employees, with rights to a shorter working week.

While clarifying that he could not speak for everybody, Darren Williams also questioned the appetite for a shorter working week among agricultural workers. He suggested that much of the farming community experienced a positive identification with work, and described farming as a vocation. This underlines the need for any work-time policies to accommodate a plurality of attitudes to employment.

b. A question of implementation

Whenever a significant policy idea arrives on the national scene, stakeholders will naturally want to ensure that proponents do not view it as a panacea or replacement for existing political goals and public spending commitments. It is not surprising that the focus of many interviews was on the ongoing relevance of existing priorities that might complement any drive for a shorter working week.

Several participants stressed the importance of working time flexibility as well as quantity, and suggested that the success of the shorter working week may depend on its ability to synergise with employee-focused flexibility.

Are you proposing specifically 4-day weeks or would there be flexibility? This is important for diverse people, for example some disabled people, some of whom would benefit from compressed hours or working their hours over 5 or 6 days. (Ele Hicks, Diverse Cymru)

For us, when thinking about workplaces (and of course it differs from sector to sector), we're wanting genuine flexibility that isn't just good for the employer... I wouldn't want to see the shorter working week shift the focus away from the importance of flexibility in how and where we work. Keeping those things together is really important. (Natasha Davies, Chwarae Teg)

In a similar spirit, several participants noted that, to truly alleviate the time-poverty of women with care responsibilities, the shorter working week would need to be paired with an ongoing commitment to building an effective care infrastructure in Wales.⁷⁰

We still need public services and care services around it, to make sure that women are actually able to use this additional time away from work for their well-being. [The shorter working week] has real potential from a gender equality perspective but the detail of what sits around it is important. (Natasha Davies, Chwarae Teg)

A common view among the union representatives we spoke to (from TUC Cymru and UNISON Cymru) was that a shorter working week in the private sector would be harder to achieve:

There's a risk that your policy actions only reach those employers who are already responsible and do nothing for the bad employers. (TUC Cymru)

That is a problem when you have private sector employers who aren't in receipt of public funds - what kinds of levers and mechanisms do you have to engage those employers with wider policy objectives? That's a difficult one. (Bethan Thomas, UNISON Cymru)

⁷⁰ For a proposal for a new, effective care infrastructure, see Autonomy (2020), 'Long Term Care Centres: Making space for ageing'.

Pointing to principles set out in the existing Fair Work agenda for Wales,⁷¹ representatives of TUC Cymru pointed to the possibility of instituting new working time practices in an ethical Welsh procurement strategy (an approach we outline in Section 5), although they remained uncertain about the scope of any results, or how much pressure could be applied to organisations working in a cross-border fashion.

However, reflecting on the potential for a widespread private sector shorter working week, the interviewees from TUC Cymru suggested that reaching the most negligent employers would require a strategy that goes beyond good practice examples and ‘aspirational principles’. In their view, any state or firm-led working time initiatives ought to be accompanied by pressure applied through collective bargaining.

If it's not being discussed as part of a collective bargaining setup then there are a whole host of issues that wouldn't necessarily be sorted out just by a firm agreeing to sign up to it. (TUC Cymru)

Importantly, they also added that people’s decisions about working time are governed by their financial situation, as well as regulation at the workplace level. Reflecting on the experiences of low-paid factory workers in Wales, they suspected that without a robust commitment to improving Welsh incomes (that could include a national basic income, presented in Autonomy’s sister report for the Future Generations Commissioner)⁷² many in Wales would use the ‘extra day’ offered by a shorter working week to simply seek further paid employment.

⁷¹ Fair Work Commission (2019), ‘Fair Work Wales’. Available at: <https://gov.wales/fair-work-wales>

⁷² Autonomy (2021), ‘A future fit for Wales: a basic income for all’.

c. Key Lessons

Stakeholders' existing awareness of the shorter working week as a policy objective was mixed.

With the exception of one stakeholder - who was concerned that a shorter working week would be a one-size-fits-all policy, imposed overnight and from above - there was a strong level of support for a shorter working week in Wales.

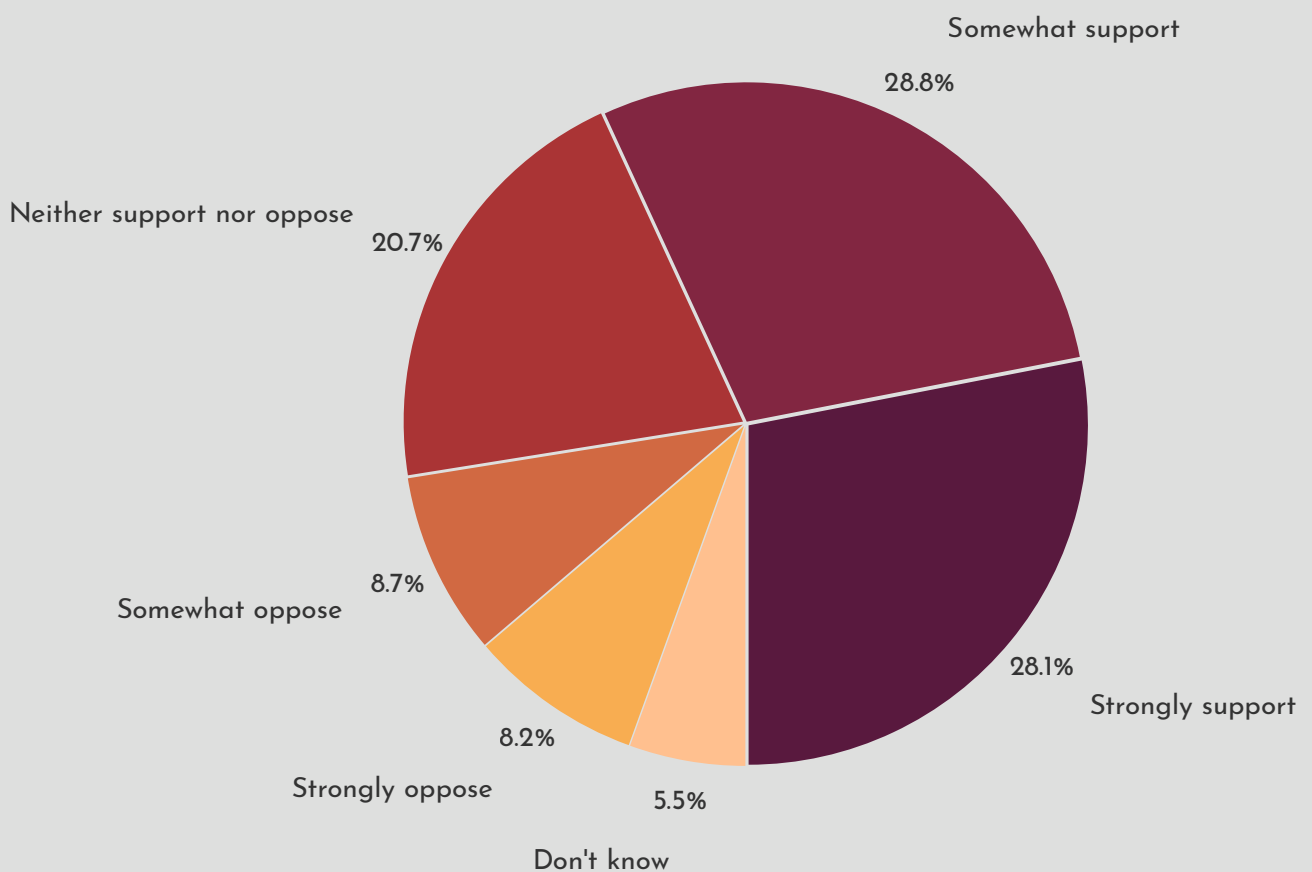
The gender equality organisations we spoke to believed the policy could have a particularly positive effect on women, who are known to have a lower share of free time.

Most interviewees said that to be most effective, the shorter working week would need to exist alongside other commitments including flexibility in working hours, a strong care infrastructure, and raising incomes in Wales.

Union representatives suggested that implementing a shorter working week among 'bad' private sector employers could be more challenging. Developing a fair work procurement strategy and building an evidence base for a business case were both considered as potential levers, as well as integrating working time demands into collective bargaining agreements.

Some people have argued that a four-day working week, with pay remaining the same for workers, could be a long-term solution to unemployment by sharing work more equally across the economy. On the other hand, some businesses argue their wage bill may increase while paying current wages for shorter hours.

To what extent would you support or oppose the Welsh Government piloting a scheme to move towards a four-day working week?



Survation.

Total respondents: 1049

5

Implementation Strategy: public sector first

5. Implementation

Strategy: public sector first

Although a large-scale implementation of a shorter working week across the whole Welsh economy does not fall within the capabilities of the current devolution settlement (for reasons outlined in Section 2), there are ways in which the Welsh Government can move toward a shorter working week as a new gold standard of employment practices. These policy initiatives would build on the successful strategies and trials found in other countries, but would be adapted to suit the specific well-being goals of twenty-first century Wales.

a. The Welsh public sector as a pioneer

A piecemeal, but ultimately full, rollout in the public sector would represent a feasible, beneficial and cost-effective strategy for implementing a shorter working week in Wales.

It represents the most feasible sector of the Welsh economy in which to trial a shorter working week because the working hours of many public sector employees – such as those employed in the NHS and local councils – fall within the devolved competence of the Welsh Government.

These are also areas that have already been trialled successfully. In the Reykjavik trial, one of the largest shorter working week trials to have taken place, local councils and healthcare services moved to a shorter working week, and saw significant gains for employee well-being with no cost to productivity (see Section 3).

In many regions of Wales, the public sector accounts for more than 25% of overall employment. On a national scale, this would therefore represent a significant proportion of the Welsh workforce moving to a shorter working week (see Figure 3 and Chart 1).

