

# The Untapped Potential of Work Sharing in the U.S.

A Depressing Counterfactual History of the Great Recession

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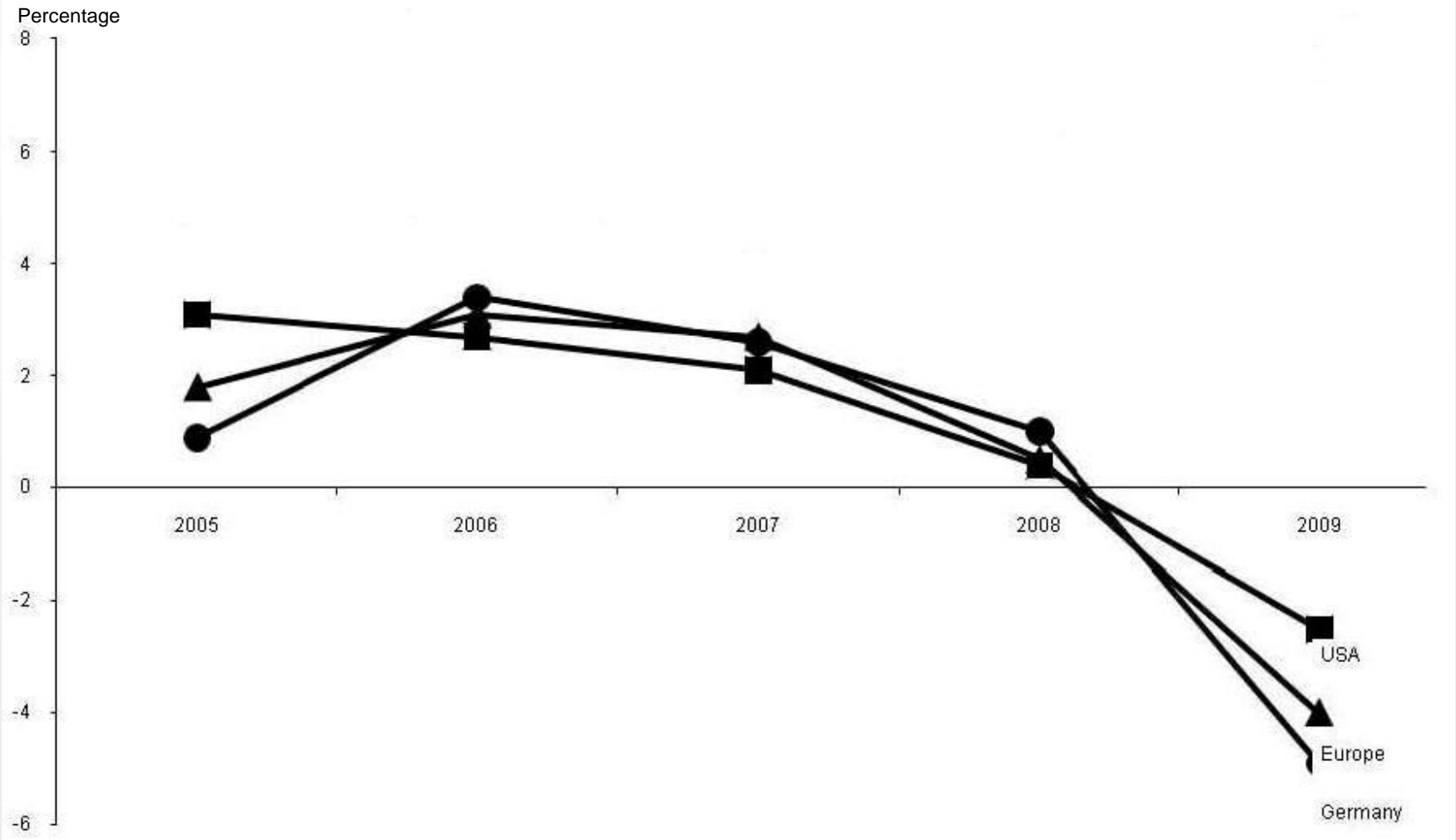
# How Work Sharing Works in Germany

- Think of it as “fractional unemployment insurance”
- Once hours are reduced at least 10 percent, lost wages are replaced at a 67 percent rate.

