



THE FOUR-DAY WEEK

Scottish employer perspectives on moving to a shorter working week



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The four-day week: Scottish employer perspectives on moving to a shorter working week

Contents

Introduction	2
What is the four-day week?	
What hours do people work in Scotland?	
How many days do people currently work?	3
Who works the longest hours?	4
What days of the week do people work?	5
Are people happy with their hours?	6
Employer perspectives on reducing working hours	7
Current practice	7
Challenges from reducing working hours	9
Employer attitudes towards the 'four-day week' (reducing working hours without reducing pay)	. 10
Conclusion	. 12
CIPD position	. 13

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Introduction

The Scottish Government's 2021–22 <u>Programme for Government</u> included a commitment to fund a series of four-day working week pilots across Scotland, following a pledge made in the SNP's 2021 election manifesto. The pilots are to be part of the remit of the previously announced <u>Centre for Workplace Transformation</u>, which seeks to support experimentation in ways of working post-pandemic. The first pilots are due to commence in early 2023.

In addition to these, a number of Scottish companies across a range of sectors are currently taking part in a UK-wide trial, launched in June 2022 by the think tank Autonomy, the 4 Day Week Global campaign group, the 4 Day Week campaign and researchers from leading universities. The trial involves 70 companies and more than 3,300 workers in the UK. Participants include a fish and chip shop, large financial firms, telecoms firms and a brewery.

These four-day week trials – of the 100:80:100 model, in relation to percentage of pay:hours:output – and similar government-backed trials in Spain and New Zealand have led to the idea of the four-day week entering public awareness and becoming a topic of much debate.

While the insights from these pilots will help us understand how organisations manage to move to a four-day week and provide lessons for other employers, what remains unknown is the more general attitude of employers to the four-day week and the extent organisations have already or plan to reduce working hours but not pay. There is also uncertainty around employer views on the benefits and challenges of the four-day week.

This report addresses the knowledge gap in employer perspectives to inform organisations and policy-makers of the challenges and opportunities of a move to shorter working hours. It is based on a survey of 2,000 senior HR practitioners, 144 of them based in Scotland, who were asked about implementing shorter working hours policies (without a loss of pay). The report also draws on data from the <u>Labour Force Survey</u> to understand the pattern of hours that people currently work in Scotland.

What is the four-day week?

The 'four-day week' is best described as a movement towards a shorter working week (in terms of total hours worked), without any loss of pay. For example, reducing a 35-hour week split over five days to a 28-hour week split over four days. It is often mistakenly conflated with 'compressed hours', which is a flexible working arrangement when the same number of hours are worked across fewer days.

The 'four-day week' has become shorthand for shorter working hours, but there is wiggle room for how organisations might achieve it. Companies are often innovative in how they implement such policies, and there is no one size fits all. It usually involves consultation with the workforce before a trial is planned, and new forms of flexible working are often brought in. The best trials feature an evaluation before deciding whether to adopt the policy in the long term. The most ambitious advocates of a four-day week believe the time has come for a society-wide move to a four-day week. After all, the six-day week was once the norm before Henry Ford introduced the five-day week. Advocates see removing another day as the next stage in a natural progression.

What hours do people work in Scotland?

The phrase 'four-day work week' invokes the idea that we all work nine-to-five, Monday to Friday. However, this is not a universal working pattern across Scotland. Perhaps the biggest challenge of implementing a shorter working week will be catering for working arrangements outside the nine-to-five. A look at official statistics tells us whether nine-to-five is typical and therefore a good place to start in discussions of a four-day week.

How many days do people currently work?

Most people (61.8%) in Scotland work five days a week. Around one in ten (11.1%) work more than five days a week, while around one in four (27%) are already working a four-day week or less (Figure 1). Perhaps encouragingly for advocates of the four-day week, the average number of days worked in Scotland is already under five and stands at 4.7.