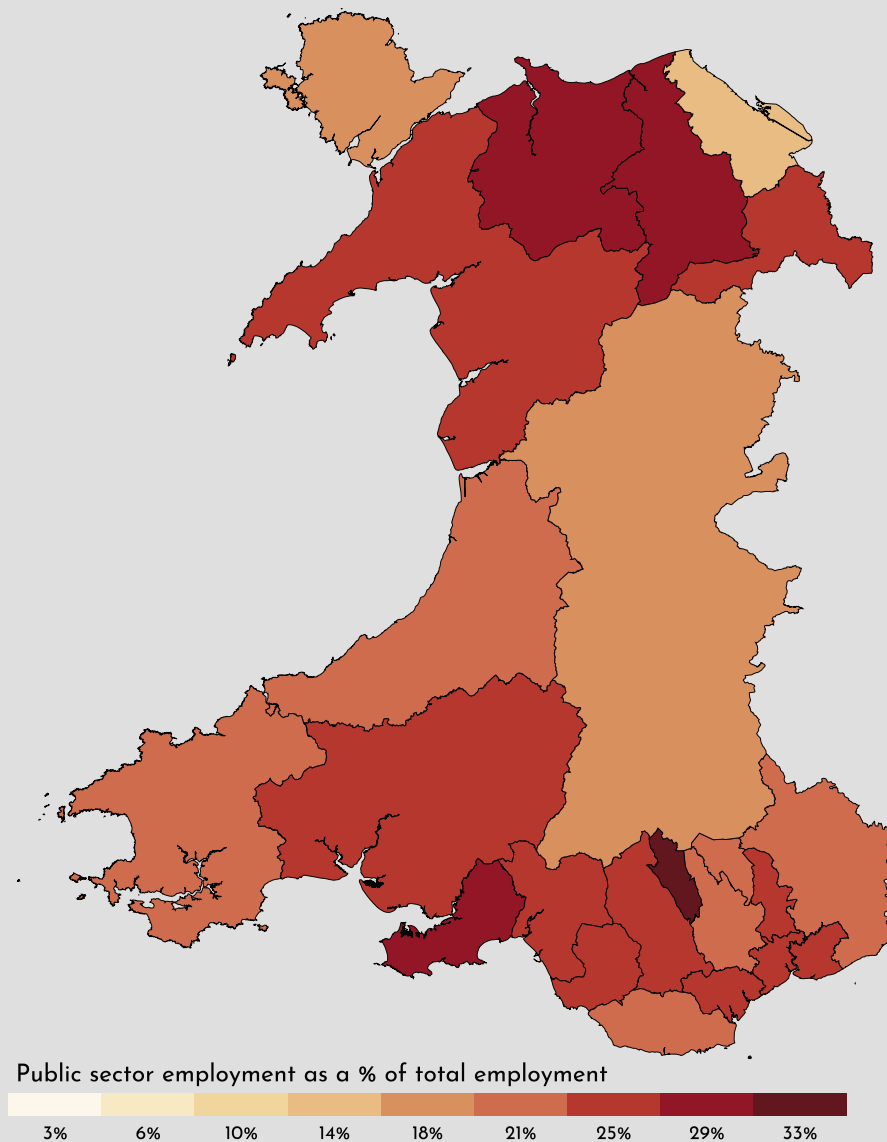


Figure 3. Welsh regions with varying rates of public sector employment as a % of overall employment. The deeper the red, the higher the rate of public sector employment in that region.

Source: Annual Survey of Hours and Earnings table 13, available from: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/publicandprivatesectorashtable13>

Region	Public sector employment as % of overall employment
Merthyr	29%
Swansea	28%
Conwy	25%
Carmarthenshire	23%

Chart 1. A selection of Welsh regions with high rates of public sector employment. Source: Annual Survey of Hours and Earnings table 13

A healthier Wales

There is a strong argument that those working in the public sector could benefit most from a shorter working week.

Absentee rates are high among public sector employees in Wales, often due to poor well-being factors such as overwork, stress and bad mental health: all outcomes that can be positively impacted by a shorter working week.

Among Welsh NHS staff, sick absences are particularly high. The absence rate of 5.9% remains significantly higher than the average for the UK overall, which stands at around 2%.⁷³ This is likely due to overwork, long shifts and high workloads, partly brought on by budget cuts and underfunding, but also the inherently stressful nature of healthcare work and its hands-on nature. A number of studies have also shown that burnout among hospital staff has implications for patient safety.⁷⁴

In many Welsh local authorities, sick absences also remain far higher than those of most other employees in the UK, with many maintaining rates consistently above 4% between 2009 and 2017 – around 10 days a year per full-time employee.⁷⁵

A report by Wales Online and the Local Democracy Reporting Service found that in 2019, the average number of working days lost across the 22 local authorities rose to around 10.5

73 Welsh Government (2020), 'Sickness absence in the NHS: April to June 2020'. Available at: <https://gov.wales/sickness-absence-nhs-april-june-2021.html>. For UK average, see: ONS (2019), 'Sickness Absence in the UK Labour Market 2018'. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/articles/sicknessabsenceinthelabourmarket/2018>

74 Johnson, J., Louch, G., Dunning, A. et al. (2017), 'Burnout mediates the association between depression and patient safety perceptions: a cross sectional study in hospital nurses'. *Journal of Advanced Nursing*, 73(7), 1667–1680. See also: Hall, L., Johnson, J., Jane Heyhoe. et al. (2020), 'Exploring the impact of primary care physician burnout and wellbeing on patient care: a focus group study'. *Journal of Patient Safety*, 16(4), 278–283.

75 Neath Port Talbot County Borough Council (2017), 'Sickness Absence Monitoring Report'. Available at: <https://democracy.npt.gov.uk/documents/s27059/PRS-REP-060117-CX-SR.pdf>

days per full-time employee.⁷⁶ Bridgend and Blaenau Gwent local authorities have gained particular notoriety in the press in recent years for high absence rates resulting from overwork, stress and poor mental health, with the latter averaging 12.7 days per full-time employee.⁷⁷

These realities resonate with wider statistics for the UK as a whole. Public sector employees often experience high levels of mental health problems relative to employees in other sectors. A report by the British Medical Journal reveals that they (15%) are far more likely to report poor mental health than their private sector counterparts (9%).⁷⁸ Another report links the high degree of mental health problems among public sector workers to significant overwork and stress.⁷⁹ These findings are repeated in a survey on public and voluntary sector stress by The Guardian, which found that 93% of respondents were stressed at work, some, all or most of the time.⁸⁰ Nearly all of those who reported being stressed all of the time at work also said that they regularly worked beyond their contracted hours.

76 Wales Online (2020), 'Hike in council sick days due to work-related stress at same time as staffing cuts'. Available at: <https://www.walesonline.co.uk/news/local-news/neath-port-talbot-council-news-17502836>

77 South Wales Argus (2019), 'Blaenau Gwent Council has highest staff sickness rate in Wales'. Available at: <https://www.southwalesargus.co.uk/news/18038639.blaenau-gwent-council-highest-staff-sickness-rate-wales/>

78 BMJ (2017), 'Lack of Mental Health Support in the Public Sector'. Available at: <https://www.bmj.com/content/357/bmj.j2731#:~:text=Public%20and%20private,million>

79 Johnson, J., Hall, L. H., Berzins, K., Baker, J., Melling K., & Thompson, C. (2017), 'Mental healthcare staff well being and burnout: A narrative review of trends, causes, implications, and recommendations for future interventions'. *International Journal of Mental Health Nursing*, (1), 20-32.

80 The Guardian (2015), 'Revealed: how the stress of working in public services is taking its toll on staff'. Available at: <https://www.theguardian.com/society/2015/jun/10/stress-working-public-services-survey>

A shorter working week in the Welsh NHS?

As part of our stakeholder engagement, we spoke to two representatives of the Welsh NHS Confederation⁸¹. They saw strong potential for a shorter working week in the Welsh NHS, with one interviewee suggesting that ‘anything is possible, as long as you plan and do it well’.

Our interviewees believed that there may already be some scope to reduce workload in the NHS through efficiency measures: ‘stripping out unnecessary steps, stripping out bureaucracy. There was a campaign a few years ago along the lines of “time by the bedside” – freeing more time for care by stripping out unnecessary steps.’

They were keen to stress, however, that care work is a hands-on job in which corners cannot be cut, and that a significant reduction of working time in the NHS would have to be achieved through recruitment. Our conversation was an opportunity to consider the possible challenges involved. The biggest would be ensuring the proper labour supply.

The NHS is quite different from the rest of the public sector because we have a bigger range of roles with a bigger range of requirements for knowledge and skills... To increase the number of posts, you need to assume there's a population with the right skills and knowledge to fill those posts. The training is very long – to address those gaps could take years.

81 These interviewees requested to remain anonymous.

Workers in non-professional roles can be trained on the job, whereas professional roles require degree-level qualifications and above: 'Education creates our workforce. Some of that is skills and knowledge, but some of it is values, too - helping to see the public sector and care as careers of choice.'

The NHS also draws on the same talent pool as social care in Wales: we could inadvertently destabilise social care because sometimes the NHS is seen as a more attractive employer, so it would have to be a whole system change.

Although positive about the capacity of the NHS to take on and manage a larger workforce, working fewer hours, our interviewees also stressed the need for a long-term 'transition period':

New staff would need some nurturing and induction, bedding in time, learning skills and so on, so you have to have the support structure there.

There may also be some 'hidden costs' involved, for things like equipment and accommodation. Weighing up the hurdles involved, one of our interviewees concluded that while a shorter working week in the NHS could be some years away: 'anything can be done, with an aspiration and a vision'.

Public sector implementation is low cost

In this section we follow Autonomy's previous 'Public Sector as Pioneer' report in calculating the cost of a shorter working week with no loss of pay in the Welsh public sector.⁸² The analysis is based on the assumption that the public sector has to deliver a certain amount of 'output' each year, and a reduction in person-hours means that more employees will have to be hired if the public sector is to achieve this same 'output' level.

In the following section, consideration is given to:

- The case in which full-time workers reduce their weekly work-hours to 32, but part-time workers are unaffected by the policy.
- The case in which part-time workers receive a proportionally similar reduction in hours.

A more detailed breakdown of Autonomy's costing calculations is also available in Appendix C.

Full-time employees

The calculations use the following figures from the 2020 Annual Survey of Hours and Earnings tables:

- There were 260,000 full-time public sector employees in Wales in 2020.
- The average full-time public sector employee in Wales had a basic work-week of 36.2 hours.
- The average full-time public sector employee in Wales had gross annual earnings of £32,828.

⁸² Autonomy (2020), 'Public Sector as Pioneer: shorter working weeks as the new gold standard'. Available at: <https://autonomy.work/portfolio/publicsectorpioneer/>

- The basic person-hours of full-time public sector employees in Wales in an average week in 2020 was 9,412,000. By these numbers, moving to a four-day week with no productivity gain would require 294,125 full-time public sector employees in Wales. If we anticipate a slight productivity gain from reduced sick absences and greater staff health (less stress, resulting from greater staff numbers and fewer hours), moving to a four-day week with a 2.5% productivity gain would reduce that number to 286,951.

Therefore, alongside the 260,000 employees already employed in the public sector, a four-day week with our assumed productivity gain would require 26,951 extra full-time public sector employees in Wales. If each of these extra employees earned the existing average salary, the gross annual cost would be in the region of £0.9 billion. In comparison, assuming a somewhat higher productivity gain of 5%, just over 20,000 extra full-time employees would be required at a gross annual cost of £0.7 billion. And if productivity gains were to increase above 10%, the cost of the policy would quickly become negligible.

