

The recent movement towards a four-day working week

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Abstract

I discuss the wider benefits of a four-day working week for the economy, emphasising the positive effects on the aggregate demand, aggregate supply, labour market, and in the domain of political economy. I then discuss the various ways in which firms could adjust to a shorter working week, to minimize the disruption to the economy of its implementation.

Keywords

Four-day working week; Shorter working week; Labour law.

In 1970, Paul Samuelson, one of the most widely regarded modern economists, called the four-day working week a “momentous social invention” comparing it to language (Poor, 1970). This is the view I espouse in my new book *Friday is the New Saturday*. I view the four-day working week, not as a partisan policy or a win for the labour movement, but as a social innovation - a better way to organize economic activity in the 21st century. We should do it for – not in spite of – the economy (Gomes 2021).

There has been many recent news on the four-day working week as a management practice – firms adopting it, with the objective of increasing the well-being of workers, improving their productivity and reducing stress and burnout. The book, *The 4 day week*, provides a first-hand account of the implementation in a New-Zealand company Perpetual Guardian (Barnes and Jones, 2020), and the book *Shorter* presents many case studies of firms from different industries around the world that have implemented it (Pang, 2020). My concept of a four-day working week is about much more than the enlightened management practice that has dominated headlines recently. I propose the four-day working week as something bigger: government legislation implemented to the entire economy. Such legislation would reduce the

regular working week to a coordinated four days, from Monday to Thursday. All economic activities conducted during the working week – say office work, school, banks, stock market - would be conducted over those four days, and all economic activities conducted over the weekend would be conducted from Friday to Sunday - establishing four days as the norm for all workers.

There are many merits of flexible working arrangements (driven by workers), and the management practices supporting them (implemented by firms), and a number of my arguments can also be made to promote them. However, such arrangements are inferior to a four-day working week implemented by government legislation. Only in this way can the full economic benefits for society of reducing the working week be achieved. The gains of the four-day working week for society and the economy will be much bigger than the productivity gains for firms or the well-being of workers. To explain the economics behind each of these arguments, I have enlisted the help of four of the most influential economists of the nineteenth and twentieth centuries: John Maynard Keynes, Joseph Schumpeter, Karl Marx and Friedrich Hayek. I will view the economy through their eyes, emphasising the positive effects of the four-day working week on the aggregate demand, aggregate supply, labour market and in the domain of political economy.

The four-day working week will stimulate the economy through the demand for leisure industries, hospitality and tourism. Imagine what you would do and where you would go over three-day weekends. Most likely it would involve spending money. If the four-day working week was implemented across the European Union, it could bring a rebalancing of the North-South divide. Where would the North European go to spend their long-weekend? We need money to consume, but we also need time. It is in our free time that we feel our needs.

The four-day working week will unleash innovation and entrepreneurship because many new ideas and products are born from passionate people with day jobs creating something new in their sheds during the leisure hours. The best example is Henry Ford, the greatest entrepreneur of all time, who took three years to build his first car with an internal combustion engine while having a six-day day job at one of Thomas Edison electricity plants. He became Henry Ford because of what he did in his leisure time. Like Ford, there are countless examples of innovation born out of leisure. According to Edmund Phelps, an economics Laureate, the key to innovation is Grassroots Innovation, done by regular people in all corners of the economy (Phelps, 2013). The key to grassroot innovation is leisure.

The four-day working week will protect jobs at risk of automation reducing technological unemployment, increasing wage and reducing inequality. The economic argument does not rely on work-sharing, but on the idea that reduction of the working week will reduce the pace of job-separation in response to the implementation of the labour-saving technology and give time for workers to retrain to move to a more profitable occupation.

I'll argue that people will have more freedom to work more under a four-day working week than they working less under a five-day working week. Finally, by sharing the benefits of economic growth with everyone, it will reconcile a polarized society and crush populist movements, one of the biggest threats to our economies. Even if the economic benefits of the four-day working week are not enough to overcome the implementation costs, surely it is worth it if it can avoid other disastrous economic policies like Brexit, or the loss of political freedom that we already observe in the heart of the European Union.