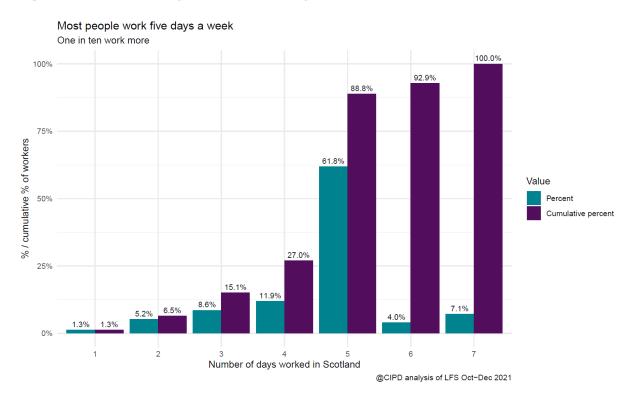


Figure 1: Number of days people currently work in Scotland

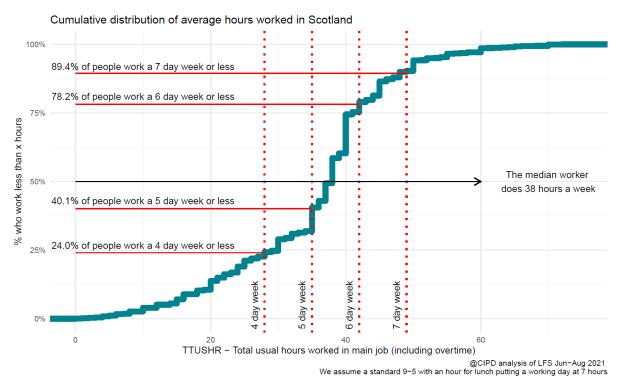
However, not all of these work days are equal. Someone logging on to answer a few emails on a Sunday is quite different from someone doing a 12-hour shift from 6am to 6pm. To get a more accurate picture, we also explored hours worked instead of days.

If we assume that a standard nine-to-five with an hour for lunch results in a seven-hour day, we can approximate how many days people work. The median number of hours (shown as a horizontal line at 50% on the vertical axis in Figure 2) intersects at 38 hours (the mean is slightly less at 35.9 hours). This means that, on average, people work about 5.1 days a week (35.9/7). The dream of a four-day week now looks slightly further away than our analysis above suggests.

The distribution of hours worked suggests that 24% of people work a four-day week or less (not dissimilar to the 27% cited above). Just under three-fifths (59.9%) of people currently work more than the 35-hour threshold for a five-day week, and 21.8% work more than a six-day week. The data suggests that a typical work day lasts longer than seven hours. If the average number of days (in nominal terms, not derived from hours) is 4.7 and the mean

hours worked a week is 35.9, then the average working day is 7.6 hours long. This would equate to a nine-to-five working pattern with around 25 minutes for lunch.

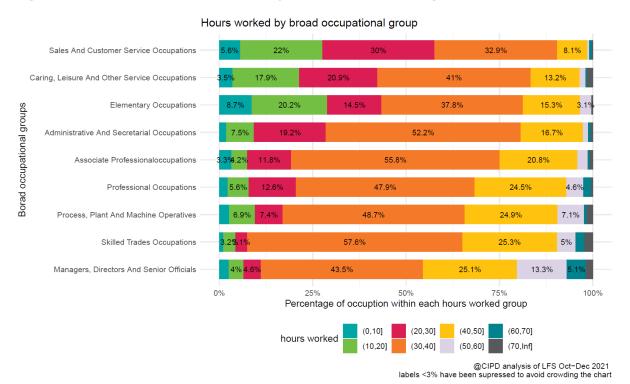
Figure 2: Cumulative distribution of average hours worked in Scotland



Who works the longest hours?

Figure 3 charts the hours worked by broad occupational groups. Managers, directors and senior officials would gain the most from a four-day week as this group is most likely to work over 40 hours (45.4%). Sales and customer service occupations are least likely to work over 40 hours (9.5%).

