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Prospects of a Work Time Savings System

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On top of long working hours, workers put in unpaid overtime and cannot easily take their entitled leave. There must be a way of remedying this trend of prioritizing work over personal life. As a means of improving people's work-life balance, I directed my attention to the "work time savings system," a scheme which has been extended in certain parts of Europe.

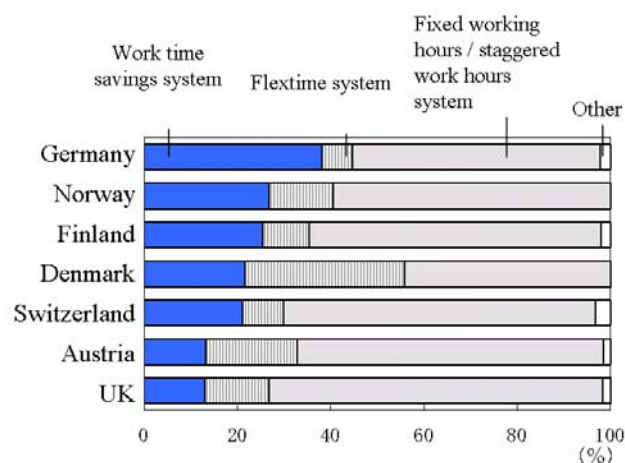
Compensating overtime with time in lieu

According to the Ministry of Health, Labour and Welfare's Monthly Labour Survey, on average, Japanese workers in the manufacturing industry work about 2,000 hours each year. Approximately one-tenth of this is overtime. As a result of reductions in working hours, which began in the 1990s, working hours in Japan is now on par with the US, but is still considerably more than developed nations in Europe. Although it is not indicated in these statistics, unpaid overtime is also regarded as being substantial.

The proportion of paid leave that workers actually take is also low. According to the Ministry of Health, Labour and Welfare's General Survey on Working Conditions (2005), on average, workers were provided with 18.0 days paid leave, but only took 8.4 days; that is, they took less than 50 percent of what they were entitled. This seems to imply that many workers find it difficult to take leave.

In Germany, the work time savings system is a system whereby the hours worked by each worker are recorded and managed in a working time account (Arbeitszeitkonto), similar to a bank account, and any hours worked in excess of eight hours each day are primarily compensated with time in lieu. Apparently, in some cases, overtime can be aggregated across several years and even for life. Similar systems have also been introduced in Denmark and the UK, and are already being used by a fair number of workers. Although the figure is based only

Figure Breakdown of different working hour systems applied to female workers aged 25-49 in European countries (Rate of the number of workers utilizing each system in 2004)



(Source)Eurostat

on data for females, the trend for males is virtually the same.

The major differences with flextime systems are that: instead of one month, in many instances, the period over which work times are aggregated is a longer period in excess of one year; and, a core time does not necessarily need to be set. Another key difference is the method of compensation. Although it depends on the labor agreements, rather than just financial compensation, some workers are compensated with time in lieu. In Japan, there are an increasing number of businesses that are abolishing flextime systems, but this should be regarded as something different.

The question of whether it would become easier for workers to take leave in the event such a work time savings system was introduced in Japan depends on how thoroughly the system was incorporated within the relevant business. As indicated by how little paid leave is actually taken and by how much unpaid overtime is put in, at present, workers' awareness of their own rights is low.

Furthermore, the ratio of workers taking childcare leave is low, particularly for males. And when it comes to females, a fair number of workers end up quitting their jobs to get married or to raise children. Underlying this is the fact that taking long-term leave, such as childcare leave, acts as a hindrance to the development of a worker's career. The fact that flexible working arrangements are not permitted - such as reducing work to three days a week while bringing up their children - is also a particular factor in females giving up on their careers. Improvements to the work-life balance and the participation of females in the workforce are two intricately related issues.

Consequently, there are calls for conditions to be created where taking paid leave and taking time in lieu of overtime are considered a matter of course. If a new universal standard can be enforced whereby everyone must take leave for the number of days to which they are entitled by right, then the taking of leave will no longer impede career development. And if a scheme is created where the balance of working time accounts is capped and where employers are made to purchase anything in excess at a commercial rate, then the effectiveness of the scheme can be assured.

A practical attraction of the scheme is that, if a worker has sufficient savings in their working time account, it could be used to enable irregular working arrangements during the childcare period. According to the JCER research report, "Human Capital for the Future," empirical results have been produced that demonstrate that female workers will have a greater desire to continue working if permanent employees are able to use a system whereby working hours can be shortened to a fixed period of time.

Enhanced labor productivity

What is feared is the opposition by business. Businesses would be pressured to increase their workforce because the working hours per employee would decrease. How much of a burden would this be to businesses? Consider the case of workers using 100

percent of their paid leave. Unused paid leave is currently 72 hours per worker. It would be reasonable to expect that workers would now be able to take leave for as much time as they had saved. This equates to 3.6 percent of all working hours. Assuming staff were increased by this ratio, then based on the Financial Statements Statistics of Corporations by Industry for fiscal 2006, the increase in personnel expenses would result in a decrease in pretax profit of 11 percent.

However, if this could be compensated for in some other way, then businesses would have room to accept such a system. For example, if the effective corporate tax rate could be cut from its current rate of approximately 40 percent to 30 percent, this would nearly offset the increased costs. A reduction in the corporate tax rate is likely to eventuate in due course in any case, and so one possible measure may be to combine it with this system.

Instead, what should be emphasized is the effect of increased labor productivity per hour resulting from shorter working hours per employee. This would be a plus for businesses. If it was regulated that workers must take leave for any overtime, then businesses would seek workers who produce results within the normal working hours. This might mean that we could eradicate the current detrimental tendency of attaching greater value to people the longer they work.

The government could also seek to actively disseminate the work time savings system, such as by establishing provisions in the Labour Standards Law that enable the introduction of such a system, and by providing preferential treatment within the tax system for businesses that adopt this system. It appears that this would improve the work-life balance, promote the participation of females in the workforce, and by extension, contribute to greater labor productivity.

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