Including part-time employees

This section considers working time reductions for part-time public sector employees. It uses the following figures from the 2020 Annual Survey of Hours and Earnings tables:

- There were 115,000 part-time public sector employees in Wales in 2020.
- The average part-time public sector employee in Wales had a basic work-week of 20.2 hours.
- The average part-time public sector employee in Wales had gross annual earnings of £16,632.

- The basic person-hours of part-time public sector employees in Wales in an average week in 2020 was therefore 2,323,000 (i.e. $20.2 \times 115,000$). Assuming that part-time employees reduce their basic weekly hours by around the same proportion as full-time employees, then they would work around 18 hours per week following the implementation of a shorter working week. With no increase in productivity, the number of part-time employees required by the public sector would be 129,056. With a 2.5% productivity gain this number would reduce to 125,908.

Therefore, alongside the 115,00 part-time employees already employed in the Welsh public sector, a four-day week with our assumed productivity gain would require 10,908 extra part-time public sector employees. If each of these extra employees earned the existing average salary, the gross annual cost would be in the region of £181 million. Again, if productivity were to increase, the cost would quickly fall to zero.

Taken together, we can therefore conservatively estimate that in order to move all full- and part-time staff to a 32-hour working week while retaining wage levels would cost in the region of £1.08bn.

In sum, achieving a four-day week in the Welsh public sector would:

- Ultimately create **37,859 jobs in Wales** (26,951 full-time and 10,908 part-time positions).⁸³
- Cost around **£1 billion**.
- Amount to **10.5% of the public sector salary bill**.

⁸³ It goes without saying that the recruitment and hiring processes for public sector organisations would need to be optimised.

- If this were to be rolled out only for full-time workers only in Wales, then this **cost would amount to 6.7%.**
- Amount to **2.5% of Wales' current public sector spending.**⁸⁴
- Be roughly **0.1% of the UK's public spending.**

b. Public sector procurement

By implementing four-day weeks, the public sector's aim should be to set an example and encourage the adoption of the policy across the Welsh economy. Beyond the shift in work patterns, the sector should use procurement strategies based on select criteria to encourage private sector contractors to adopt shorter working weeks as part of tendering agreements. Using public purchasing power to give preference to private contractors that adopt the goal of a shorter working week (alongside other fair work principles like paying wages above the legal minimum) could help embed working time reductions as a new gold standard across the Welsh economy.

The annual procurement expenditure of the Welsh Government currently amounts to £6.3bn.⁸⁵ The government is already committed to using its procurement spend to contract firms that prioritise the growth of sustainable, decent work, which privileges employee-focused flexibility, as well as working time and patterns conducive to well-being.⁸⁶

⁸⁴ Cardiff University (2019) 'Government Expenditure and Revenue Wales 2019'. Cardiff: Cardiff University. Available at: https://www.cardiff.ac.uk/_data/assets/pdf_file/0004/1540498/Government-Expenditure-and-Revenue-Wales-2019.pdf

⁸⁵ Fair Work Wales (2019), 'Report of the Fair Work Commission', Fair Work Wales. Available at: <https://gov.wales/sites/default/files/publications/2019-05/fair-work-wales.pdf>

⁸⁶ Ibid.

In this spirit, tendering practices should be used to contract firms on the condition that they set out a feasible plan to reduce the hours of their employees over a given period. This period can be defined in advance by a Working Time Committee made up of politicians, trade unions, business leaders and other stakeholders. More generally, whether contractors receive tender should be determined by the following criteria:

- Meeting the well-being and social objectives of Fair Work Wales.
- Offering a plan and contractual promise to reduce working hours of employees.

These criteria should be covered by a Fair Work Procurement Qualification, which determines which firms receive tender, as described in the Fair Work Wales report.⁸⁷

The legislative power of such a qualification would be covered under Section 60 of the Government of Wales Act 2006, which states that Welsh ministers 'may do anything which they consider appropriate to achieve any one or more of the following objectives: the promotion or improvement of the economic well-being of Wales; the promotion of the social well-being of Wales and, thirdly, the promotion or improvement of the environmental well-being of Wales.'⁸⁸

The Scottish Government and Preston Council as exemplars

The Scottish Government has been regarded as setting an exemplary standard when it comes to public procurement strategy in recent years, taking a leading role in using

87 Ibid.

88 Ibid.

tendering practices to advance social goals. Since 2014, all public sector contracting authorities in Scotland have, for all contracts above £4 million, been required to consider:

- Community benefits
- Transparency of the contracting firm's business practices
- Sustainability
- The promotion of fair work practices, including a living wage
- Privileged access for small- or medium-sized enterprises, supported businesses and the voluntary sector⁸⁹

These criteria can offer a rubric for the Fair Work Procurement Qualification described above.

In addition to Scotland, Preston Council has also in recent years become an exemplar of progressive procurement practices. The council has made 'supporting local economies and community wealth building' a central tenet of its procurement strategy since 2016.⁹⁰

Strict guidelines and standards have reshaped the actions of procurement practitioners around the interests of Preston's economy. This has not only made sure that social value is captured locally (Preston City Council increased the proportion of procurement spend with organisations based in Preston from 14% in 2012/13 to 30% in 2016/17) but has also led to a marked improvement in work practices.⁹¹

89 Scottish Government (2016), 'Scottish Government Procurement Strategy 2017-2019'. Available at: <https://www.gov.scot/publications/scottish-government-procurement-strategy-2017-2019/>.

90 Preston City Council (2016), 'Preston City Council Procurement Strategy 2016-2019'. Available at: <https://www.preston.gov.uk/media/926/Preston-s-Procurement-Strategy/pdf/Preston-Procurement-Strategy-2016-19.pdf?m=636940296390030000>

91 CLES (2019), 'How We Built Community Wealth in Preston'. Available at:

Other cities such as Leeds and Birmingham are now following Preston's example. In partnership with The Centre for Local Economic Strategies (CLES), firms and organisations (such as the NHS) in these cities have set up Anchor Institution networks, bringing together key institutions seeking to retain value in local economies and source procurement locally.⁹² In Birmingham, members of the network committed to jointly managing land and assets, alongside progressive procurement strategies, as part of a city-wide economic response to Covid.⁹³ A similar network strategy might be used to keep value in the Welsh economy and bring about well-being goals such as a shorter working week.

c. A public sector trial

A trial in the Welsh public sector would show whether a reduction in working hours would benefit employee well-being while maintaining previous levels of productivity and performance. The trial would test the general feasibility of a long-term shorter working week in the Welsh public sector, but would more specifically test:

- The well-being of participants, according to key indicators
- Receptivity to the scheme
- Key indicators of productivity and performance

There are two options for how to implement, administer and finance the trial.

https://cles.org.uk/wp-content/uploads/2019/07/CLES_Preston-Documnet_WEB-AW.pdf

92 CLES (2020), 'Growing anchor networks in place: a how to guide'. Available at: https://cles.org.uk/wp-content/uploads/2020/12/Growing-anchor-networks-in-place_a-how-to-guide_December-2020_final.pdf

93 Ibid.

A full public sector trial

The first option is a large-scale public sector trial, in which all institutions under the control of the Welsh Government implement a shorter working week. This would include all NHS and local council staff across the country as well as other public bodies.

This would take place over a three-year period and would be designed and administered by a Working Time Committee, composed of workers, business leaders, experts and wider stakeholders. The Committee would:

- Co-design the trial.
- Evaluate the trial in terms of well-being, productivity and performance markers.

The trial could be conducted at a modest cost. As shown above, its cost would be – at the upper limit – **£1.08 billion per year** for all staff to be involved (and **£0.7 billion** if only full-time staff were involved).

A staggered trial

Alternatively, a staggered trial could be implemented in stages, starting with one department, and then expanding to include a larger number of public sector departments if deemed successful. In Reykjavik, a gradual rollout of the policy across public sector institutions made for a smooth transition to shorter working hours. We can expect similar results in the Welsh context.

Trials should begin in local authorities, which comprise a significant chunk of the Welsh public sector, and would be close to cost free (as with the Iceland trial) as many workers in local authorities have relatively elastic work processes.

To make the trial as impactful as possible, the first trial should start in one of the local authorities where both absentee rates and unemployment rates are high. An initial trial focused on one department of the local authority should be the first step to implementing a shorter working week more widely. To make sure that its design reflects the department's requirements, the trial should build on:

- An initial comprehensive review of its operations and activities.
- Collaborative workshops with employees and general stakeholders.

Based on previous trials designed and overseen by Autonomy (see Section 3 for examples), we recommend the following guidelines:

- The trial should reduce the participating staff's hours to 32-hours per week, with no associated reduction in pay.
- It should be open to all staff, full time and part time. The department should adopt an 'opt-in approach' during the trial, which means that staff members can choose whether or not they would like to participate in the 32 hour week. Part-time staff members should be offered the equivalent relative reduction as the rest of the team.
- Depending on the requirements of the given department, staff members should be afforded the flexibility of designing their work-week in accordance with the reduction in hours. This might mean working a 'four-day week' (with

a set day off, say, Friday) or reducing the time of each work day by a set amount of hours.

- Over the course of the trial, the department might need to decide on some core office hours, when everyone is in, to be available for meetings and so on.
- Annual leave will be on a pro rata basis - i.e. staff working a 32-hour week will receive 80% of the normal annual leave quota.
- Outside of the department, a 'Working Time Committee' of various stakeholders, politicians, trade unions, economists and business leaders should help design, hone and oversee the trial.

Trial time frame

Chart 2 gives a rough example of the time frame required to expand the trial to other departments. If successful, the first trial can then proceed to a much larger trial incorporating more departments and staff. The number of staff in Chart 2 can be adapted as necessary to fit the needs of specific departments.

	Initial trial	Limited trial	Expanded trial
Year	1	2	3
Number of departments	One department / set of teams from one local authority	Multiple departments from one local authority	Multiple local authority departments from multiple regions
Number of staff (approx)	50-100	100-200	200-1000

Chart 2: Draft of a trial period and control group size

Though the horizon should be a large-scale trial of most public sector departments that fall within the devolved powers of Wales, the trials should be gradually expanded in their scope and size. The three stages outlined in Chart 2, stretching over a three-year trial period, with the gradual expansion of the trial's scope and size, gives sufficient time between each stage to analyse and evaluate performance, productivity and well-being markers.

This gradual approach would also allow a Working Time Committee to track the progress of the trial. The aim should be to enhance the trial's methods as it continues to each successive stage, making sure that at every stage, the trial is organised to meet the needs of the participants. The initial trial being a success, the Working Time Committee would then design a larger trial with more departments and staff participants.

Staggered trials can be implemented at a very modest cost - a fraction of the £1 billion needed to move all full- and part-time public sector staff to a shorter working week. In the event that Welsh Government receives greater powers to raise taxes and income in the future, a larger trial involving a number of NHS departments should be made a priority.

d. New Bank Holidays

Beyond a large-scale public sector implementation and a new progressive procurement approach, a further strategy for implementing working time reductions on an annual scale would be to expand the number of Welsh public holidays. Although this currently falls outside of Wales' devolved capacities, it could prove to be a popular, immediate and universal strategy, should devolved powers be extended in the future.

