

BRIEFING NOTE ON WORKING TIME

THE REDUCED STANDARD WORKWEEK IN PORTUGAL

International Labour Office

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First Draft

1. Background

The Portuguese government determines working time standards, such as maximum workweek hours, through legislation which is supplemented by sectorial collective agreements that provide opportunities for more favourable employee conditions (Cabrita, Boehmer, and da Bino, 2016). Sectorial agreements include working time adaptability and the possibility for compressed workweeks, which can be further specified at company level (ibid). In July 1996 the Portuguese government passed law 21/96, establishing a “reduction in normal working hours exceeding forty hours per week” (Diario da Republica Electronico, 1996). Working hours in Portugal were the highest in Europe during the 1980s and 1990s set at 44 hours, and only in 1991 had the standard workweek been reduced from 48 to 44 hours (Quartenaire Portugal and Centro de Estudos de Economic Industrial, do Trabalho e da Empresa, 1996; Rapso and van Ours, 2008). Consequently, within a five-year period from 1991-1996 the legal maximum was reduced by 16.6% (ibid). The policy was an element of the government’s wider effort to meet the requirements for European Monetary Union (EMU) entry. Specifically, the law aimed to align Portugal with the 1993 European Working Time Directive’s recommendation that member countries reduce their weekly working hours to potentially improve their citizens’ health (Sanchez, 2017). Specifically, the directive stipulates that the maximum working week should be 48 hours including overtime (Council of the European Union, 1993).

The reduction in the standard workweek was a component of a social pact established to facilitate the necessary reforms for EMU entry (Falkner et al, 2004). Social pacts are defined as “formal policy contracts between the government and social partners on incomes, labour market or welfare policies that identify explicit policy issues and goals” (Avdagic 2011). The social pact in question mainly

focused on budget reduction and inflation (Campos Lima and Naumann, 2011). The government did not view the reduction of the workweek as a tool to increase employment, nor was the policy a campaign pledge (Rapso and van Ours, 2010). The Portuguese authorities were not under pressure to create jobs, as unemployment in Portugal was low throughout the 1990s, approximately 3-4% points below the EU-15 average (Rapso and van Ours, 2009). However, trade unions had been pushing for a workweek reduction since the 1980s, and employers had a complementarily strong interest in the pact as it provided them with a platform to negotiate with the government and an opportunity to include a working time flexibility policy (Quartenaire Portugal and Centro de Estudos de Economic Industrial, do Trabalho e da Empresa, 1996; Campos Lima and Naumann, 2011). Thus, the social pact established support from social partners for reducing the workweek.

% of full-time employees with usual weekly hours in the range:					
	1 - 35 hours	36 - 39 hours	40 hours	41 - 47 hours	48+ hours
Austria	2.6%	33.7%	57.3%	2.9%	3.6%
Belgium	7.2%	65.3%	21.8%	1.6%	4.0%
Denmark	4.7%	75.6%	5.2%	6.8%	7.7%
Finland	8.7%	58.5%	29.4%	2.5%	2.9%
France	7.4%	65.9%	9.1%	9.4%	8.2%
Germany	3.5%	54.8%	32.4%	3.6%	5.6%
Greece	11.4%	16.5%	51.1%	5.1%	15.9%
Ireland	16.7%	34.1%	30.6%	7.4%	11.3%
Italy	11.0%	26.6%	47.7%	5.6%	9.1%
Luxembourg	7.3%	3.1%	82.3%	2.1%	5.1%
Netherlands	0.9%	34.3%	62.1%	1.2%	1.5%
Portugal	19.5%	5.2%	29.7%	34.9%	10.6%
Spain	6.2%	10.6%	69.1%	6.1%	7.9%
Sweden	2.3%	13.1%	77.5%	4.6%	2.5%
United Kingdom	9.0%	25.2%	13.1%	26.4%	26.2%
EU15	7.0%	39.8%	33.3%	9.7%	10.1%

Table 1: Usual weekly hours in EU15 countries, 1995
Source: Lourie, J. 1996.

