#### **BUSINESSEUROPE**

# Wealthy Europe is working less — can countries change that?

Steven Beardsley 02/13/2024February 13, 2024

European workforces are bigger than ever. So why are workers so hard to find? Experts say the answer lies in a fundamental shift in the labor landscape — more workers are working less.

What will it take for Europeans to work more? That's the question facing some of the continent's wealthier countries as they confront worker shortages despite record employment.

Governments and businesses in Germany, the Netherlands and Austria are now debating how to make additional hours more attractive to workers, from expanded child care to friendlier tax policies and more flexible work schedules.

They're competing with an employee preference for more free time. Average work hours continue to fall as part-time positions grow and unions push for cuts to full-time hours.

"There's this saying, 'work to live, don't live to work," Martin Stolze, 47, a high school teacher working part-time in southwest Germany, said. "I think that's the motto of our time. You work just enough that it functions for you and that you can devote yourself to things that really matter. It didn't use to be like that."

#### Record employment across the EU

In one sense, work itself has rarely been as popular or accessible in Europe. Overall employment across the EU remains close to 75%, while Germany, Austria and the Netherlands are all at record or near-record employment levels. Women's participation in the workforce has grown significantly.

A major factor is the <u>rise of part-time work</u>, economists say.

Today more than three out of 10 employees in Germany, Austria and Switzerland work part-time. In the Netherlands, roughly half of the labor force

works 35 hours or less a week. In the US, by comparison, fewer than one in five works part-time, or less than 35 hours.

Women in particular have driven part-time's growth in Europe. They're still far more likely than men to **balance employment with child or family care**.

Yet the trend also means larger workforces aren't producing significantly more working hours. Despite adding almost 7 million new workers to its workforce between 2005 and 2022, Germany has seen only a modest rise in total working hours. The average German employee, meanwhile, worked less than 1,350 hours per year in 2022 — the lowest among countries that belong to the Organization for Economic Cooperation and Development (OECD).

"That's a society that's doing pretty well," Clemens Fuest, head of Germany's Ifo Institute for Economic Research, said in a presentation last year. "Fewer people have to work and there's more enjoyment of free time."

But Fuest also warned of the downside —<u>a growing shortage of workers</u> in the coming years. "The great contraction hasn't yet hit," he said.

### **Problems with part-time work**

Part-time work is already a problem in thinly staffed sectors like nursing and education, where vacancies have been rising. With more employees working less than full-time, managers say they're struggling to cobble together enough care hours.

Maartje Lak-Korsten, the director of the Amsterdam primary school De Kleine Nicolaas, said many applicants want to work <u>four days a week.</u>

"I always start a conversation with (them)," she said. "What's the reason that you want to work four days? What do you need to work full-time? I tell them the advantages — for them. But also for their salary, but also for the long term ... (so) that they're also aware about the choices and consequences that they make."

Staff shortages are likely to become more common in the years ahead as the baby boomer generation retires, experts say.

A challenge for employers and policymakers is that many workers in wealthier European countries can afford working less than full-time.

In the Netherlands, a "1.5 salary," in which one adult works full-time and the other part-time, has become commonplace, said Bastiaan Starink, an economist at Tilburg University.

"It's probably a luxury that we can afford in the Netherlands not to work full-time," Starink said.

It's not just households. Amsterdam-based architect Thais Zuchetti worked 28 hours a week in the past year while finishing her master's degree, she said. She'll soon go back up to 32 hours, at her employer's request. But she said it wasn't necessary financially.

"I feel that right now with 28 hours I earn enough to live okay," Zuchetti said. "The idea is that if I would continue working 28 hours then I could develop my hobby as an illustrator maybe into a side gig."

#### The search for more hours

Employers and governments are now trying to figure out how to get more hours of the workers they have.

The German state of Baden-Württemberg has begun requiring all educators seeking to work part-time for less than 75% to provide a reason — including those already working reduced hours.

The Education Ministry there said the move, which is part of a larger package of measures, affects 4,000 of the state's 115,000 teachers.

One of them is Stolze, a high-school English teacher working 50%. Part-time allows him to be more present for his elderly parents, he said, and makes the school week more bearable.

"I recognize there's a lot of potential to squeeze more hours out," he said. "But I frankly believe that my colleagues have very, very good reasons that don't fit into this framework."

Other governments are taking a friendlier approach — although it's proving difficult.

The Netherlands agreed to expand child care subsidies beginning in 2025, a date the government later postponed to 2027 due to budget cuts.

Austria's Conservative-Green government coalition, meanwhile, has pulled back on suggestions it would lower employer taxes on work income after opponents raised concerns over funding for <u>social benefits</u>.

Germany, too, has held off on reforming its so-called couples splitting tax rule that favors 1.5-salary households. The country is now reportedly considering a mandate for businesses to allow **working from home**, among other measures.

## Finding the potential in a new labor landscape

A Dutch organization is taking another approach: helping employers look for more hours in their existing staff.

The non-profit Het Potentieel Pakken, which roughly translates to "Seizing the Potential," works with clients on how best to approach employees and construct work plans among team members.

Funded in large part by the Dutch Health Ministry, Het Potentieel Pakken works mostly with home nursing agencies and school districts. Employees — most of them women — are typically already open to working more, founder Wieteke Graven said. They often just haven't been asked.

"It's literally the case that we meet people that are maybe now 50 years old, and you ask them, 'Why do you work 18 hours a week?' and they said, 'Well, I started working 18 hours a week 20 years ago and I just never really changed it," Graven said.

For Graven, that's a sign of how ingrained part-time work has become. And even more reason for a broader conversation on the issue.

"I think there's always this tension between individual choices and the need of society," she said. "And I think that's a very fundamental debate to be held."

Edited by: Rob Mudge