There are a number of possibilities for new bank holidays, which could honour significant national events and traditions, as well as figures that have enriched Welsh culture and enhanced the well-being of Welsh society. Possibilities include:

St David's Day

Though the feast day of the patron saint of Wales is already celebrated, it is not yet a national holiday.

Robert Owen Day

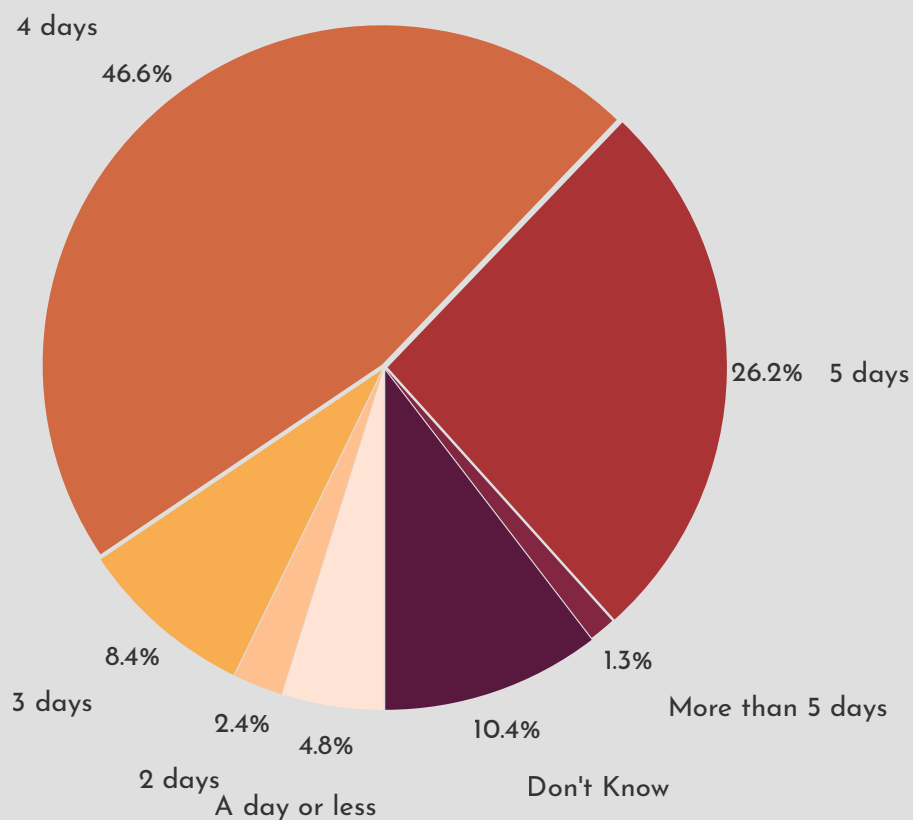
One of the founders of Welsh and British trade unionism and cooperativism, and, fittingly, an early advocate of reduced working hours, Robert Owen could be commemorated by a national holiday.

Dylan Thomas Day

There already exists an international Dylan Thomas Day (14th May), but to commemorate his impact on Welsh culture, the day could be commemorated as a national holiday.

Imagine a future where wealth and employment in Wales were spread more equally, and needs could be fulfilled with less work per person.

If it was up to you to decide how long the working week should be, what would you choose?



Survation.

Total respondents: 1049

6

Looking towards the private sector

6. Looking towards the private sector

The public sector procurement strategies considered in Section 5 represent one possible lever to extend working time reduction practices into the private sector. Beyond this, businesses in Wales should also be encouraged to implement a shorter working week as a new gold standard.

This section uses a broad lens to scope out the potential financial impacts of a shorter working week on the Welsh private sector, looking to diagnose which sectors have it well within their capacities to reduce working hours and still remain profitable.

Beyond this scoping exercise, we offer a guide for businesses seeking to reduce working hours, based on previous work by Autonomy's consultancy division.

a. Private sector viability: a stress test

Our analysis of the potential impacts of shorter working hours on the private sector takes the approach of 'stress-testing' worst and best case scenarios for medium- and large size firms (a more detailed breakdown of our method is available in Appendix C). We used data on 1600 firms, about 1000 of which have information on profitability. We find that:

- A four-day week with no loss of pay would be affordable for most medium and large firms in Wales once the initial phase of the Covid crisis has passed.
- However, some firms in some industries would experience cashflow problems if changes were implemented too quickly.

These findings are of particular interest to trade unions, because they consider the distribution of profits within firms as part of workplace negotiations.

We go about stress-testing by considering scenarios where person-hours and revenue are falling as a result of a shorter working week, rather than employment (and therefore costs) increasing. This is in contrast to the public sector study above, where we considered a scenario where staff numbers and costs increased. However, factoring in the effects on profit margins, it does not actually matter whether costs increase or revenues fall - the effect is symmetrical.

Of primary interest is whether or not medium-to-large enterprises in Wales would be in a position to implement a shorter working week with no loss of pay following the Covid crisis. This relies on computing interval estimates for average profitability in the Welsh private sector, following the implementation of a shorter working week. This in turn relies on the estimation of a plausible worst case, which defines the lower limits to our estimated intervals, and a plausible best-case, using profitability statistics drawn from the Bureau van Dijk's Fame database.⁹⁴

⁹⁴ Bureau van Dijk (2020), 'Fame'. Available at: <https://www.bvdinfo.com/en-gb/our-products/data/national/fame>

In an absolute worst case scenario:

- Business revenue is proportional to hours worked. In other words, if hours worked fall by 20% following the implementation of a shorter working week, then revenue also falls by 20%.
- Non-labour costs are proportional to hours worked, so if hours worked fall by 20% then non-labour costs also fall by 20%.

Note that this implicitly assumes that the weekly hours of all employees fall by 20%. This is a higher percentage drop than the public sector reductions proposed, because private sector employees tend to work longer hours. It also ignores the distinction between full-time and part-time employees, due to there being no usable information on the relative importance of full-time and part-time employees for revenue generation in the Welsh private sector.

The most important point to observe about our worst-case scenario is that it presumes that productivity and prices do not increase to mitigate the loss of revenue following the implementation of a four-day week. In fact, there are a number of studies suggesting that productivity gains can offset a large part of any reductions in profitability following the implementation of a four-day week, with one study finding that two-thirds of UK businesses moving to a four-day week enjoyed improvements in productivity as a result.⁹⁵ This worst case presumption is, therefore, almost certainly unrealistic.

As in Calvert Jump and Stronge,⁹⁶ earnings before interest, tax, depreciation and amortisation (EBITDA) are used as measures of profitability. This excludes most costs of capital and tax liabilities, and is therefore a useful proxy for cash flow.

⁹⁵ Henley Business School (2019), 'Four better or four worse?' <https://assets.henley.ac.uk/defaultUploads/Four-Better-Four-Worse-Henley-Business-School.pdf?mtime=20190701093655>

⁹⁶ Calvert Jump and Stronge (2020), 'The Day After Tomorrow'. [Autonomy. autonomy.work/research](https://autonomy.work/research)

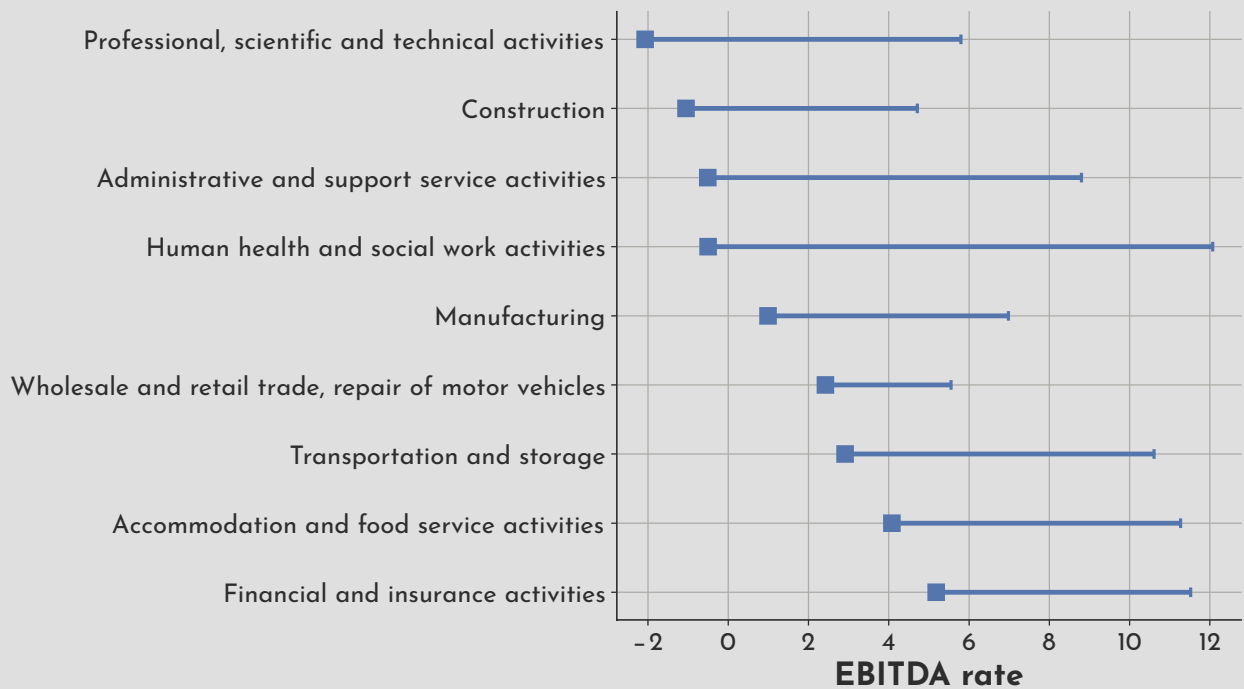


Figure 4: Estimated intervals for average profitability by industry. Square markers indicate worst-case scenarios, the rightmost points of each blue line indicate best-case scenarios. Source: Bureau van Dijk (2020), 'Fame'. Available at: <https://www.bvdinfo.com/en-gb/our-products/data/national/fame>

The EBITDA rates can be read on the horizontal axis (see Figure 4). For example, the manufacturing industry in Wales has a worse-case EBITDA rate of approximately 1%, and a best-case rate of approximately 7%, following the implementation of a shorter working week with no loss of pay, indicating that medium and large firms in this industry could afford a shorter working week, even in an absolute worst case scenario.