2. Implementation of the 40-hour workweek

The implementation of the 40-hour workweek only impacted private-sector employees, as the regulation was already in place for public-sector employees due to sector-specific collective

agreements (Sanchez, 2017). In the preceding two years before the law changed, 22% of Portuguese employees had a standard workweek between 40 and 42 hours whilst 30% had a workweek of more than 42 hours (Raposo and Ours, 2010). Consequently, only about half of the workforce was affected by the workweek reduction.

Portugal's reduced workweek policy was carried out in two stages over a period of 13 months. The first stage required workweeks above 42 hours to be reduced by 2 hours and workweeks at or below 42 hours to have met the new standard of 40 hours by 1st December 1996 (Raposo and Ours, 2010). The second stage required all workweeks above 40 hours to have met the new standard by 1st December 1997 (ibid). The new standard working day was considered 8 hours excluding breaks. The maximum number of working hours including overtime was initially set at 10 hours per day and 50 hours per week, changing to 45 hours per week when the 40-hour target was reached in December 1997 (Quartenaire Portugal and Centro de Estudos de Economic Industrial, do Trabalho e da Empresa, 1996). Additionally, a lower limit was set to make the workday no less than 6 hours (Diario da Republica Electronico, 1996).

2.1. Overtime Pay

As a way to minimize disruption of the workweek reduction, weekly working hours were computed as an average over a four-month period. Employers were able to increase hours above the limits set as long as a reciprocal reduction occurred to even out weekly hours worked in the four-month period. Thus, overtime rates are not paid unless the average weekly hours exceed the weekly standard over the four month period. When overtime hours are accrued there is a premium of 50% for the first hour and 75% for additional hours thereafter (Raposo and Ours, 2008). The maximum number of daily overtime hours was set to two and the weekly maximum to 10 overtime hours (ibid). Finally, a limit of 200 overtime hours annually per worker was set.

2.2. Leaves

All workers were entitled to 22 working days of annual leave as a non-waivable right, and employees could not engage in any other gainful activities during the period of their annual leave. Annual leave was required to be taken in a single uninterrupted block, but the parties could agree that it would be taken in separate segments provided that one consecutive period of 10 working days off was preserved (Quartenaire Portugal and Centro de Estudos de Economic Industrial, do Trabalho e da Empresa, 1996).

2.3. Breaks

The most controversial aspect of the new regulation related to rest breaks caused by “the wording of the law not being technically explicit” (Nascimento, 1997a). The dispute centred on the calculation of particular breaks or interruptions that occur in certain sectors (such as textiles) and in certain types of work organisation (such as in the case of flexible and permanent shifts). Unions and employers disagreed over the interpretation of the terms “actual working hours” (*trabalho efectivo*) and “normal working time” (*período normal de trabalho*) (Nascimento, 1997b). In response the Minister of Employment stated that in a situation when machinery operates non-stop, breaks are considered “effective work” (paid work) whenever the worker is available during the break to solve any technical problems with the machinery and the problem cannot be solved by another co-worker from the same shift (Nascimento, 1997a). However, the clarification did not resolve the dispute. The issue was only resolved when the 1993 Council of the European Union Directive on certain aspects of the organisation of working time (93/104/EC) was transposed into Portuguese law in 1998 (Cristovam, 1998). The directive includes in the calculation of working time: those “interruptions to work” that are laid down in collective agreements or have been established in companies by custom and repeated use; and “sporadic interruptions of daily work” to satisfy worker needs that cannot be postponed, or those tolerated or granted by the employer.

Daily breaks

The workweek reduction law stated that no employee is allowed to work more than 5 consecutive hours (6 hours if so stipulated by collective agreement) and daily breaks are required in a standard 8 hour workday. The breaks should last at least 1 hour and no more than 2 hours (in special cases - e.g., seasonal activities - these limits could be overruled by collective agreements) (Diario da Republica Electronico, 1996).

Weekly Rest Days

Every worker was entitled to one full day of rest per week, normally Sunday, except in special cases (e.g., when firm operates continuously or has been allowed to close on a day other than Sunday). Collective agreements could have stipulated an additional half or full day rest every week (ibid).

