The development of annual working hours in the United Kingdom

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Foreward

Working time directly influences the well-being of workers, as well as the operation of the enterprise. It is not surprising, therefore, that it is one of the major concerns in working conditions, especially in Western European countries. Over the last decade, significant developments have affected working time in these countries. The pressures for greater flexibility for both employers and workers has intensified, thus leading to the introduction and development of diversifying working time arrangements. Even though the earlier trend to reduce the standard working week has diminished in most European countries, shorter weeks were still negotiated, often in exchange for more flexible ways of arranging working hours. In addition, the interest for more flexible working time practices has been accompanied by growing concerns with unemployment and potentials offered by working reductions and reorganization.

The interest in flexible and increasingly diversified working time practices derives from various factors. On the one hand, strong competitive pressures and rapid technological change are urging employers to find ways and means to extend operating hours or to better adapt work schedules to fluctuations in demands for goods or services. On the other hand, the workers are directly concerned with increased opportunities for more autonomy and choices about working life. Young workers, workers with family responsibilities and older workers may have different concerns, but they all have a direct interest in the way the time they spend at work is organized as it does, to a great extent, determine their usable leisure time and their capacity to reconcile work, family and social life.

Annual hours and other averaging schemes are one of the innovative ways of arranging working time which are now being used in activities and sectors where they were not applied before. Such schemes permit the adaptation of working time to seasonal and other variations in the supply of raw materials or the demand for goods or services, and therefore allow using working time more efficiently. They can also give workers greater opportunities to organize social or other personal activities. However, they can present a number of inconveniences due to changes in schedules and require that appropriate measures are taken in a number of fields, such as maximum hours which can be worked in a single day or week, overtime and other compensations, payment of the remuneration throughout the various months of the year, etc., so that workers’ needs and protection are ensured.

Finally, the calculation and comparison of working time on an annual basis to take better account of both weekly hours of work and annual leave, is another trend which contributes to the growing interest for annual hours of work.
It is against this background that the Conditions of Work and Welfare Facilities Branch has decided to study the situation, issues and trends relating to annual hours in selected European countries. Other working papers on annual hours of work concern France and Germany.
1. Overview

Annual hours involves calculating employees' working time on an annual rather than a weekly basis. There has been a growth of managerial interest in annual hours schemes in the United Kingdom in recent years as a vehicle for achieving greater control over labour costs, reducing reliance on overtime working and introducing working time schedules which more closely match the pattern of output demand. A 1990 survey of working time found that just over one in 16 employees in Britain had their working hours calculated on an annual basis. Indications are that the usage of annual hours contracts is growing, though the rate of growth has been somewhat slower than some commentators forecast in the mid-1980s. It is expected that annual hours arrangements in the United Kingdom will continue to become more common during the 1990s, particularly if further reductions in the working week are negotiated. As the managerial search for lower labour costs and greater flexibility continues, working time patterns will become increasingly subject to scrutiny and modification. As part of this, annual hours are likely to attract growing attention, particularly in those industries which have traditionally relied on high levels of overtime working and also in ones where demand is unevenly distributed throughout the year.

This growth in annual hours arrangements is not unproblematic, however, but raises several important issues for the parties involved: issues relating, for example, to the definition of the normal working period, the arrangement of working hours throughout the day, week and year, the degree of flexibility and variability in working time schedules, the respective rights of employers and employees in the determination of working time patterns, the appropriate payment for working at different times, the suitable processes for effecting changes in working time patterns, and the appropriate concessions or other changes which might accompany a move to annual hours. An examination of the types of agreement operating in the United Kingdom, their linkage to other changes in working time patterns (for example, reductions in the working week and changes in shift lengths), the different provisions made with regard to earnings (such as whether or not foregone overtime earnings are compensated), and the different processes of implementing annual hours schemes (e.g. by negotiation, consultation or management decision), will act to identify and shed light on a number of the significant questions surrounding annual hours.

To this end, the remainder of this report is divided into nine further sections. First, a brief review is undertaken of the general factors stimulating interest in annual hours in the United Kingdom. This provides the context for considering the evidence on the extent and pattern of

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development of annual hours arrangements in the United Kingdom. This discussion draws both on studies conducted on organizations operating annual hours, as well as more general survey findings on developments in working time patterns. The forms which annual hours agreements take are then considered in more detail, with examples drawn from several industries to highlight the main characteristics of the different types of annual hours scheme in operation and their different implications for the parties involved. The following section then considers the processes adopted in the design and implementation of annual hours in different organizations, and in particular the role played by industrial relations in these different contexts, the extent to which annual hours agreements have formed part of a broader set of workplace reforms, and the nature of concessions made by management in return for employee acceptance of annual hours working. Following this, a number of issues arising from the introduction of annual hours are examined in more detail, including the use of “reserve” hours, and the potential loss of employee discretion over aspects of the working time schedule (e.g. when holidays are taken). In a separate section, particular consideration is given to the widespread tendency, particularly evident in continuous process operations, to implement annual hours on the basis of 12-hour shift-working.