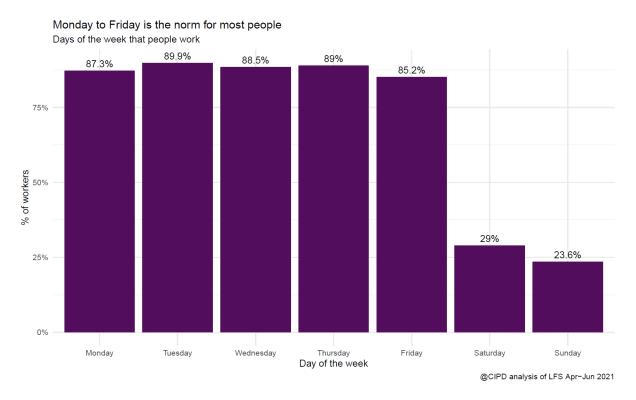
Figure 3: Hours worked in Scotland, by broad occupational group (%)



What days of the week do people work?

Monday to Friday is the most popular working pattern, as Figure 4 demonstrates. However, nearly a third (30.9%) of Scots work on the weekend and are therefore not in the typical nine-to-five pattern.

Figure 4: Days of the week worked in Scotland (%)



Are people happy with their hours?

It is important to look at individual preferences when discussing a potential move to a four-day week. Indeed, the majority of Scots (63.2%) say they are happy with their hours. Nearly a third would like to work fewer hours (30.2%), but only 11.8% of people are willing to work fewer hours for less pay (Figure 5).

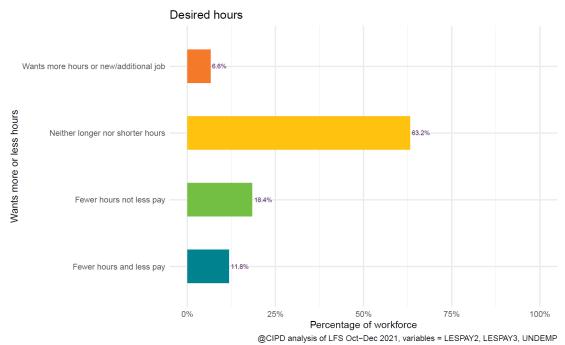


Figure 5: Desired hours in Scotland, by preference (%)

Employee demand for reduced hours is also linked to the number of hours currently worked. Those working the fewest hours are most likely to want more hours or a new/additional job. Perhaps unsurprisingly, those working the most hours are most likely to want fewer hours, even if that means a pay cut (Figure 6).

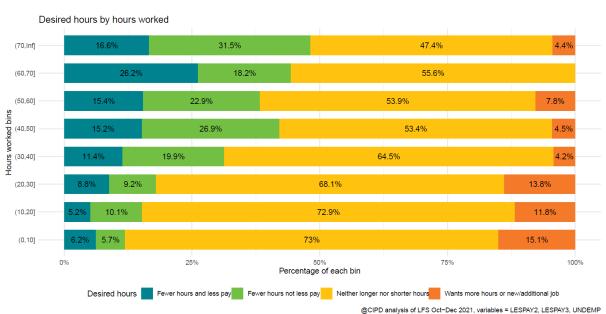


Figure 6: Desired hours in Scotland, by hours worked (%)

Employer perspectives on reducing working hours

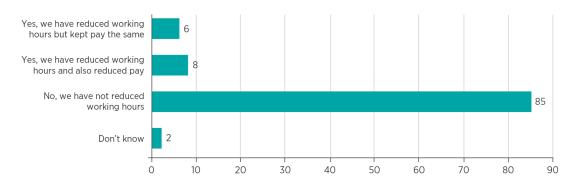
Using this picture of the hours people work, we can now examine employer perspectives on reducing working hours. In this section we use data from a survey of 2,000 senior HR decision-makers in the UK, 144 of whom are based in Scotland. Fieldwork was undertaken between 17 June and 12 July 2022. Some of the graphs use UK-wide data due to the sample size, but we do show Scotlish responses where possible to do so.

Current practice

Only a small minority of surveyed Scottish employers have reduced working hours in the past five years without reducing pay. As shown below, it seems the Coronavirus Job Retention Scheme (furlough) is likely to have been a factor where this has happened.

Overall, 13% of surveyed Scottish employers have reduced working hours in the past five years, while 6% of employers have done so without reducing pay (Figure 7).