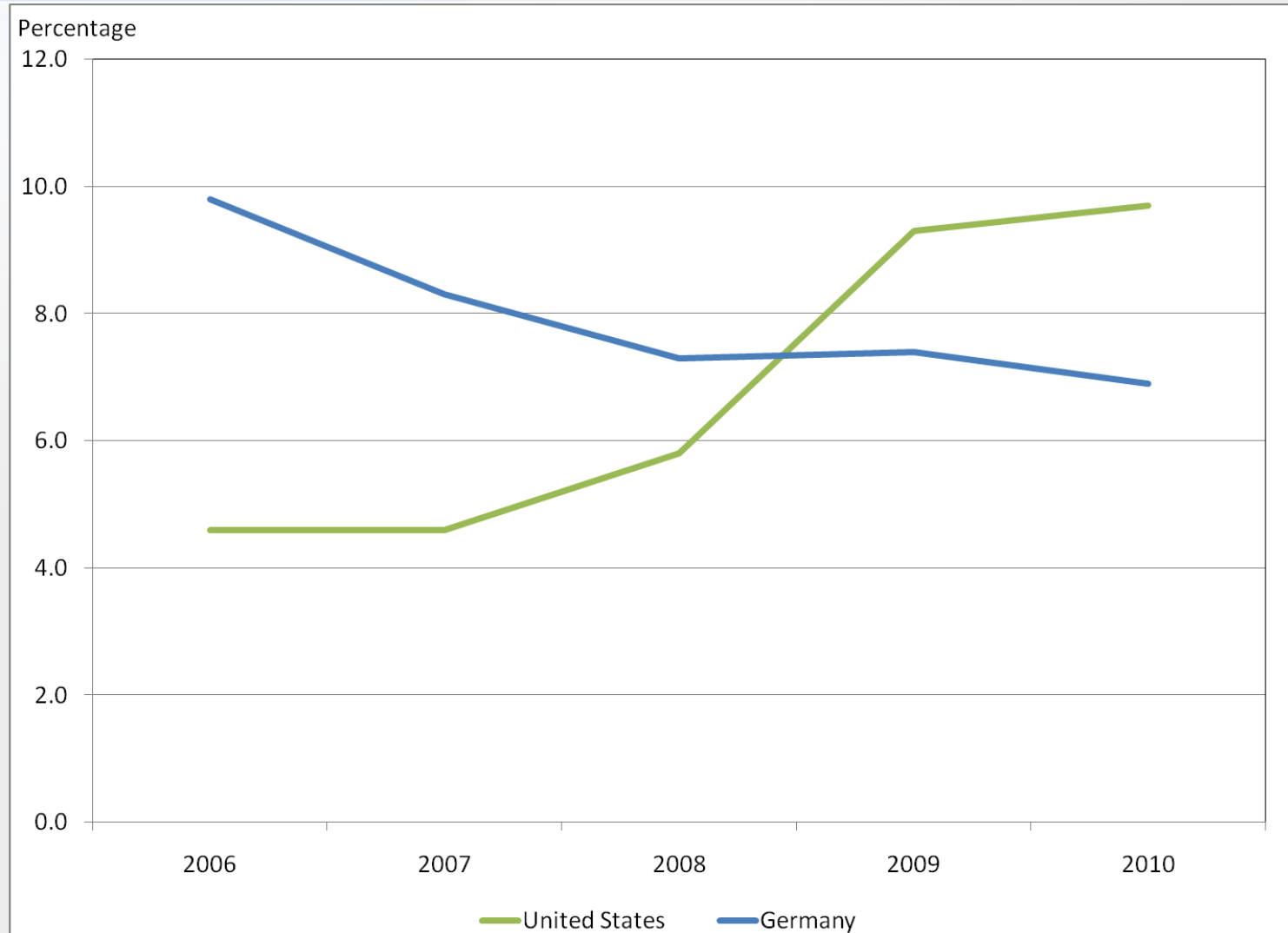
# What it Costs

- Take-up rate in Germany peaked at 64,000 establishments in 2009, with 1.5 million employees out of about 40 million workforce
- Total cost to Germany was about 5 billion Euro in 2009
- Prorated cost in US would be about \$20 billion per year, a tiny fraction of stimulus money
- Net cost would be lower if UI benefit duration reductions accompanied introduction of WS