The penultimate section examines likely future trends for annual hours working in the United Kingdom and identifies a number of factors which may continue to act to moderate the speed of adoption of annual hours working, including employers’ existing access to informal working time flexibility and the continued industrial relations importance attaching to overtime payments in a number of industries. Overall, however, it is expected that annual hours schemes will grow significantly in coming years as employers attempt to secure closer control over labour costs and increased utilization of working time. The final section offers an overall assessment of annual hours working in the United Kingdom, summarizing the main issues and highlighting the importance of reciprocity in the long-term development of annual hours arrangements.

2. The context of annual hours in the United Kingdom

Much of the growth of interest in annual hours in the United Kingdom has been contained within the last decade, and particularly the last five years. During this period several factors may be seen to have influenced this level of interest, and three are particularly worthy of attention: reductions in the working week negotiated during this period; the continued high level of overtime working in the United Kingdom; and the growing managerial concern with securing higher levels of workforce flexibility in response to more competitive and more unstable market conditions.

**Reductions in the working week**
As in several other western European countries, the 1980s and early 1990s have seen a general negotiated reduction of the working week below 40 hours for manual workers in the United Kingdom, and an increase in paid holiday entitlement. By 1991, less than 15 per cent of all employees in the United Kingdom still retained a basic working week of 40 hours. Though recent recessionary conditions have temporarily dampened trade union calls for further cuts in working time, factors such as the 37-hour agreements reached in large parts of the engineering industry in 1990-1, together with calls to harmonize the working hours of manual and non-manual workers, will continue to act as pressures for reducing weekly working hours below their present levels and towards an average of 37 and, in due course, 35 hours.

During the negotiations on shorter working time, a significant number of employers have shown an increased desire to link concessions over the duration of the working week to increases in the utility of working time, to maintaining (or extending) operating times and to avoiding reductions in the working week and increases in holiday entitlement being translated directly into higher levels of (premium-paid) overtime working. This last factor is particularly salient in the United Kingdom, given the high levels of overtime already worked.

Overtime working

Levels of overtime working are comparatively high in the United Kingdom and large parts of British industry have been characterized as maintaining an “overtime culture”. Paid overtime is worked primarily by male manual workers. Thirty-eight per cent of male full-time employees in Great Britain worked 46 hours or more per week in 1992, compared to a European average of 14.5 per cent. Overall in the British labour force, approximately 16 per cent of employees work over 48 hours per week compared to a European Union average of under 7 per cent.

In 1992, 52 per cent of full-time manual men and 20 per cent of non-manual men worked some overtime (or more accurately, overtime that was paid for). On average, male manual workers undertook 5.5 overtime hours per week, compared to an average of 1.4 hours among non-manual men. Among women workers in 1992, 27 per cent of manual and 16 per cent of non-manual

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3“Britain’s hard day’s night”, in Labour Research, July 1992, p. 11.

women worked some overtime. Female manual workers undertook an average of 1.9 hours’
overtime per week, compared to an average of 0.6 hours among female non-manual workers.

In manufacturing, aggregate levels of overtime vary significantly with the state of the
economy. In 1988, for example (a year of significant economic growth), an average of just under
13.5 million overtime hours were worked each week in the manufacturing sector; by 1992 (a year
of marked recession), this had fallen to 9.5 million per week. Nevertheless, as the size of this latter
total indicates, overtime remains a prominent aspect of working time in the United Kingdom, even
during periods when labour markets, and the economy generally, are weak. By July 1993, 36.6
per cent of all operatives in manufacturing were working an average of 9.7 overtime hours per
week, giving an aggregate weekly total of 10.4 million overtime hours.

For local management, overtime represents a source of flexibility which not only allows
less forward planning of production to be undertaken, but also acts as a means of covering
unforeseen circumstances, and enables the working period to be extended and shift patterns
utilized which do not readily coincide with agreed weekly hours. Overtime pay can also represent
a means of increasing employees’ earnings without conceding a general wage rise. Indeed, it is
this importance attaching to overtime earnings which has generally militated against trade unions
at local level expressing opposition to high rates of overtime working. In what still remains the
most extensive study conducted on overtime working in the United Kingdom, in less than half
of one per cent of the 2,000 establishments investigated were local unions opposed to the practice
of overtime working.\(^5\) There is also some evidence that overtime is worked more in industries
where wage rates are comparatively low.\(^6\) This suggests that overtime may be used as a means
of attracting and retaining labour by offering an opportunity to increase earnings significantly
above low basic wage-rates. Indeed, for many workers in the United Kingdom, particularly those
in low-paying jobs, overtime payments represent a crucial component in overall earnings.