Figure 4 indicates that the average firm in most industries should remain profitable following the implementation of a four-day week, but there are four industries - construction, human health and social work, administration and support services, and professional, scientific and technical - in which the estimated EBITDA interval includes zero. These are all industries with relatively high labour costs, many of which perform public service activities, and which are well known to

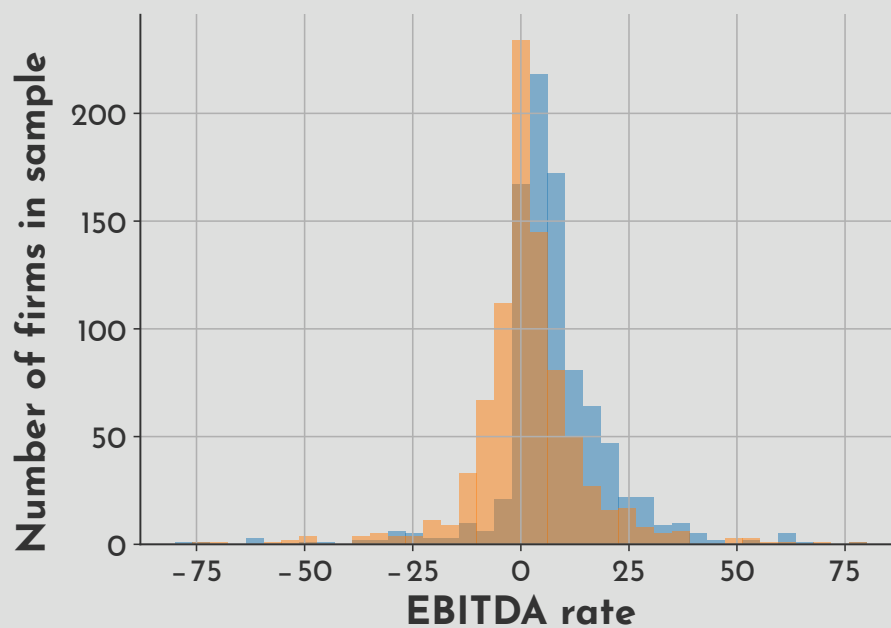


Figure 5. Frequency histograms of best-case (blue) and worst-case (orange) EBITDA rates following implementation of a four day week, using the whole sample of Welsh medium and large firms.

Source: Bureau van Dijk (2020), 'Fame'. Available at: <https://www.bvdinfo.com/en-gb/our-products/data/national/fame>

run on tight margins. It is possible, therefore, that the average firm in these industries would struggle to remain in business if a four-day week was implemented too quickly. Therefore, in these industries a four-day week would need to be trialled gradually and perhaps with the government's support.

The industry averages in Figure 4 hide a large amount of variation in firm-level profit rates, with a large proportion of firms in every industry posting negative earnings in any given year. This is illustrated in Figure 5, which plots histograms of the best-case and worst-case EBITDA rates for the entire sample of firms. Even in the best-case scenario – in which firms earn the same EBITDA rate as they are observed to earn in the data – there is always a proportion of firms posting negative profits in any year, and this does not necessarily indicate that these firms are at risk of bankruptcy. However, the proportion of firms posting negative profits increases in the

worst-case scenario, in which productivity improvements and/or price increases do not offset the reduction in revenue resulting from a four-day week.

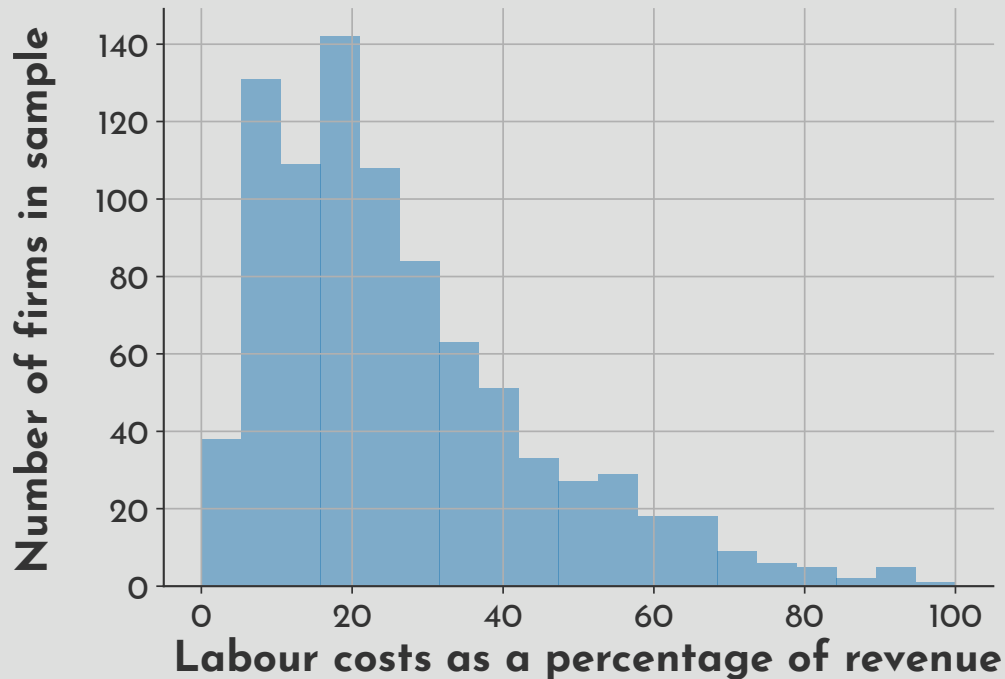


Figure 6: Frequency histogram of wages and salaries over revenue, using the whole sample of Welsh medium and large firms.

Finally, it is worth returning to the 'big picture' implied by the profitability algebra above: firms with significant labour costs will find reduced working hours without loss of pay difficult to achieve, while firms with lower labour costs will find the same policies easier to implement. Figure 6 plots a frequency histogram of the most straightforward indicator of the importance of labour costs for medium-to-large firms in Wales: wages and salaries as a percentage of revenue. As Figure 6 suggests, direct labour costs account for less than half of turnover for the majority of firms with 50 or more employees. There is, however, a 'long tail' of firms in which labour costs are very high relative to revenue, a lot of which operate in

the problematic industries discussed above. Again, therefore, average firms in most industries should remain profitable following the implementation of a four-day week, but some firms in some industries might struggle if changes were implemented very rapidly.

b. The business case: learning from existing shorter working week practices

Alongside the proposed public sector trials, we suggest that practical advice and encouragement should be given to individual firms and organisations interested in implementing shorter working hours. This can contribute to an ongoing effort to build the business case around the shorter working week in Wales, and establish a culture of sharing key lessons and ideas. We conclude that:

There is a compelling business case to be developed in the Welsh private sector, based on the potential benefits for factors like recruitment, retention, reputation, productivity and morale.

Setting a foundation for this discussion, this section draws on Autonomy's previous consultancy work into the implementation and impact of reducing working hours at the firm level. We envisage that the ideas here could form a starting point for a 'best practice guide' for a shorter working week Welsh business network that could work closely with the Working Time Committee.



There does seem to be a useful body of work growing at the moment around productivity gains and a business-orientated case for a whole range of good work practices that can deflate some of those arguments on 'bad jobs versus no jobs'. I think that's a fruitful route.
(TUC Cymru)



Over the last two years we have analysed and helped oversee shorter working week trials with a range of companies, including charities, trade unions and businesses of different sizes. In order to guide our shorter working week strategy for Wales, we re-engaged with organisations who have either trialled, or continue to operate, ethical shorter working week practices (i.e. shorter hours, with the same pay). We asked them about their motivations, the challenges involved, and how they were overcome (details on our method are available in Appendix b).

This improves our understanding of the business case for the shorter working week, based on imperatives such as:

- Working more efficiently (and returning the productivity gains to staff, in the form of time off)
- Business innovation (seeing the benefits of a shorter working week for morale, recruitment and retention)
- Qualifying as a business leader (influencing change with ethical employment practices)

This business case stands in contrast to working time reduction policies that come about through collective bargaining or state initiatives, which we discuss elsewhere in this report.

‘I think we should try this’

Organisations stressed the importance of piloting any model before committing to it permanently. These pilots tended to last three to six months and were mainly carried out to mitigate risk and test whether, from a financial and governance perspective, a shorter working week could work within the organisation’s outcomes. One organisation wanted to explore staff fears about work intensification:

It started with a conversation where I said 'I think we should try this'. From one or two people I think there was a little bit of hesitancy. They felt like 'does this mean I am going to be twice as stressed-out Monday through Thursday if we don't have Fridays?' So, we did it as a pilot to start with and for anyone who wanted to work five days, then it is an option still available to you. (Tarik Nally, Kale & Flax)

Another was keen to explore the possible impact of a shorter working week on company profits:

If we drop to four days a week and our invoicing drops by 20% as well, then after the first month we're going back to five days. I was quite clear about this with the staff. (Neil Knowles, Elektra Lighting)

Each organisation went about their trials in different ways, with different priorities in mind. Some analysed the pilot in-house, using Key Performance Indicators and informal staff feedback. Others opened the trial up to external monitoring and evaluation. One such organisation was a charity, who used external evaluation to try to demonstrate the benefits of a shorter working week to the board. This was particularly important to ensure transparency, value for money and thoughtful planning.

One size does not fit all

Implementation of the shorter working week varied from company to company. Some opted for a four-day working week, with Friday as the shared day off, whereas others used hybrid frameworks that operated across a five-day period. The choice of model was influenced by a combination of desirability (what staff wanted) and feasibility (what the business could accommodate, in relation to organisational goals and need for staff availability).

We discussed people taking alternate days off, or people just free-forming it, meaning people could just work whatever day they didn't feel like. We've got two teams in the office, so we discussed one of the teams being off on Monday and the other being off on Friday. In the end we thought it would be simpler and easier to explain to everyone that we're shut on Fridays. (Neil Knowles, Elektra Lighting).

It is also important to note that the nature of the work in some organisations means that staff do overtime on certain days or projects, meaning that in reality they work more than the contracted hours of a shorter working week.

We're all in from Monday to Thursday, but they are longer days. We only miss out on two hours as a whole, but psychologically a three-day weekend was more of a benefit than eking out those hours across [five days]. We decided that in a consultancy, by discussing it with the team. (Richard Lowe, Punch Creative)

We now call it 'the shorter working week' rather than '28 hour week'. This is to reflect that we don't actually do 28 hours... it is informally expected that sometimes you will need to work overtime. (Tabitha Ha, STOPAIDS)⁹⁷

The four-day week model needs careful consideration in cases where contact time and staff presence are important. One organisation told us that staff felt overworked on days where more members of the team were off, or someone had an unscheduled absence. Their original intention to allow each department to structure its own shorter working week 'backfired': the fact that only some teams could implement a fixed 'Friday off' created a drop in staff morale, due to a perception of preferential treatment: 'it ruffled a few feathers, let's put it that way' (Claire Vance, Memiah).

