

# REDUCING WORKING HOURS IN THE EUROPEAN UNION: ECONOMIC DEGROWTH AND ALTERNATIVES TO GDP

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## Abstract

*In the last decade in western societies it is gaining popularity the concept and philosophy of degrowth in contrast with mainstream economy which consist in limitless growth. Due to the critical situation in which we are in terms of environmental issues and scarcity of natural resources, sustainable development is not enough to overcome the challenges that we are about to face in the 21<sup>st</sup> century. Given that, it has appeared this radical alternative consisting directly in reducing and not only in growing more slowly. In this research, besides evaluating what is degrowth and what is not, it is going to be disseminated one of its key points, reducing working hours. In the context of the European Union countries, the study will consist in analyzing the link between working hours and productivity, with the aim to show empirically how when reducing working hours, productivity raises up. Not to mention that beyond Gross Domestic Product (GDP), there are better alternatives to measure well-being.*

**Keywords:** Degrowth, European Union, GDP, working hours, scarcity.

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## 1. Introduction

Degrowth is a political, economic and social stream which advocates for reducing the production of goods and services with the aim of establishing a more stable and balanced relationship between human beings and nature and among human beings. The term degrowth ('décroissance' in French) begins to emerge timidly in the second half of the twentieth century and it is mentioned on several occasions (Love 1973; Gorz 1977, Georgescu-Roegen 1979) in some conferences where the topic was about establishing limits to growth, although in that first period the word was considered just a synonymous with economic recession (ACSALF, 1983).

It is in the early twenty-first century when it begins to gain prominence through the work of thinkers and European intellectuals, such as the French economist Serge Latouche, one of the main precursors of this movement along with Nicholas Georgescu-Roegen, Paul Aries, Jean Paul Vesse or Nicolas Ridoux.

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The English term 'degrowth' was officially introduced in the academic world through the first International Degrowth Conference held in Paris in 2008, which in turn led to the

birth of the degrowth as a research area internationally (Demaria et al. 2013), with an increasingly academic activity. Proof of this are the four subsequent international conferences that have been held since then: Barcelona (2010), Montreal (2011), Venice (2012) and Leipzig (2014), the latter with more than 3000 participants. As it is mentioned by the editors of “Degrowth: A Vocabulary for a New Era” (D’Alisa et al 2014), since 2008 it has been published more than 100 articles and at least seven special issues about degrowth in international academic journals.

### **The key role of degrowth**

Mainstream governments and institutions consider growth as the only way to develop countries, however, the only certainty is that limitless growth is not compatible with a planet with limited resources. It is also crucial to state that the way conventional economics measure countries development is by the GDP index, but there is a paradox which is that, for example, depression, stress and consequent spending on psychologists, psychiatrists, drugs or alcohol are added to the index as positive. By contrast, inner peace, absence of problems, personal development, successful relationships or free time are not taken into account by any rate, when it is beyond doubt that it is the latter and not the former what contributes to the happiness and welfare of the citizens of a country. Therefore, it is important as a starting point to demystify the repeated mantra by world governments which says that a higher GDP means further development and, thus, greater welfare for its citizens. To sum up, GDP measures everything except that which makes life worthwhile (Kennedy, R. 1968).

## **2. Methodology**

In this paper, aside from disseminating some realistic alternatives to GDP as a proper indicator, are going to be analyzed the 8 Rs of Degrowth, paying special attention to one of those Rs, that of Reduce. Specifically, concerning the member states of the European Union, we will see the positive impact that reducing the working hours has in people’s well-being, in addition to the economy through increased productivity and reduced unemployment.

### **Realistic alternatives to Gross Domestic Product (GDP)**

There are several alternatives to GDP being actively developed, discussed and used worldwide (Kubiszewski 2014). Some of these indicators are the following:

Genuine Progress Indicator (GPI):

It is designed to take fuller account of the health of a nation’s economy by incorporating environmental and social factors which are not measured by GDP. Generally speaking, the GPI is the GDP (value of all products and services produced) minus the environmental and social costs.

Since 1995 it is being used in countries such as Canada or the United States of America although both these countries still report their economic information in GDP. However, in 2010 the state of Maryland in the USA officially started using GPI. Since then, the international interest in this indicator has increased and it has been already calculated in more than 20 countries.

#### Gross National Happiness (GNH):

According to the definition provided by BusinessDictionary.com, it is an attempt to measure, through psychological and physiological means, a country's happiness, as a direct reference to GDP. It includes, therefore, not only the sum total of economic output, but also of net environmental impacts, the spiritual and cultural growth of citizens, mental and physical health and the strength of the corporate and political systems.

The Kingdom of Buthan began using GNH as an alternative to GDP in 1972 after fourth King, Jigme Singye Wangchuk, stated that "Gross National Happiness is more important than Gross National Product".

#### Human Development Index (HDI):

It is a composite statistic of life expectancy, education and income per capita indicators, which are used to rank countries into four levels of human development: very high, high, medium and low. A country scores higher HDI when the life expectancy at birth is longer, the education period is longer, and the income per capita is higher.