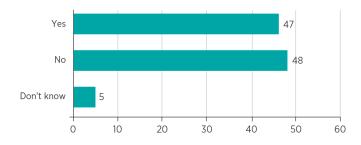
Figure 7: Has your organisation reduced working hours for the whole workforce or a significant proportion of your workforce in the past five years? (%)



Base: all Scottish employers (n=144).

Across the UK, about half (47%) of those that had reduced working hours in the past five years did so due to the furlough scheme (Figure 8). This scheme came with a heavy government subsidy, which may explain how some employers were able to reduce working hours while keeping pay the same.

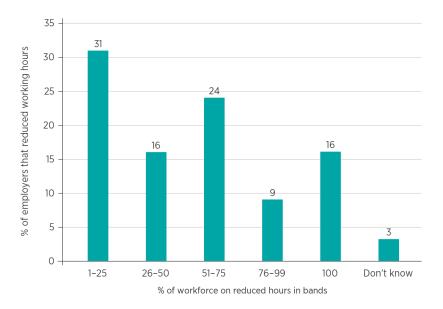
Figure 8: Did the policy of reducing work hours come about as a result of the Coronavirus Job Retention (furlough) Scheme? (%)



Base: all UK employers that have reduced working hours in the last five years (n=286).

Organisations that had reduced working hours seldom did so for their entire workforce (just 16%) (Figure 9). Again this may represent the effect of furlough, which many employers applied to only part of their workforce.

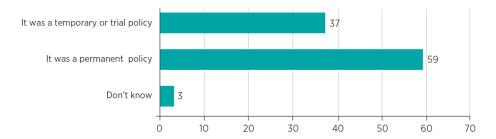
Figure 9: Of the organisations that reduced working hours, what proportion of the workforce did this apply to? (%)



Base: all UK employers that have reduced working hours in the last five years (n=286).

Of those UK employers that had reduced working hours, most (59%) had done so permanently (Figure 10).

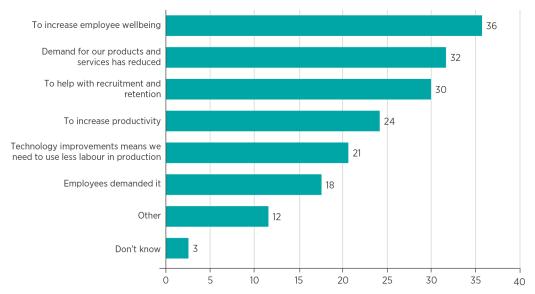
Figure 10: Which of the following best describes the reduced hours policy? (%)



Base: all UK employers that have reduced working hours in the last five years (n=286).

Over a third of organisations that had reduced working hours did so for wellbeing reasons, and slightly less than a third did so to help with recruitment and retention. About a third reduced working hours because demand for their services had reduced (Figure 11).

Figure 11: Which, if any, of the following best explain why your organisation reduced working hours? (%)

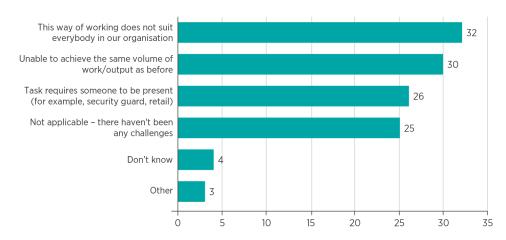


Base: all UK employers that have reduced working hours in the last five years (n=286).

Challenges from reducing working hours

For those UK employers that had reduced working hours, about a third (32%) noted that one challenge was that it did not suit everybody in their organisation. Three in ten said that they were unable to achieve the same volume of work/output as before (Figure 12).

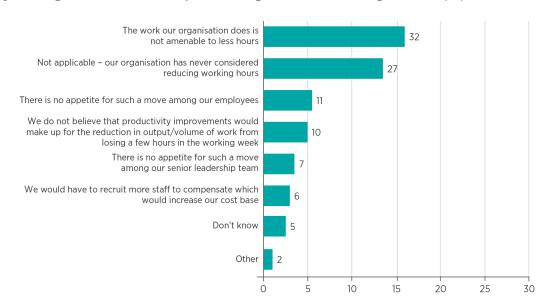
Figure 12: Which, if any, of the following challenges has your organisation experienced as a result of implementing reduced working hours? (%)



Base: all UK employers that have reduced working hours in the last five years (n=286).