⁹⁷ STOPAIDS are still in the pilot phase of a shorter working week, and have not yet implemented it as a permanent policy.

Another organisation told us that a four-day working week only functioned well in areas of the firm where there was a 'surplus' of capacity: 'you have to be cautious of who you put on a four-day week' (Oliver Bruce, PinPoint Media).

'We're interested in outcomes, not hours'

One key to implementing a shorter working week was to value organisational outcomes over strict working time. All of the companies we spoke to were able to accommodate results-based working as a result of the creative, project-based or computerised nature of the work. Compared to an example such as care work, which tends to require fixed periods of contact, the work in these organisations was 'elastic', meaning it was hypothetically possible to accomplish more in less time.

If you are an overly administrative company and you bean count the hours, then [a shorter working week] is probably not for you. I am not interested in who can work the longest hours on site. I'm more interested in the ability to achieve client outcomes. (Richard Lowe, Punch Creative)

One barrier to results-based working can be the residue of a traditional work ethic that emphasises work for work's sake and presenteeism. We were told a team member had left one organisation, feeling that a four-day week did not satisfy their work ethic. Most, however, told us there was a very positive reception. Two said that communicating to clients that their offices would be closed for an extra day had inspired some to also consider the possibility of a shorter working week.

'Like a shorter working week': spotlight on results-based working in Wales

Two of the Welsh organisations we spoke to in our stakeholder engagement (see Section 4) said that, although they had not implemented a shorter working week, they had implemented results-based systems which could help them get there. An anonymous housing organisation, and the gender equality charity, Chwarae Teg, talked positively about their shift to a results-based system of working.

The requirement to work a set number of hours had been replaced by a system in which short- and long-term organisational goals are set. Workers are given relative autonomy in how they manage their time to meet these goals, and a diary system allows workers to communicate the hours they will be available for collaborative work.

On a quarterly basis, we sit down with the team member, we look ahead to the next three months, and we map out some smart objectives... That's linked to our business plan, every objective is linked back so you can see how you contribute... That happens every quarter and then we also check in with staff every month or so to see how their objectives are and how they're feeling.
(Anonymous Housing Association)

I set objectives with my line manager every quarter, based on our annual plan, and I am left to get on and deliver that in the way I see best. (Natasha Davies, Chwarae Teg)

Both organisations said that staff had strongly supported this way of working, benefiting from the freedom to manage

their own time, as well as the sense of trust it fostered. However, they also warned that to implement successfully, results-based working requires a strong organisational commitment to monitor workloads and prioritise well-being.

It does happen that this system leads to overwork sometimes, so it does also require the employer to commit to having open discussions about workload and capacity... Employer attitude and culture can make or break this way of working. (Natasha Davies, Chwarae Teg)

‘We try to be progressive’

All of the interviewees said that the decision to move to a shorter working week was informed by the company’s official values. These emphasised either the benefits to staff (improving mental health, well-being and work-life balance) or the reputational benefits (being regarded as innovators or leaders within the sector).

[The shorter working week] came about as a bit of a hybrid - how can we do something that can help our staff and people, and get our name out at the same time? (Claire Vince, Memiah)

Some also stressed the importance of continuity between the company’s public-facing values and its organisational culture.

As an organisation we always try to be quite progressive, not just on the work we do on health, equality and poverty, but also how we are as an organisation... The four-day week spoke to those values. (Tabitha Ha, STOPAIDS)

‘It has freshened us up’

None of the organisations we spoke to reported any direct correlation between the introduction of a shorter working week and poor long-term organisational performance.⁹⁸ They mostly focused on the benefits. Some said their four-day week policies had helped with recruitment, among other things.

There’s been a notable uptake in applications with the four-day week as part of our proposition... I think it has freshened us up. I have not seen any downsides in terms of deadlines being missed or projects being overrun. (Richard Lowe, Punch Creative)

Some also reported increases in productivity, with performance being maintained, if not improved.

Productivity is up, team commitment is up, happiness is up, retention of team members is up, revenue is up, collaboration is up, creative ideas are up and more. It’s one of those things that’s so natural to accept, and so valuable, you almost forget the rest of the world doesn’t do it. (Tariq Nally, Kale & Flax)

There has been a tiny drop [in invoicing since the introduction of a four-day week] but 98% (2% drop) for 55% more weekend time. I said that’s ok, I can live with that. (Neil Knowles, Elektra Lighting)

⁹⁸ It should be noted that one of the organisations, Memiah, were still in the process of reviewing their shorter working week pilot, and were not yet able to share all of their data.

c. Towards a playbook for Welsh four-day week businesses

The lessons learned from organisations already using shorter working week practices could form the basis of a 'best practice guide' for a shorter working week Welsh business network. Here are our initial recommendations.

Work time reduction policy needs to be flexible

Planning and staff consultation are needed to decide which shorter working week model is most appropriate for staff and organisational objectives. A strict four-day week policy, with a shared day off, may not be suitable for all organisations and staff, at all times of the financial year.

Trials can help you learn more about your organisation

Running a shorter working week trial can allow organisations to gain broader insights into the working culture, which work processes are inefficient or unnecessary, and what matters most to staff.

Define and communicate what success will look like

It is important that everyone within the organisation is clear on what the goals are and how they would be evaluated.

Good work is about results, not time

Organisations can remind sceptical board members, shareholders and staff that the internal culture will focus more on results, rather than the time spent working. This will require a cultural shift in how staff approach their work, but also in how company leaders assess what constitutes a 'productive'

working environment. Staff will need to be empowered and trusted to meet performance standards in shorter periods of time. This can be actioned through workshops, one-to-one discussions and a sharing of best-practices.

Maintain a sociable working culture

A more 'heads down' approach to work may emerge, resulting in a less sociable working culture. It may be beneficial to include and adapt sociable traditions in a way that helps maintain collegiality.

Reinforce your reputation as an ethical and innovative employer

If the shorter working week is trialled and communicated effectively, organisations that adopt it may be seen as pioneers in the sector. Organisations could highlight the benefits for their carbon footprint, or signal that they treat their employees well.

Make the shorter working week part of your recruitment strategy

By emphasising the rationale for embracing shorter working week practices, we would expect the organisation to strengthen its capacity to recruit and retain staff. According to a Henley Business School survey, shorter working hours are particularly attractive for younger workers (35 and below).⁹⁹

Ensure shorter working week initiatives include the latest flexible forms of working

The desire for more flexible forms of working has only increased since Covid, and it is important to consider how

⁹⁹ See Henley Business School (2019), 'Four Better or Four Worse'. Available at: <https://www.henley.ac.uk/fourdayweek>

a shorter working hours initiative can complement flexible working. Working time reduction and flexibility should be seen as twin goals.

d. A new gold standard

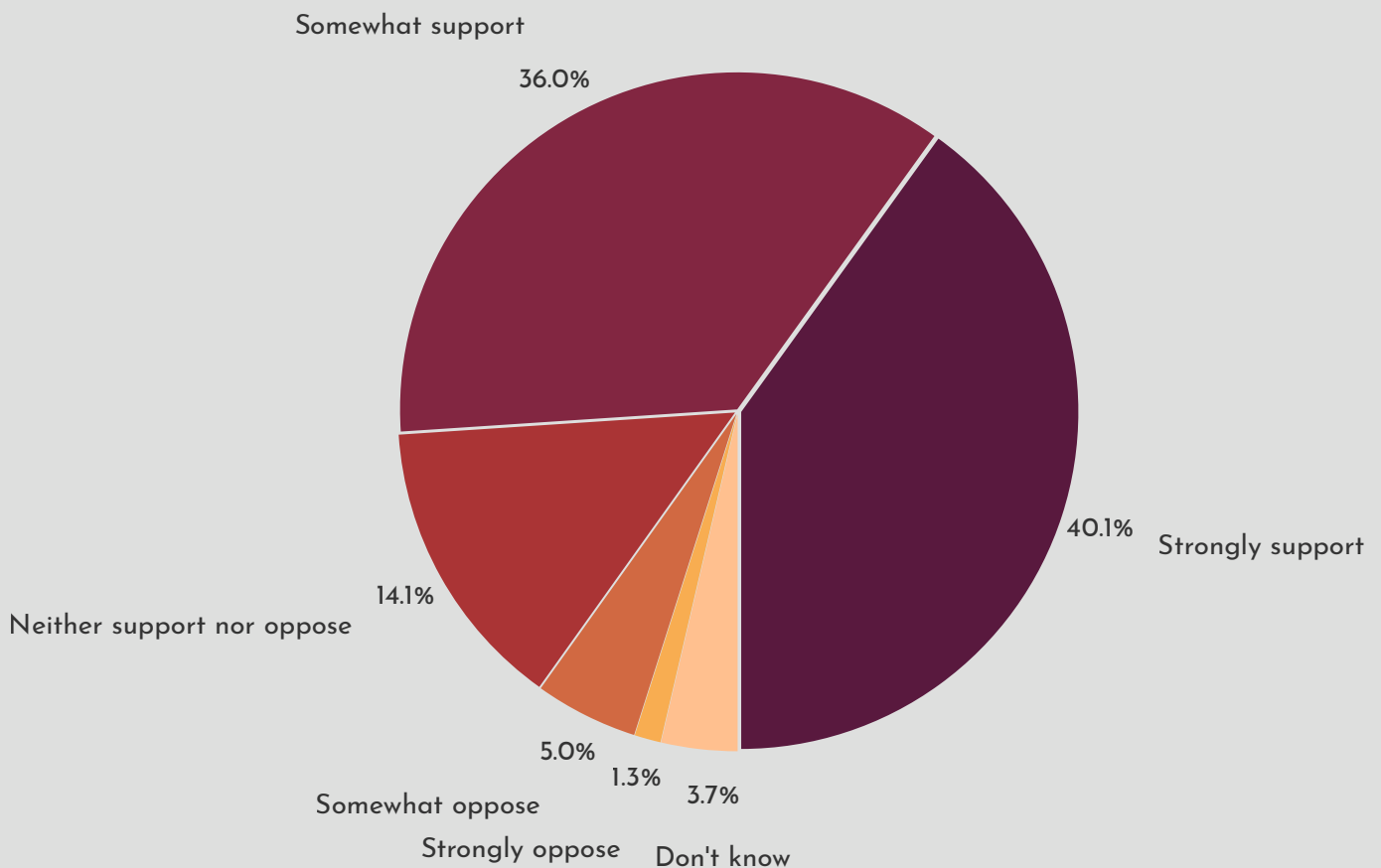
The eventual goal of the initiatives we describe in this report is to move toward the shorter working week as a new gold standard of employment in Wales. There are a number of other steps the Welsh Government could take to reinforce this goal.

The Welsh Government should introduce a scheme that offers private sector firms that reduce employees' working hours an accreditation that shows customers, clients and stakeholders that they have adopted this new standard. These firms should be listed on a central database as 'Gold Standard Employers', readily accessible by the public.