It began to be used in 1990 after the annual Development Reports of the United Nations Development Programme (UNDP). Nowadays more than 175 countries measure their human development in parallel to GDP.

#### Green Gross Domestic Product (Green GDP):

It is an economic growth index that quantifies and calculates the environmental consequences of that growth.

Gross GDP, therefore, quantifies and monetizes the cost of pollution, climate change, waste and other factors likely to cause costly damages in the future.

Although the idea about this index was already introduced in 1972 by the American economists William Nordhaus and Jame Tobin, there are still many discussions and debates among economists, scientists and scholars so as to make adjustments in order to achieve a more comprehensive macroeconomic indicator. It is worth mentioning that countries like China seem reluctant to Green GDP since it affects and drops economic growth rate to unattractively low levels (Mutert 2010).

### **Environmental implications of limitless growth**

In regard to ecology, the scenario is, if possible, even more disappointing. Our planet has 51,000 million hectares, including land and sea, but only 12,000 million are bio-productive, it means that, given a world population of 6,700 million, the proportion is of 1.8 hectares per person. Well, according to estimations by Redefining Progress and World Wide Foundation, bio space consumed today is 2.2 hectares per capita, which is therefore, above the Earth 1.8 hectares available to every human being. Note that in

USA this figure shoots up to 9.6 hectares per capita, in Canada is 7.2 and in France 5.3. By contrast, in countries like India and Bangladesh the rate is 0.9 hectares per capita. It follows that if everyone in the world consumed as much as the average US citizen, four earths would be needed (Latouche 2006).

### **The 8Rs of degrowth**

Therefore, reducing the ecological footprint is no longer a mere objective, it has become a necessity. Serge Latouche proposes a radical change in both economic and political system that should come with the implementation of what has been called the 8 Rs, which are as follows:

**Re-evaluate:** values learned in the system hinder us to see other opportunities, so it is a priority to replace the dominant values by more beneficial ones. For example, altruism instead of selfishness, cooperation versus competition, satisfaction and not workaholism, humanism against unlimited consumerism, globalization versus localization, etc.

**Re-conceptualize:** on its way to interpret reality in another way, what would happen to redefine concepts such as wealth-poverty or scarcity-abundance.

**Reorganize:** Adjust the production and social relations apparatus based on the new scale of values.

**Redistribute:** Derived from the reorganization of social relations, it means distribution of wealth and access to natural heritage.

**Relocate:** Produce the essential goods locally in order to meet all our needs, thereby drastically reducing social and environmental costs of transport.

**Reduce:** Reduce the impact that our ways of production and consumption has on the biosphere. In addition to consuming less, it should be removed from the market harmful items, and of course, limit the working hours and mass tourism.

**Reuse:** So as to extend the lifetime of products and to combat the culture of old-fashioned. Go back to the lost art of repairing items and the use of second-hand goods.

**Recycle:** Only when it is no longer possible to reuse something then it should be recycled and take advantage of everything we can get out of it.

### **3. Results and Discussion**

Considering the 27 member countries of the European Union in 2011, and according to Eurostat agency, the link between working hours and productivity is as shown in Fig. 1.

It can be seen as north European countries, particularly Sweden, the Netherlands, Belgium, Luxembourg and Denmark, which incidentally have a lower rate of unemployment, are those with the smallest average workday.

To reduce working hours can be beneficial to society at large. Firstly, the workers have more free time than can be used in personal growth and in relationships. Secondly, it

favors sharing available work and therefore would result in a drastic decrease in the unemployment rate. And finally, a considerable raise in productivity.

Regarding the latter, while it is true that productivity is not a proper indicator from the degrowth point of view, since it only considers positive the quantity obtained (outputs), we want to emphasize that maintaining intact that part of the equation (the amount produced), productivity will also increase by reducing the resources used to achieve that same amount of product (inputs).

The most common step in the market is to reduce salaries (input), so productivity increases even if production (output) remains stable.

Productivity = Output/Input

Fig. 1. Average usual hours worked, all in employment and full-time workers, April to June 2011, European Union member states. (Eurostat)

	<b>All in employment</b>	<b>Full-time employment</b>	<b>Productivity</b>
<b>EU</b>	37,4	41,6	31,9
<b>Austria</b>	37,8	43,7	39,1
<b>Belgium</b>	36,9	41,7	45,8
<b>Bulgaria</b>	40,9	41,3	4,7
<b>Cyprus</b>	40,0	42,1	21,2
<b>Czech Republic</b>	41,2	42,3	13,3
<b>Denmark</b>	33,8	39,1	52,5
<b>Estonia</b>	38,6	40,8	10,8
<b>Finland</b>	37,4	40,3	40
<b>France</b>	38,0	41,1	45,3
<b>Germany</b>	35,6	42,0	42,4
<b>Greece</b>	42,2	43,7	19,9
<b>Hungary</b>	39,4	40,6	11
<b>Ireland</b>	35,0	39,7	50,1
<b>Italy</b>	37,6	40,5	32,5
<b>Latvia</b>	39,2	40,8	7,9
<b>Lithuania</b>	38,3	39,7	10,1
<b>Luxembourg</b>	37,0	40,5	59,5
<b>Malta</b>	38,8	41,4	14,2
<b>Netherlands</b>	30,5	40,9	46,1
<b>Poland</b>	40,6	42,2	10,2
<b>Portugal</b>	39,1	42,3	16,9
<b>Romania</b>	40,5	41,0	5,4
<b>Slovakia</b>	40,5	41,5	12,6
<b>Slovenia</b>	39,6	41,8	21,4
<b>Spain</b>	38,4	41,6	30,4
<b>Sweden</b>	36,5	40,9	44,4
<b>UK</b>	36,3	42,7	40