Of those employers in Scotland that had not reduced working hours, just one in four claims to have never considered it. Nearly a third (32%) also claim that their organisation's work is not amenable to fewer hours, with another 11% saying there is no appetite for such a move among employees (Figure 13).

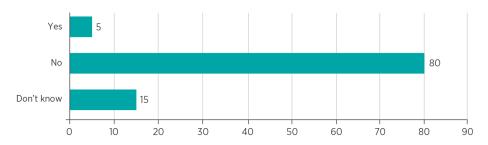
Figure 13: To the best of your knowledge, which, if any, of the following is stopping your organisation from implementing reduced working hours? (%)



Base: all Scottish employers that have not reduced working hours in the last five years (n=125).

Looking ahead, very few (5%) Scottish employers that have not already done so plan to reduce working hours in the next three years (Figure 14).

Figure 14: Does your organisation intend to reduce working hours in the next three years? (%)

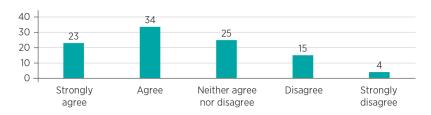


Base: all Scottish employers that have not reduced working hours in the last five years (n=125).

Employer attitudes towards the 'four-day week' (reducing working hours without reducing pay)

Most surveyed Scottish employers (56%) agree that reducing working hours without reducing pay is a great idea but could never happen in their organisation. In contrast, 19% disagree that this could not happen in their organisation, with 25% unsure and neither agreeing nor disagreeing (Figure 15).

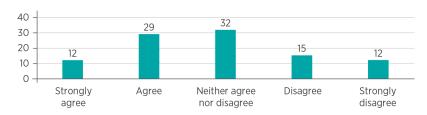
Figure 15: Reducing people's hours without reducing pay is a great idea but could never happen in my organisation (%)



Base: all Scottish employers (n=144).

Advocates of the four-day week argue that reducing hours without a reduction in pay need not be expensive for organisations as employee productivity would increase, primarily due to improvements to work–life balance linked to other job quality dimensions. More Scottish employers agree (41%) than disagree (27%) with the idea that a move to a four-day week would boost productivity (Figure 16).

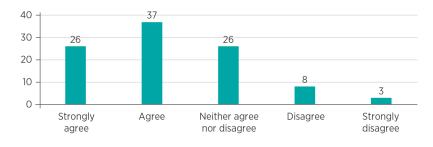
Figure 16: A move to a four-day working week would boost productivity across the economy over time (%)



Base: all Scottish employers (n=144).

However, two-thirds (63%) of Scottish employers agree that they would need to improve efficiency in order to reduce working hours without reducing pay (Figure 17). This suggests most employers believe that they would need to become more productive first to move to a four-day week where pay was not cut, rather than that they would become more productive simply by reducing working hours.

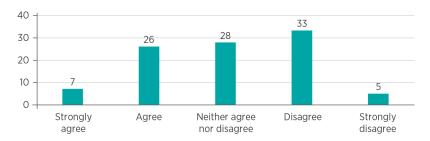
Figure 17: We would need to improve our efficiency and work smarter to reduce hours without reducing pay in our organisation (%)



Base: all Scottish employers (n=144).

The survey also looks at employer expectations of change and finds Scottish employers split on whether there will be a significant increase in workers with a four-day work week pattern in the near future. Slightly more employers (39%) think that the four-day week is unlikely to materialise in the next ten years than think it is likely (34%), while a third (33%) are undecided (Figure 18).

Figure 18: The four-day working week will become a reality for most workers across the UK within the next ten years (%)



Base: all Scottish employers (n=144).

Conclusion

The analysis above gives us an insight into Scottish employee patterns as well as employer attitudes towards the four-day working week. Whether measured by nominal days worked or equivalent day hours, the average time worked in Scotland is approximately five days a week. The nine-to-five is a typical set-up given average hours worked, and most people do this Monday to Friday. However, the averages hide a lot of nuance, and many people are already working a four-day week or less. By the same token, many people work more than a five-day week. Importantly, preferences for hours worked differ, and official statistics suggest that most people are happy with their current hours. Three in ten people would like to work fewer hours (30.2%), but only one in ten (11.8%) are willing to take a pay cut to achieve this.