My eight arguments will be more or less persuasive depending on your own ideological preferences, but they are all underpinned by sound economic reasoning and supported by the data. Ultimately, the core of each argument relates to what people would do with their extra day off work. They might rest more, which would increase their efficiency during their four working days. They might enjoy leisure activities that involve spending, which would stimulate consumption. They could decide to work, so they would be exercising their individual freedom. They could use the day for retraining and acquiring new skills to help them move to a more rewarding or promising occupation. Or they could devote their time to their passion and create the innovations of the future. Economists simplify reality. In most economic models, labour is viewed as the input for production and leisure as time away from the economy – a vacuum. But we are humans, and what we do in our leisure time also contributes to the economy. In the words of the Nobel-Prize laureate economist James Tobin, 'every leisure act has an economic pay-off to someone'.

Once we think about the benefits of the four-day working week, we should then weigh them against the costs of the implementation. A transition to a four-day week is disruptive, but it could be made much more smoothly than one might imagine. If, since starting reading this introduction, you have wondered whether everyone would take a 20 per cent pay cut by working a day less, the answer is no. The large majority of workers would not have any wage cuts. There are several possible adjustment mechanisms that will protect wages, ranging from increases in productivity, adjustments of hours worked in the remaining four days, reductions in oversized profits, price increases, subsidies and, most importantly, time. A period of

approximately five years between the announcement of the four-day working week and its implementation would give workers, firms and the government enough time to prepare, restraining wage growth during this period to avoid cuts when the implementation takes place. Economic activity is very diverse and jobs throughout the economy are very different. Implementing the four-day working week in office jobs should be different for journalists, factory workers, university professors or waiters. It should also be different in the United Kingdom or in Spain. We shouldn't propose a one-size-fits-all adjustment, but use a combination of these eight mechanisms to find how to minimize the disruption.

The movement towards shorter working hours is not exclusive to advanced economies. The introduction of the five-day working week in China in 1995 has been singled out as an important cause of the subsequent boom in their domestic tourism market, now the largest in the world. The tourism and related industries now account for more than 10 per cent of Chinese GDP. India still has a standard working week of six days and forty-eight hours, but is reforming its labour laws to give more freedom for firms and workers to mutually agree whether they prefer the current to work the forty-eight hours over six, five or even four days. In the Philippines, the discussion around the four-day working week started in the early 2000s, and companies were given the discretion to implement it, much like the current proposal in India. In 2011, the president commissioned an official report on the four-day working week and, by 2019, most government agencies, including the central bank, had adopted it.

Paul Samuelson, in the very year he won the Nobel Prize that crowned him as the father of modern economics, called the four-day working week a “momentous social invention”. He is alone amongst economists, who either oppose the idea or simply ignore it. While the four-day working week has generated academic research in sociology, political science, business administration, law, ecology or gender studies, there is no explicit research in mainstream economics. The working week is a social, political and economic construct. Why shouldn't it change when almost everything else in society has – the speed we communicate, the types of jobs we do, the technology available to us, the number of years we study, the structure of our families, the duration of our lives, our social interactions? I tried to redeem this “sin of omission” of economics with my book. I hope it can start a serious conversation.

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Biography

Pedro Gomes is an Associated Professor in Economics at Birkbeck, University of London. Previously, he was an Assistant Professor at the University Carlos III de Madrid, a Visiting Professor at the University of Essex and held positions at the European Central Bank and the Bank of England. Pedro did his BSc in Economics at Lisbon Technical University, and received his PhD from the London School of Economics in 2010. A leading researcher on public-sector employment, he has published numerous articles in peer-reviewed journals and chapters in books. His work has been widely cited, has received awards, and has influenced policymakers.