3. Economic Outcomes

In October 1997, two months before the end of the implementation period, the percentage of workers with a workweek over 40 hours decreased to 38% and by the end of 1998 the number of workers with a standard week over 40 hours was practically none (Rapso and van Ours, 2010). The two principal trade union confederations stated that up to a million workers reaped the benefits of the new law within the first year of its introduction (Nascimento, 1997b). Thus, the law succeeded in the goal of reducing the standard workweek to 40 hours.

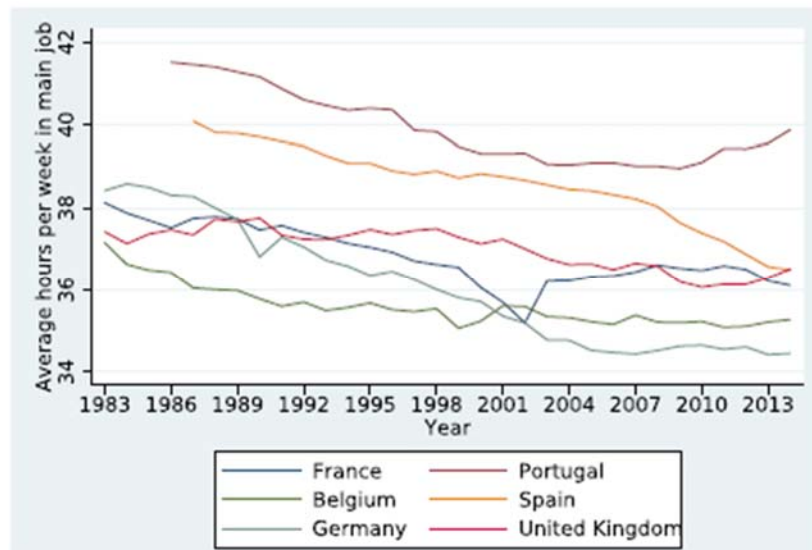


Figure 1. The evolution of working hours in Europe (1983-2014).
Source: Lepinteur, A., 2019.

Even though it was not an explicit objective of the law, the standard workweek reduction increased employment. Job creation in the period October 1994-95 was 17% and in the year thereafter it was 15% (Rapso and van Ours, 2009). Job creation increased to 18% in the period October 1996-97 and October 1997-98 (the periods after implementation) (ibid). Furthermore, there was a slight reduction in job destruction which had a positive effect on employment. Total job destruction in the period October 1994-95 and October 1995-96 was around 14-15%, which decreased to 13% in the period October 1996-97 (the period after implementation) (ibid). The following year job destruction increased again to 15% (ibid). Thus, immediately after the policy was implemented in December 1996, job creation increased and job destruction decreased, causing net employment to increase 5%. The employment increase was achieved without wage reduction because the law stipulated that monthly wages had to remain the same. Hence, workers experienced an increase in hourly pay, which covered the reduction in hours of work.

4. Well-Being Outcomes

Longitudinal research established that the reduction in the workweek benefitted the affected 50% of the labour market (Lepinteur 2019). Working hours and working conditions were more important than

earnings for the job and leisure satisfaction increase (ibid). This is unsurprising, as wages remained stable but free time increased with working time decreasing. In addition, Sanchez' finds the 1996 law to not have had an impact on medical health outcomes (2019). Thus, the reduction of the workweek increased the job and leisure satisfaction of those employees affected.

5. Working hours today

The long-term impact of the reduction in the standard workweek is that Portugal is no longer an outlier in the EU. The country is situated in the middle group of EU countries, where workers work on average 1600-1800 hours per year (Morley et al., 2009). Further reductions in the workweek did not occur, with only a small drop in average weekly hours from 39.7% in 2000 to 39.1% in 2006 (ibid). Today, only 8% of Portuguese employees work very long hours, which is less than the OECD average of 11% (OECD, 2019).

6. Conclusion

In summary, Portugal introduced a reduction to the standard workweek in 1996 from 44 to 40 hours in stages over 13 months. The policy change was driven by the need for Portugal to better align with the EU in order to join the EMU. By the end of the implementation period, there were no longer any employees with a standard workweek above 40 hours. Additionally, there was a 5% increase in employment and a substantial increase in workers' satisfaction with working hours and working conditions in general.

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