

## Testimony in Senate Bill 197 Hearings

### In favour of establishing a Four–Day Workweek Pilot Program

#### **Dr. Pedro Gomes**

Associate Professor of Economics at Birkbeck, University of London

Author of *Friday is the New Saturday: How a Four-Day Working Week Will Save the Economy*

Coordinator of the Four–Day Workweek Pilot Program by the Portuguese Government

In 1970, Paul Samuelson, one of the most widely regarded modern economists, called the four-day workweek a “momentous social invention” comparing it to language (Poor, 1970). This how I view the four-day workweek, not as a partisan policy, but as a social innovation - a better way to organize economic activity in the 21<sup>st</sup> century. We should do it for – not in spite of – the economy (Gomes 2021).

The workweek is a social, political and economic construct, and it should evolve and adapt, as technology and societies evolve and adapt. In the 19<sup>th</sup> century we worked six days a week. The movement towards a five-day workweek started in 1908, with a few small companies adopting it as a management practice. The movement got a big boost when Henry Ford, now considered the greatest entrepreneurs of the 20<sup>th</sup> century, adopted a five-day workweek in all his factories in 1926. It then moved from management practice to the macroeconomy, by legislation, in 1938, with the *Fair Labor Standards Act* that established a 40-hour week. First, it only applied to large firms doing interstate commerce. Its coverage expanded in the following decades. The movement for six to five days was a long process that took several decades.

Since the five-day workweek was normalized more than 50 years ago, everything in our economy and society has changed – 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, but we still organize work in the same way. It is these structural changes that made the five-day workweek obsolete, and a four-day workweek a better way to organize modern work.

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Just like 100 years ago, nowadays many firms are shortening the workweek, this time to four days. Firms adopt 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). I believe that the positive economic effects of a four-day week will be much bigger than the productivity gains for firms or the well-being of workers. It will improve the wider economy, because it will boost aggregate demand for certain industries, it will unleash innovation and entrepreneurship, it will improve the functioning of the labor market, and enhance the political-economy of decision making.

**The four-day workweek will stimulate the economy through the demand for leisure industries, entertainment, culture, hospitality and tourism.** An economy where everyone works hard but where there are no customers is a weak economy, warned John Maynard Keynes, and people without time are not great consumers. We need money to consume, but we also need time. It is in our free time that we feel our needs. Imagine what you would do and where you would go over three-day weekends. Most likely it would involve spending money. Henry Ford wrote, in 1926, when he adopted a five-day workweek:

‘Instead of business being slowed up because the people are 'off work', it will be speeded up, because the people consume more in their leisure than in their working time. This will lead to more work. And this to more profits. And this to more wages. The result of more leisure will be the exact opposite of what most people might suppose it to be.’

In the years that followed the implementation of the 40-hour week in the United States, several companies linked to the leisure industries were born, such as: McDonalds, Best Western, Atlantic Records, Fender, or Dick's Sporting Goods. After the reduction of the workweek from six to five days in China in 1995, there was an explosion of their domestic tourism market, now the largest in the world. In Maryland, tourism alone accounts for 150 thousand jobs.

**The four-day workweek 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, who took three years to build his first car with an internal combustion engine while having a six-day job at one of Thomas Edison electricity plants. He became Henry Ford because of what he did in his

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leisure time. Like Ford, there are countless examples of innovation born out of leisure: *Apple*, *Nike*, *Spanx*, *Instagram*, or *Wordle*. 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 driver of grassroot innovation is leisure.

**The four-day workweek 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 workweek will reduce the pace of job-separation in response to the implementation of the labor-saving technology and give time for workers to retrain to move to a more profitable occupation.

Wages do not increase because of political will. They increase because of market forces, and the market is supply and demand. By increasing demand for workers (because of higher productivity and higher demand for leisure industries), together with a reduction of the supply of hours, the four-day workweek will create the market conditions for a sustained wage growth. In the three decades following the *Fair-Labor Standards Act*, wages in the US grew at 30 per cent a decade (after discounting for inflation). Before the 1940s and after the 1970s, real wages have only grown at about 10 per cent a decade.

**I believe that people will have more freedom to work more under a four-day workweek than they have of working less under a five-day workweek.** The partition between the workweek and the weekend is just a construction to coordinate one type of (team) work during the week, and individual work as well as economic leisure activities at the weekend. The weekend doesn't and won't stop anyone from working more if they want to, accumulating a second job in the leisure industries, in the “gig” economy, or in individual projects.

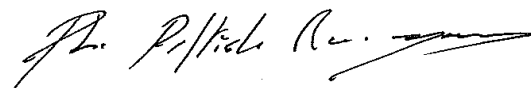
Finally, by **sharing the benefits of economic growth with everyone, it will reconcile a polarized society and deflate populist movements.** Improving the economy is not only about making it grow, but also about protecting it from downside risks, and one of the biggest risks that our economies face is the one brought by populist movements. They do not bring constructive policies to the discussion, and instead opt to divide. The four-day workweek, on the other hand, is not divisive. In all surveys, 70, 80 or 90 per cent of people say they would like it. They might be scared it would harm the economy, but as a goal, it is one that inspires people, and is one that is worth having. I believe that if we - politicians of both sides of the aisle, businesses, unions, workers and academics – work together, it is a goal within our reach.

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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, labor 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’.

The movement from five to four days is a process that will likely take several decades, and it will require some activism, and small steps to promote experimentation by firms. Many countries are already launching their own four-day workweek pilots, for instance Spain or Portugal. I have been invited to coordinate the Portuguese project. Although we are not providing any subsidy to firms to experiment a four-day workweek, we have about 90 firms from various sectors that showed interest in the project, which testifies to the appeal that a four-day workweek has for some companies that understand its potential. The companies that wish to, will now have three months to prepare the pilot, that will start in June 2023.

I believe that this bill to establish a pilot program in the State of Maryland is the right first small step in a path towards a four-day week and towards a stronger, more innovative, and more sustainable economy.



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Birkbeck, University of London

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### Biography

[Dr. 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. In 2021, he published *Friday is the New Saturday: How a Four-Day Working Week Will Save the Economy*. The book was one of [Financial Times, Business Books of the Month](#), and considered by Jason Furman as one of the top two books he read in 2021 on [Wall Street Journal Books of the Year](#). The book has been translated into Korean, Portuguese and Italian. In 2022, he was invited by the Portuguese Government to coordinate their four-day workweek pilot.