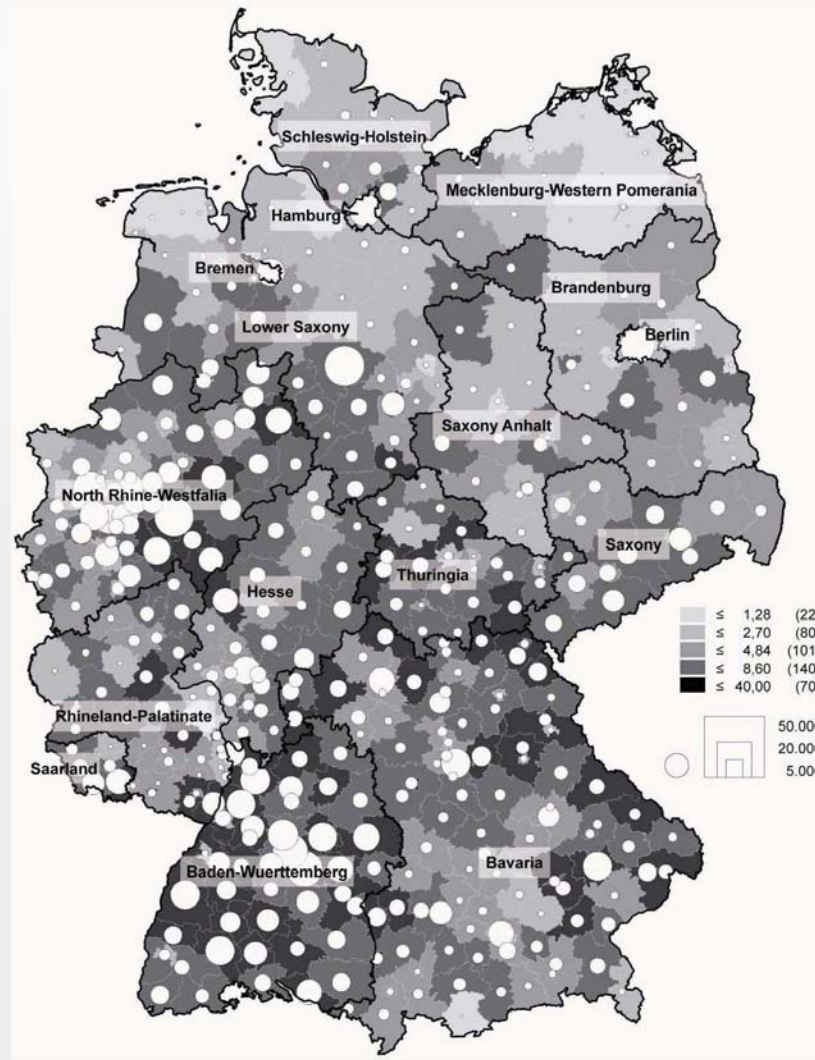
# Change in Real GDP



# Unemployment Rate

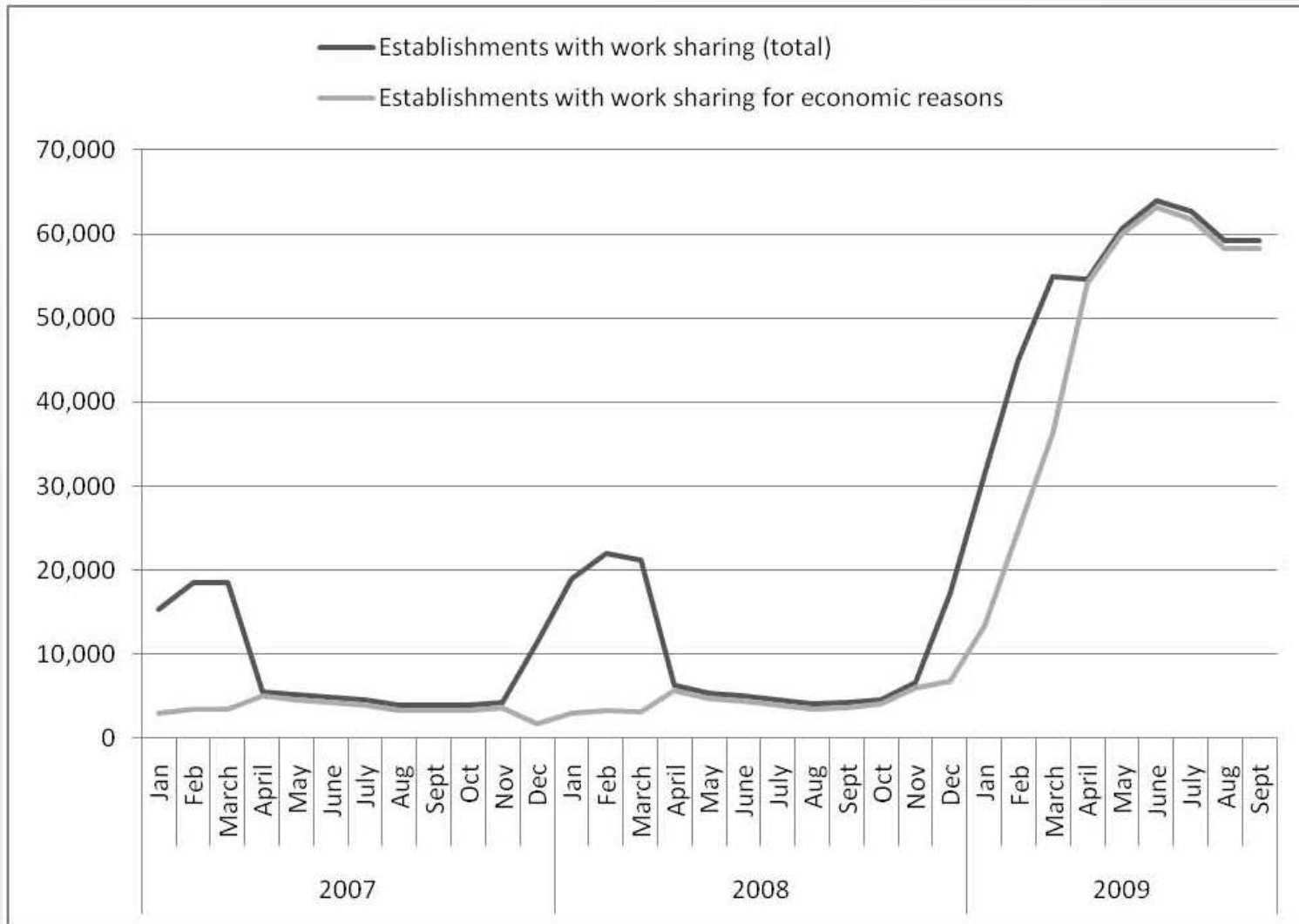