On Scottish employer perspectives, the data suggests that they are largely ambivalent about reducing hours without reducing pay. Over half (56%) of surveyed Scottish employers believe it could not happen in their specific organisation. Slightly more employers believe a move to a four-day week for most workers across the UK in the next ten years is unlikely than those who think it likely (39% and 34% respectively). Of course, as with all new ideas, there will be early adopters and enthusiasts, while others will be more sceptical and need more convincing. Depending on their results, the current shorter working week trials in Scotland and across the UK as a whole may achieve that to some extent.

We can draw some parallels between shorter working hours and working from home. The dramatic rise of homeworking during COVID-19 has shown us that businesses have a status quo bias. The revealed preference for higher rates of homeworking shows that it's what people want, but it took a forced experiment to implement. However, many employers are not opposed to the idea once the concept has been proven. Like homeworking, it may be that shorter working hours are possible in some industries more than others. The Coronavirus Job Retention Scheme acted as a natural experiment in reducing working hours. However, with a drop in demand for many organisations, there was no need to increase efficiency and maintain output, and wages were propped up by significant government subsidy.

The key challenge to implementing shorter working hours is the need to boost productivity to pay for it, which was identified by two-thirds (63%) of surveyed Scottish employers. The trials will be looking at productivity, but this must be balanced against the likelihood that only businesses that felt they could boost productivity sufficiently would volunteer to participate in a trial. It is unclear how generalisable the results of such trials will be.

As the cost-of-living crisis bites, and a potential downturn results in rising unemployment, we are likely to see greater emphasis on the need to boost working hours. This is one of the fastest and most direct ways that someone can boost their income. The finding that those on

the fewest hours are most likely to want more hours (Figure 5) further supports this. The Living Wage Foundation has pivoted to emphasise the role of both wage rate and hours worked with the launch of its <u>living hours campaign</u> in 2019, which is financially supported by the Scottish Government in Scotland.

Some of the knottier operational challenges to implementing reduced working hours (without loss of pay) involve what to do with atypical and non-salaried workers. Should the people currently working a four-day week or less be given a pay rise? Would the four-day week disproportionately benefit managerial/director-level workers who are on higher salaries and work the most hours? What about those employees who can become more productive, but do not want to reduce their hours? Perhaps these are some of the questions that the current trials will answer.

CIPD position

The four-day week trials are an opportunity to test and learn from new ways of working. The pandemic proved the value of experimentation with the forced transition to homeworking, but businesses need not wait until their hand is forced. Previous trials of shorter working hours, notably those carried out in Iceland, have involved employee input in design of new flexible ways of working. Greater flexibility in work can cater for more people's preferences and facilitate the inclusion of marginalised groups in work. At a time of labour shortages, this is particularly important for businesses. If homeworking made us question where work took place, the four-day week trials could make us question when it takes place.

However, to implement a collective move to a four-day week, businesses would need a compensating 25% rise in worker productivity to offset the loss of working time and maintain output. The ability to achieve such a huge rise is as yet unproven. Historically, the ability to improve productivity has funded a move to a shorter week – or as is more often the case, increased incomes.

The majority of employers in our survey believe that they would need to increase productivity by working smarter and/or investing in technology if there is to be a wider shift to a four-day working week without compromising people's pay. Consequently, increasing workplace productivity should be the focus for policy-makers interested in supporting a shift to the four-day working week over time. Improvements in productivity are of course also urgently needed to help combat inflation and achieve sustainable improvements to wages as the UK seeks to navigate the cost-of-living crisis.

The CIPD's view is that there is an untapped potential to boost productivity by raising the quality of people management and development in the UK, particularly among SMEs and through supporting employer investment in technology across the economy. This requires a renewed focus on industrial strategy and significant changes to skills policy. It will also need a step change in the quality and availability of business support, to boost firms' adoption of technology and build their people management and development capability.





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