Like the Living Wage Foundation, this might include a 'Champion Award', given to firms that have made an outstanding contribution to the wider adoption of a shorter working week.¹⁰⁰ Firms awarded the Gold Standard could be integrated into the wider network of firms running shorter working weeks for an exchange of ideas and best practice examples.

¹⁰⁰ Living Wage (2020), 'Champion Awards'. Available at: <https://www.livingwage.org.uk/champion-awards>

To what extent would you support or oppose the following initiative? In order to provide security and financial stability, available work should be shared out across the population, ensuring everyone has access to a job with decent pay and a good work-life balance.



Survation.

Total respondents: 1049

7

Empowering trade unions

7. Empowering trade unions

The above recommendations and strategies will work best if they garner trade union support. Alongside the Welsh public sector and the forward-thinking elements of the private sector, trade unions make up the third – but perhaps most important – group of actors in the shorter working week strategy.

Trade unions have historically negotiated working time reductions in Britain, alongside the occasional unilateral reduction in hours by enlightened employers.

The substantial fall in average work-hours after the First World War, for example, was initiated by the engineering and shipbuilders' unions, and later spread to metal working trades, railways, textiles, coal mining and the construction trades.

While the United Kingdom suffers from very low unionisation rates in the private sector, its public sector is highly unionised. As of 2019, over half of public sector employees were unionised, compared to around 13% of private sector employees.¹⁰¹ As Wales has a prominent public sector in terms of employment numbers, this suggests that the implementation of a four-day week could start and even be led by the public sector unions.

¹⁰¹ ONS (2020), Trade Union Membership, UK 1995-2019: Statistical Bulletin. Office of National Statistics Bulletin, 27th May 2020.

Perhaps the most obvious way of speeding up the process of achieving shorter working hours is to involve trade unions at each stage of the project. This would also include putting forward demands for the reintroduction of pro-union legislation, thus encouraging greater unionisation in the private sector. The power of unions to conduct industrial action has been repeatedly, and significantly, curbed since the end of the 1970s, with no fewer than 13 major pieces of legislation enacted between the first Thatcher administration and the last Blair/Brown administration.¹⁰² Secondary strike action and political strikes became effectively impossible, as did closed shops, and rules on strike ballots were repeatedly tightened. Further restrictions were imposed in the Trade Union Act 2016, including a 50% turnout threshold for strike ballots, and stringent majority requirements were introduced for workers in certain public services. Calling for reform of this legislative apparatus would be the most straightforward method to improve the lives of workers, including reduced work-hours and other improvements in work-life balance.

¹⁰² House of Commons Library, (2017). Trade union legislation 1979-2010. Briefing Paper Number CBP 7882, 26th January 2017.

8

Concluding remarks and recommendations

8. Concluding remarks and recommendations

The Welsh labour market provides unique opportunities and challenges for the implementation of shorter working weeks.

The shorter working week can be achieved by a number of means. Previous examples include trade union campaigns to claim the benefits of productivity gains, firm-led initiatives to work more smartly and state-led initiatives to increase the head-count in the public sector.

Previous research and trials suggest that a shorter working week can offer a range of benefits for Wales, consonant with the goals of the Well-being of Future Generations (Wales) Act. These include significant improvements to public health, reductions in work-related inequalities and more time for community engagement.

We suggest that the best strategy for Wales is to pioneer a shorter working week in the public sector. The hours of many public sector employees fall under the devolved powers of Wales, and in many regions, the public sector accounts for over 25% of employment. We also know that absentee rates are high in the Welsh public sector, which more time for rest and recovery would help ameliorate. A four-day week in the Welsh public sector would create 37,859 jobs in Wales and cost around £1 billion.

Building the shorter working week into the Welsh Government's Fair Work procurement strategy can also ensure that the benefits extend beyond the public sector.

With further devolved powers, Welsh Government could also reduce working time on an annual scale with new Welsh bank holidays.

Looking towards the private sector, an initial 'stress test' simulation, using conservative assumptions about the correlation between working hours and profitability, concluded that the majority of medium- and large-sized Welsh firms can afford to move to shorter working hours in the long term.

We also advise an effort to build the business case for a shorter working week in Wales. Our own research shows benefits for factors like recruitment, retention, reputation, productivity and morale, although it is crucial to note that 'one size does not fit all' in terms of how working time reductions are structured and implemented.

The move to a shorter working week in the Welsh private sector can be further reinforced by establishing a 'new gold standard' for good employers, sharing lessons learned, and introducing pro-union legislation, designed to empower workers in the private sector.

9

Appendices

Appendix A: Common objections to a shorter working week

It would cost too much

While the cost of a shorter working week looks at first glance to be considerable, many of the savings on tax contributions, health care and savings on the climate crisis offset these initial costs.

Past efforts to cost a move to a four-day week tend to ignore the significant savings the policy would create by bolstering the welfare and well-being of individuals and society as a whole. As we have shown here, even without taking into account some of those factors, to achieve a 32-hour working week in the Welsh public sector would only require a reduction (and therefore replacement) of around four extra hours per week per full-time employee.

More broadly for the UK the same is true. Taking into account tax contributions and the current costs to public services of overwork related sickness, the cost of a four-day week in the UK public sector would actually be much lower at around £5.4bn.¹⁰³ At this cost, a shorter working week would represent only 6% of the public sector employment salary bill and just over 1% of the total government spending budget.

¹⁰³ Autonomy (2020), 'Public Sector Pioneer: shorter working weeks as the new gold standard'. Available at: <https://autonomy.work/portfolio/publicsectorpioneer/>

A reduction in working hours would also save significant costs in terms of the climate crisis. The cost of measures to reduce greenhouse gases is set to be one of the greatest economic burdens of the twenty-first century.¹⁰⁴ Tackling the source as opposed to the symptoms, a shorter working week has been repeatedly demonstrated as one of the cheapest and most efficient means of lowering carbon emissions.

It would reduce productivity

Many critics level that a reduction in working hours would necessitate a drop in productivity. The criticism assumes that paying employees the same to do less would negatively affect output.

Trials of a shorter working week suggest the opposite. The New Zealand financial services company Perpetual Guardian switched its 240 staff from a five-day to a four-day week and maintained their pay. Productivity increased in the four days they worked, most likely due to reduced work-based pressures, more time to relax and recuperate, and better work-life balance.¹⁰⁵

Similar results were found during the Microsoft Japan four-day week trials. Over one month, Microsoft implemented a project called Work-Life Choice Challenge, which gave its workforce of 2,300 employees five Fridays off in a row without decreasing pay. During the period of its implementation productivity rose by 40%.¹⁰⁶

¹⁰⁴ IPCC (2018), 'Global Warming of 1.5°C'. Available at: https://www.ipcc.ch/site/assets/uploads/sites/2/2019/06/SR15_Full_Report_High_Res.pdf

¹⁰⁵ Four-Day Week Global (2019), 'White Paper: Guidelines for an outcome-based trial - raising productivity and engagement'. Available at: <https://www.4dayweek.com/four-day-week-trial>

¹⁰⁶ Guardian (2019), 'Microsoft Japan tested a four-day week and productivity jumped by 20%'. Available at: <https://www.theguardian.com/technology/2019/nov/04/microsoft-japan-four-day-work-week-productivity>

By creating a healthier and happier workforce, a shorter working week actually tends to boost productivity. The main caveat here is that this will not be true of all firms, and for some a shorter working week will remain more of a longer-term goal than for others. This underlines the important point that the shorter working week will both require governments to steer its implementation and trade unions to negotiate for it.

Five days of work will end up being squeezed into four

A common objection is that any reduction in hours necessarily means completing the same workload in less time. Significant overwork for part of the week would lead to stress and potentially poor mental health outcomes. This would raise the indirect cost of the policy and undermine its promised well-being and health benefits.

This can be easily avoided through a number of strategies. An initial strategy for a firm attempting to reduce hours but maintain pay at the same level should be to audit all of its activities and decide which are actually essential to day-to-day operations. This may lead to the realisation that the number of hours required of each worker may be far less than previously assumed. Aside from lightening the burden of work, firms can tighten the workload by reducing unnecessary meetings and pointless communications, and provide opportunities for focused work through solutions such as quiet spaces.

Any implementation of a shorter working week on a scale beyond the individual firm would need to identify differences between jobs and sectors. In care and hospitality, for instance, where lightening the workload is not easily achieved, firms should employ more staff, meaning the same work is spread across more employees, who each enjoy fewer hours. This would have the added benefit of stimulating the job market.

To counteract additional costs might initially require a state subsidy scheme to cover wages for the fifth day. However, as our 'stress test' has demonstrated, the majority of Welsh (medium and large) firms could move to a shorter working week and remain profitable (Figures 4, 5 and 6).

The shorter working week only stands to benefit traditional workers (i.e. salaried workers in full-time jobs)

There is a commonly held belief that non-standard workers (precarious, self-employed, gig economy, people who are their 'own boss') may not stand to benefit. Overwork can obviously be a product of financial pressure and not simply regulation at the workplace level, and there needs to be an ongoing effort to improve the conditions of non-standard workers. A shorter working week - like any policy - is not a silver bullet.

However, conceived as a job creation mechanism, spreading available hours across more of the population able to work, a shorter working week could have the effect of drawing people out of involuntarily precarious positions and into steady employment.¹⁰⁷

There is also potential to synergise the policy with basic income (see Autonomy's sister report for the Future Generations Commissioner). The economic security provided by a guaranteed income can give precarious workers more power to decide their working routines.

¹⁰⁷ Autonomy (2020), 'Time for change: a four-day week as an unemployment strategy'. Available at: <https://autonomy.work/wp-content/uploads/2020/07/Time-for-Change-REPORT.pdf>

The shorter working week is a 'luxury' policy

A common objection is that a shorter working week is a policy for times of prosperity, when business can afford to reduce the hours of workers without cutting their pay.

In fact, most short- and long-term reductions in working hours have tended to follow crises, as a response to recession and mounting job loss. In the wake of the Great Depression, the Roosevelt Government introduced the Fair Labour Standards act, which introduced the eight-hour work day as a new economic standard, compelling employers to pay workers time and a half for any hours worked beyond 40 in a given week.¹⁰⁸ The policy helped to iron out remaining inequities in the labour market left by the recession, as well as enhance people's standard of life.

Short-term schemes such as the aforementioned Kurzarbeit and the Short Time Working Compensation Scheme, introduced in the UK during the late 1970s, have also been used to retain jobs and forestall potential inequality and economic damage.¹⁰⁹

¹⁰⁸ Ibid.

¹⁰⁹ Ibid.