# Work Sharing Ratio and Total Number of Participants

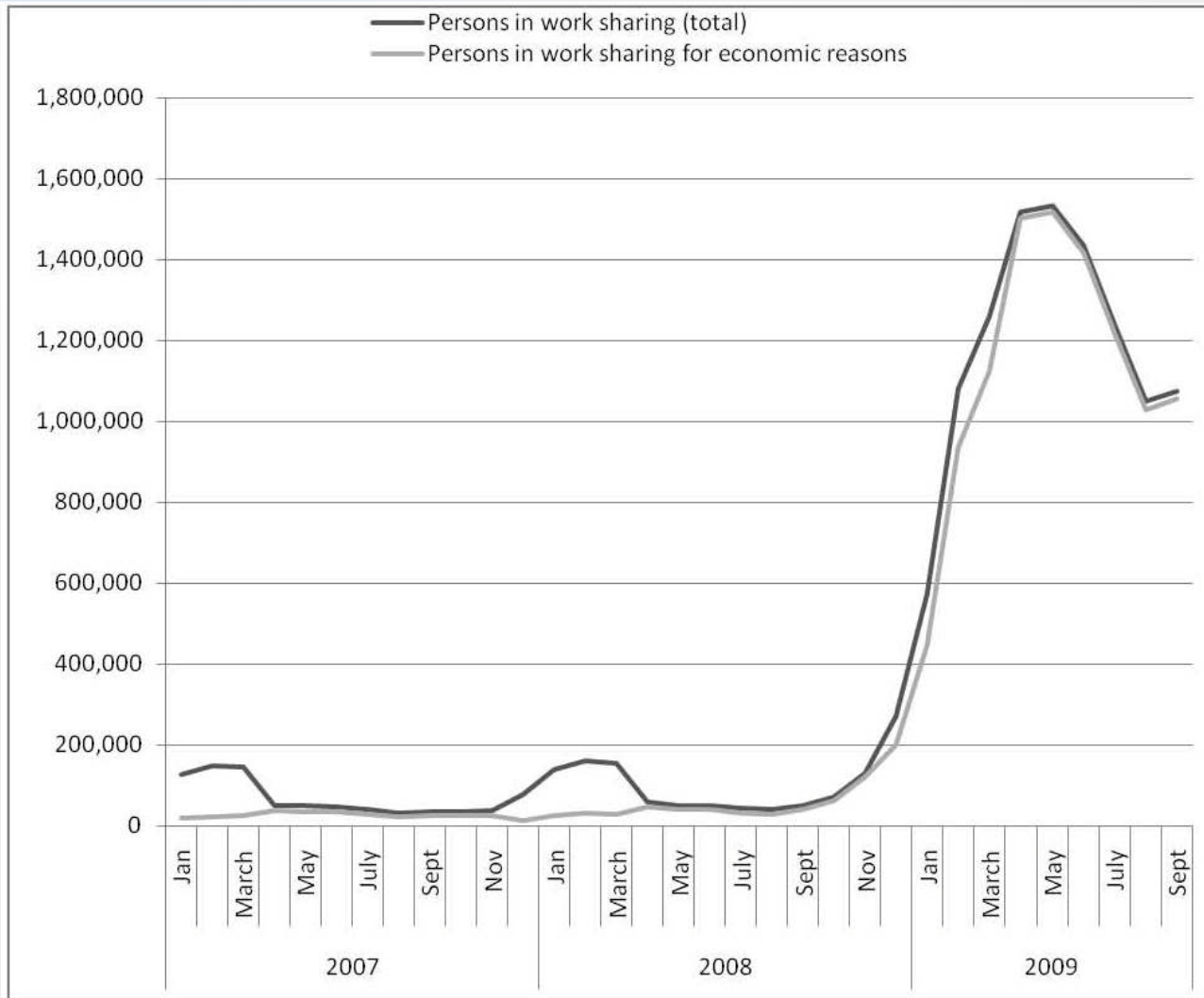


Note: Work-sharing ratio in percentage of persons in waged employment and total number of participants in work-sharing as of June 2009  
Source: Crimmann, Weibner, and Bellman. International Labor Organization (2010)