However, what is proposed in this article, although insufficient, is a first step to improve people's well-being while increasing productivity. And it happens, as has been already indicated, by reducing the divider via shortening working hours instead of wages. This measure is highly controversial because in theory the employer would get nothing out of it. Nevertheless, in the mid-term it is more than likely that all stakeholders win, and that is the goal. Without going any further, countries such as Sweden have started to implement in 2015 the 30 hours working week without reducing wages and results are being spectacular. While it is only being used as a pilot in certain organisms, the result cannot be more successful because benefits for employees, companies and the country itself are beyond doubt.

Nonetheless, since there is no guarantee that the case of Sweden fits in all countries of the European Union, it can be accepted as a compromise that a reduction in working hours comes with a drop in salary, although the latter at a slower pace than the former. For example, for an employee in Spain who works 40 hours a week and earns 1,500 euros gross per month, a solution could be a 20% reduction in working hours, which would result in working 32 hours a week, accompanied by a 10% wage drop, bringing his gross monthly salary to an amount of 1,350 euros.

#### **4. Conclusion**

Aware of the difficulties in carrying out such measures, we believe that a short-term solution might be to provide these reductions only to those workers willing to earn less while working less. But ensuring, of course, that their rights, regardless if they choose it or not, do not suffer any impairment. In this regard it is worth mentioning a recent study (2015) conducted by Polycom, provider of voice and video, which shows that 35% of Spaniards would be willing to drop their salary in exchange for greater flexibility in their jobs.

However, it is necessary to clearly differentiate between reducing the working hours, which is what is intended from degrowth economic theories, and time flexibility, since this alleged flexibility might lead to simply move the office to home. It would inevitably result in ending up working the same amount or even more hours, with the obvious expense in family life. But the most important point here is that there is a 35% of Spaniards willing to earn less in return to improve their conditions. This invites us to reflect that there is a growing amount of people valuing time more than money.

#### **The case of Denmark**

Digging into this issue, it should be noted the case of Denmark. Since 1964, the National Institute of Social Research in Denmark has been conducting extensive surveys on how the Danes use their time and how they would like to do it (Platz 1988; Körmendi 1990, Norgard 2009). One of the questions was precisely about people's preferences between more income and less work.

The results in Fig.2 show an increasing preference for more leisure rather than more income. In 2007 the percentage of citizens opting for more free time reaches its top with a 73%.

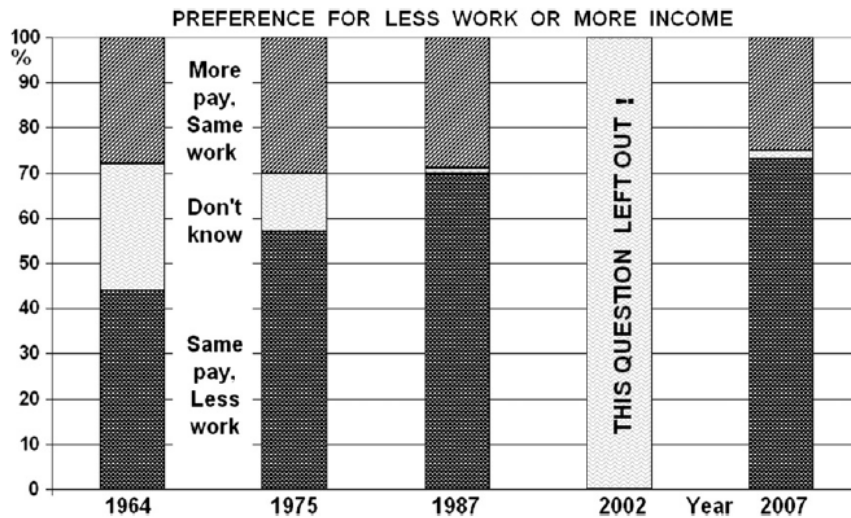


Fig. 2. Preferences for more pay or less work in Denmark. Sociological surveys over decades show an increasing preference for turning productivity increase into more leisure rather than more income and hence consumption. Sources: (Platz, 1988; Körmendi, 1990; IFKA, 2007).

We wish to conclude this paper expressing our concern for the issue and our commitment to continue researching on it in order to improve the living conditions of people.

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