Appendix B: Autonomy's engagement methods

a. Stakeholder interviews

In order to represent the views of key Welsh stakeholders on a shorter working week, we aimed to assemble a group of candidates that could collectively speak to the seven well-being goals of the Well-being of Future Generations (Wales) Act. We were particularly keen to hear from representatives of groups representing an equalities perspective, and to include respondents with knowledge of public, private and voluntary sector employment.

A total of 22 organisations were contacted, although not all were able to engage with us in the three-month project period. Nine interviews were successfully conducted. Below is a list of the organisations contacted. The underlined organisations all informed the final report.

Federation of Small Businesses

Welsh Local Government Association

Welsh NHS Confederation

Social Care Wales

A Housing Association (anonymous)

Farmers' Union Wales

Airbus

Cardiff Council Waste Collection

TUC Cymru

Learning and Work Institute

Confederation of British Industry

Arts Council Wales

Chwarae Teg

Clwstwr

Women's Equality Network

Carers Trust Wales

Centre for Alternative Technology

National Youth Advocacy Service

Community Foundation Wales

UNISON Cymru

Social Care Wales

Wales Council for Voluntary Action

Research interviews covered topics including immediate and long-term challenges for Welsh organisations and their publics, the possible impact of a shorter working week in Wales, implementation strategies, and the public communication of a shorter working week in Wales.

It is relevant to note that interviews focused on an 'imagined' or hypothetical shorter working week plan for Wales, rather than any specific policy design. We wanted interviewees to remain open to all of the possible options for a shorter working week strategy, as well as hear their own ideas. Interviewees were also given the opportunity to raise their own topics

and concerns. The interviewees' responses were taken into consideration as we designed our own shorter working week strategy.

b. Business consultations

A total of 14 organisations were contacted to discuss their experiences of trialling or implementing some form of shorter working week. We successfully conducted interviews with six of these in the three-month study period. The companies interviewed are underlined below:

Indycube

Earth Science Partnerships

Upugo

Punch Creative

Big Potato Games

Pursuit marketing

Target Publishing

STOPAIDS

Pin Point Media

The Mix

Kale and Flax

Elektra Lighting

Memiah

Kin and Co

The interview approach focused on discovering the motivations for organisations wanting to trial or implement work-time reduction practices, while also understanding the challenges involved and whether and how these were overcome. This

was with the specific intention of wanting to understand and develop the business case for a shorter working week.

Of the six companies interviewed, five had an owner or director present. The only exception was the charity STOPAIDS. Tabitha Ha is the strategic advisor within the organisation and was part of the management team who helped plan, oversee and evaluate their shorter working week pilot.

c. Project sounding board

A number of organisations contributed direct feedback on our preliminary shorter working week strategies via an online sounding board meeting, two months into the project. In no particular order, we would like to thank the following people for their participation, as well as Cathy Madge, from the Future Generations Commissioner's office, for organising the panel:

Sue Husband, Business in the Community

Sally Gronow, Dwr Cymru

Ben Antoniou, Airbus

Joe Allen, TUC Cymru

Natasha Davies, Chwarae Teg

Ele Hicks, Diverse Cymru

Stephanie Bolt, local artist, educator and theorist

Keith Edwards, Reset Cymru

Christian Heathcote-Elliot, Public Health Wales

Appendix C: How did Autonomy cost the shorter working week in the Welsh public sector and how did it calculate its 'stress test' for the Welsh private sector?

a. Public sector

Full-time employees

The calculations use the following figures from the 2020 Annual Survey of Hours and Earnings tables:

- There were 260,000 full-time public sector employees in Wales in 2020.
- The average full-time public sector employee in Wales had a basic work-week of 36.2 hours.
- The average full-time public sector employee in Wales had gross annual earnings of £32,828.

The calculations use basic working hours in these figures, i.e. working hours excluding overtime, alongside gross earnings, i.e. earnings including overtime. The exercise is predicated on a reduction of the normal working-week to 32 hours, rather than the working week including overtime. The rationale for this is that some public sector employees – e.g. doctors, nurses, firefighters, and so on – have unavoidable overtime given the nature of their employment, and it is unrealistic to cap total weekly hours in these occupations.

Given these figures, the basic person-hours of full-time public sector employees in Wales in an average week in 2020 was 9,412,000 (i.e., $36.2 \times 260,000$). To work out the required number of extra employees that the public sector would have to hire to maintain this overall number of person-hours if every employee worked 32 hours per week, we make the conservative assumption that productivity increases by 2.5% following the implementation of a four day week. Reductions in work-hours are known to increase productivity.

To take into account a 2.5% productivity gain, it helps to initially consider how many employees the public sector in Wales would need if it implemented a four day week with no increase in productivity. This is simply 9,412,000 divided by 32, which is equal to 294,125. In other words, in order to maintain the same amount of public sector person-hours in an average week, the Welsh public sector would have to hire an extra 34,125 full-time employees following the implementation of a four day week.

It is worth taking into account a 2.5% productivity gain. Following the PLP report, the formula linking this output with labour input is given by,

$$294,125 \times 32 \times A = Q,$$

where A denotes hourly labour productivity (output per hour) and Q denotes output. Now, let us suppose that productivity increases by 2.5% and that the number of employees adjusts to keep output and hours constant. Thus, we have,

$$E \times 32 \times 1.025 \times A = Q,$$

where E denotes the new number of full-time employees. Combining these two equations yields,

$$294,125 \times 32 \times A = E \times 32 \times 1.025 \times A$$

and thus,

$$E = 294,125 \div 1.025$$

So, while moving to a four-day week with no productivity gain would require 294,125 full-time public sector employees in Wales, moving to a four-day week with a 2.5% productivity gain would reduce that number to 286,951.

Therefore, a four-day week with our assumed productivity gain would require 26,951 extra full-time public sector employees in Wales. If each of these extra employees earned the existing average salary, the gross annual cost would be in the region of £0.9 billion. In comparison, assuming a somewhat higher productivity gain of 5%, just over 20,000 extra full-time employees would be required at a gross annual cost of £0.7 billion. And if productivity gains were to increase above 10%, the cost of the policy would quickly become negligible.

We could have included an income tax calculation, along the lines of that which was included in previous studies,¹¹⁰ and

¹¹⁰ Calvert Jump, R. and Stronge, W. (2020) 'Public Sector as Pioneer'. Available at: <https://autonomy.work/wp-content/uploads/2020/08/Public-Sector-as-Pioneer-2.pdf>

this would have yielded a 10-20% deduction of the net cost, depending on one's presumptions.

Part-time employees

This section considers working time reductions for part-time public sector employees. It uses the following figures from the 2020 Annual Survey of Hours and Earnings tables:

- There were 115,000 part-time public sector employees in Wales in 2020.
- The average part-time public sector employee in Wales had a basic work-week of 20.2 hours.
- The average part-time public sector employee in Wales had gross annual earnings of £16,632.

So the basic person-hours of part-time public sector employees in Wales in an average week in 2020 was 2,323,000 (i.e., $20.2 \times 115,000$). Assuming that part-time employees reduce their basic weekly hours by around the same amount as full-time employees, then they would work around 18 hours per week following the implementation of a Shorter Working Week.

With no increase in productivity, the new number of part-time employees required by the public sector would be 2,323,000 divided by 18, which is equal to 129,056. In other words, in order to maintain the same amount of public sector person-hours in an average week, the Welsh public sector would have to hire an extra 14,056 part-time employees following the implementation of a four-day week.

Taking into account a 2.5% productivity gain would reduce the number much as it did for full-time employees above. The formula linking output with labour input is given by,

$$129,056 \times 18 \times A = Q,$$

where A denotes hourly labour productivity (output per hour) and Q denotes output. The formula linking output with labour input given an increase in productivity is given by,

$$E \times 18 \times 1.025 \times A = Q,$$

where E now denotes the new number of part-time employees. Combining these two equations yields,

$$129,056 \times 18 \times A = E \times 18 \times 1.025 \times A$$

and thus,

$$E = 129,056 \div 1.025$$

So, while moving to a four-day week with no productivity gain would require 129,056 part-time public sector employees in Wales, moving to a four-day week with a 2.5% productivity gain would reduce that number to 125,908.

Therefore, a four-day week with our assumed productivity gain would require 10,908 extra part-time public sector employees in Wales. If each of these extra employees earned the existing average salary, the gross annual cost would be in the region of £181 million. Again, if the productivity were to increase, the cost would quickly fall to zero.

b. Private sector costs

The data are drawn from the Fame database (Bureau van Dijk),¹¹¹ which contains information on the financial records of millions of British companies, mainly from Companies House. Cross-sectional data is used from the most recently

¹¹¹ Bureau van Dijk (2020), 'Fame'. Available at: <https://www.bvdinfo.com/en-gb/our-products/data/national/fame>

filed accounts, and analysis is limited to firms with 50 or more employees. Left out of the analysis are any inactive firms, firms that do not primarily employ people for profit, and firms with no region or industry information. As a final sample this leaves information on 1,600 Welsh companies, just over 1,000 of which have information on profitability.

Following the Calvert Jump and Stronge (2020) report,¹¹² the EBITDA rate - i.e. EBITDA as a % of revenue - can be expressed as,

$$\pi = 1 - LC/R - OC/R,$$

where π denotes the EBITDA rate, R denotes revenue, LC denotes labour costs, and OC denotes other costs excluding interest, tax, depreciation and amortisation. Revenue and non-labour costs are regarded as both proportional to hours worked, so the counterfactual worst-case EBITDA rate following the implementation of a four-day week can be written as,

$$\pi' = 1 - LC/R' - (OC')/R',$$

$$= 1 - LC/R' - OC/R,$$

where variables with a prime (e.g., π') are variables that change after the implementation of a four-day week.

¹¹² Calvert Jump and Stronge (2020) 'The Day After Tomorrow'. Autonomy. autonomy.work/research. Available at: <https://autonomy.work/portfolio/dat/>

As revenue and non-labour costs are both assumed to fall by 20% in the worst-case scenario, the net effect on profitability is,

$$\pi' - \pi = LC/R - LC/R',$$

$$= LC/R - LC/(0.8 \times R),$$

$$= -0.25 \times LC/R.$$

In other words, a business's EBITDA rate falls by 25% of its labour share (in percentage points) following the implementation of a SWW under a plausible worst-case scenario.

This algebra can be applied to the dataset of Welsh firms drawn from Fame (Bureau van Dijk). Figure 4 (p. 93) plots the resulting interval estimates for average profitability by industry in Wales following the implementation of a SWW. The leftmost extent of the intervals is indicated by a square marker, which is the worst-case scenario described above. The rightmost extent of the intervals is indicated by the vertical segments, which is the best-case scenario (which is just current measured profitability). The best-case scenario is therefore a scenario in which productivity and price increases completely offset the effects on revenue of a SWW, compared to the worst-case scenario in which productivity and prices remain constant. In the general case, the expectation is that average profitability will lie somewhere between these two extremes.