# Establishments with Work Sharing



# Participants in Work Sharing

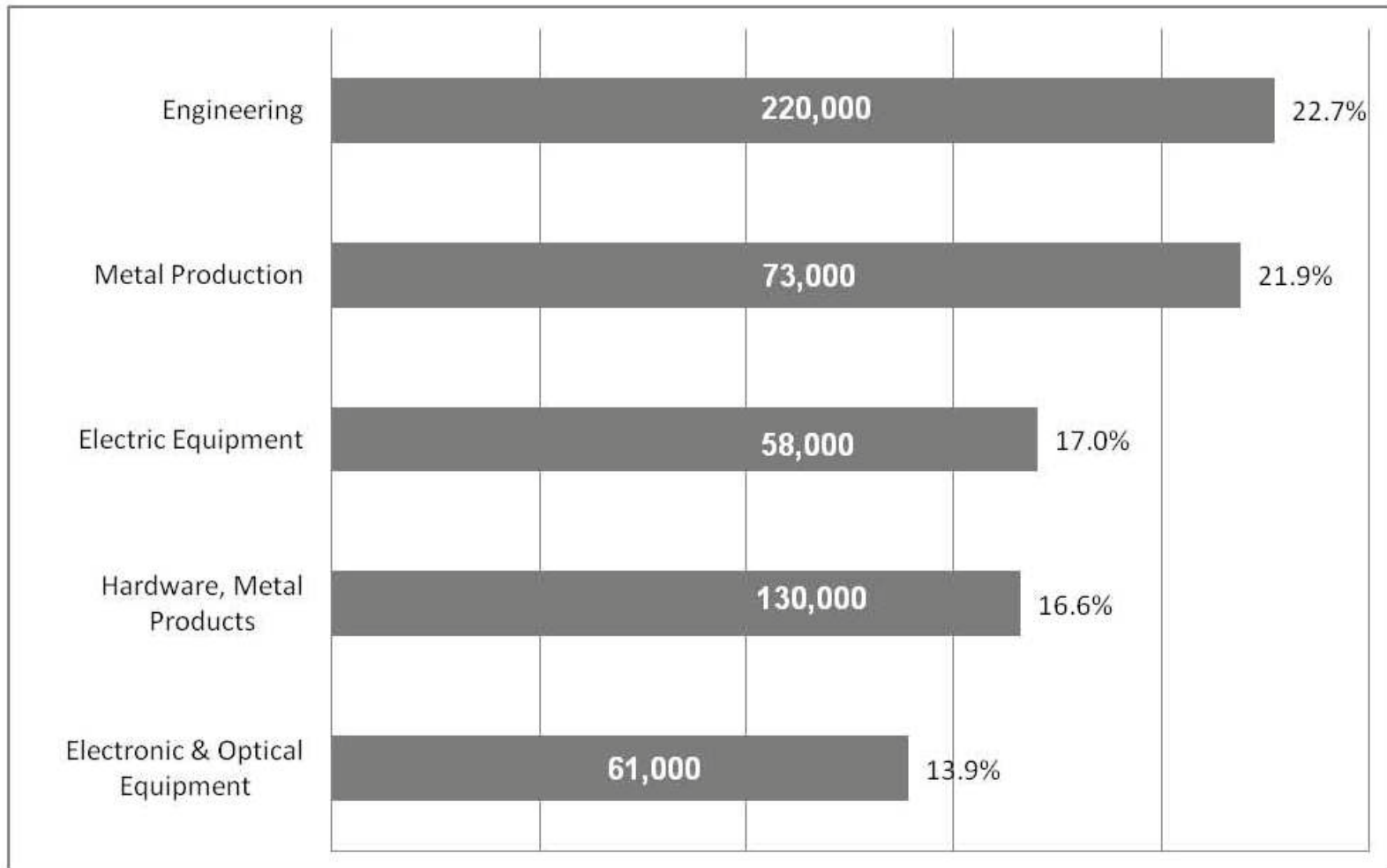


Note: As of September 2009

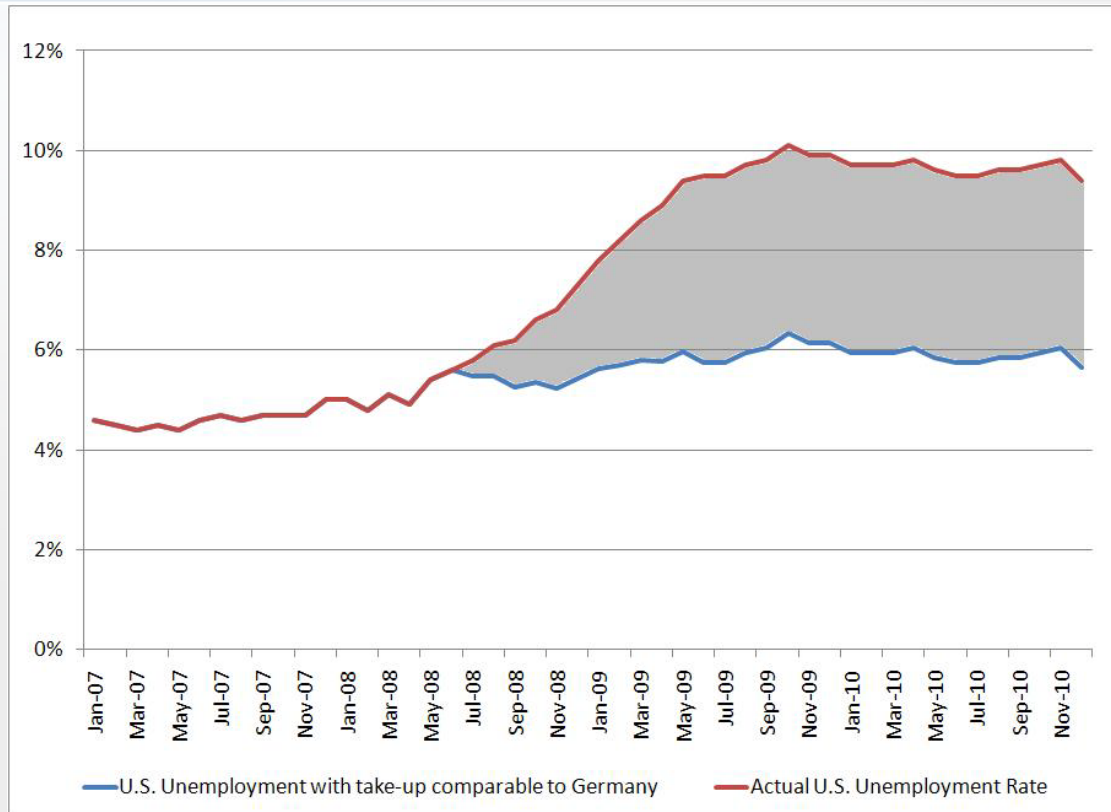
Source: Crimmann, Weibner, and Bellman. International Labor Organization (2010)



# Top Five Sectors with Work Sharing



# A Missed U.S. Opportunity



Assumptions: U.S. work sharing is implemented gradually from July 2008-June 2009 until participation as a percentage of the civilian labor force matches that in Germany in 2009: 1.5 million in work sharing out of a 40 million person labor force. The unemployment rate resulting from implementation would fall within the shaded area and depend on how many enrollees would have otherwise been unemployed.

Note: Seasonally adjusted numbers

Source: Bureau of Labor Statistics

# Conclusion

- We really blew it
- Because of big gross flows, it's not too late to start