Yet despite the benefits which overtime working may bestow on local managers, its
premium-paid rate represents a significant cost, particularly where the amount of overtime worked
is high. Typically in the United Kingdom, overtime worked during the weekdays (and in many
cases including Saturday) is paid for at 50 per cent above the standard rate (“time-and-a-half”),
though “time-and-a-quarter” and “time-and-a-third” are also relatively common. It is also common
in some industries (e.g. vehicle production) for initial periods of overtime (such as the first two

\(^5\) National Board for Prices and Incomes: *Hours of work, overtime and shift-working*,

\(^6\) Trade Union Research Unit: *Working time in Britain* (London, Anglo-German
hours of any overtime period) to be paid at time-and-a-third, rising thereafter to time-and-a-half. Overtime working on Sunday is typically paid at double time, though again there is a degree of variation between industries and companies.\(^7\)

These different aspects of overtime working — on the one hand, the benefits which overtime can provide management while, on the other hand, the additional wage costs associated with overtime working — may be seen to have exerted contradictory pressures on developments such as annual hours arrangements. In some contexts, the desire to reduce overtime costs has clearly acted as a stimulus to management to make changes to extant working time structures, including moving to an annual hours system. In others, however, the presence of overtime working, and its perceived utility by both management and workforce, appears to have acted to diminish any desire to replace the reliance on overtime with other working time patterns.

Overtime represents a traditional means of securing workforce flexibility by enabling the working day to be extended. The greater significance which has been attached to flexibility in recent years represents a third important contextual factor stimulating greater interest in working time changes in general, and consideration of annual hours arrangements, in particular.

**Workforce flexibility**

The importance of securing greater workforce flexibility has become a central and recurring theme among British employers (and the State) over the past decade.\(^8\) Attention has been focused particularly on increasing task and skill flexibility (by broadening job boundaries and removing skill demarcations, for example), employment flexibility (e.g. via fixed-term rather than permanent employment contracts) and “distancing” strategies (e.g. increased use of subcontracting to undertake a wider range of activities). In addition, working time or “temporal” flexibility has also received attention. Though attempting to secure flexibility through working time arrangements is nothing new (and has traditionally been achieved via, for example, overtime and short-time working), there appears to be a growing management recognition of the potential for securing greater flexibility via changes to working time patterns.\(^9\) Indeed, recent agreements over the length of the working week (i.e. the duration of working time) have demonstrated a growing managerial awareness of the value of linking cuts in hours to changes in the arrangement and

\(^7\)Incomes Data Services: *Overtime*, IDS Study No. 496 (London, 1991).


utilization of working time, for example via the introduction of variable shift lengths, staggered meal breaks and the elimination of informal breaks during, and at the beginning and end of shifts.\textsuperscript{10}

Within this context, annual hours systems have been recognized as potentially offering not only considerable flexibility over and above that contained in standard weekly hours contracts, but also a flexibility potentially far less costly to employers than that achieved by high levels of overtime working. As we discuss below, employers in the United Kingdom have utilized annual hours to secure two main forms of flexibility; one involving a scheduling of hours to more accurately reflect predictable variations in demand, the other incorporating an agreed number of “reserve” hours which can be called upon to cover unforeseen circumstances. Before examining these different forms in more detail, however, it is useful first to review the overall extent and pattern of development of annual hours in the United Kingdom.

3. The growth of annual hours in the United Kingdom

Examples of annual hours agreements operating in the United Kingdom have been traced back as far as 1956.\textsuperscript{11} The main interest in annual hours, however, has developed during the 1980s and early 1990s. In the early stages of this development, continuous process industries became prominent in experimenting with annual hours. As early as 1982, the paper and board industry established a framework agreement for the negotiation of annual hours. Having analysed the development of annual hours arrangements in the Scandinavian pulp and paper industry, the British Paper and Board Industry Federation (BPBIF) drew up a framework agreement with its trade unions, principally as a means of incorporating a reduction in the working week into the continuous shift system without creating higher levels of overtime working. A decade later, the BPBIF estimate that 40 per cent of its federated mills have introduced annual hours for at least part of their workforce.\textsuperscript{12} Also in the 1980s, the Chemical Industries Association reported on the


possibilities for introducing annual hours within its member companies. In addition, a number of individual companies established annual hours agreements during this period which were to prove important role models for later developments. Pilkington Glass, for example, first implemented annual hours in 1981, while the packaging company, American Can, negotiated an annual hours agreement in 1982. A much-quoted example of annual hours is also that of Blue Circle Industries, the United Kingdom’s largest cement manufacturer, which introduced annual hours in 1985 as part of a broader restructuring agreement designed to increase labour productivity while maintaining pay levels.

The concentration of these early initiatives within the continuous process sector were reflected in a survey of companies operating annual hours arrangements conducted in 1985-6; of the 31 organizations studied, 26 were located in continuous process operations. A more recent study of flexible work practices in the chemical industry in 1991 found that, among 70 responding companies, 30 per cent reported operating annual hours contracts for at least some of their production workers, while 20 per cent operated annual hours for maintenance groups. At the same time, other recent evidence, both of companies operating annual hours and employees whose hours are calculated on an annual basis, indicates a significant diffusion of annual hours agreements into a broad range of manufacturing and service activities in recent years. In a study conducted in 1992 by the Institute of Personnel Management (IPM), for example, and involving 75 companies operating annual hours, these arrangements were found operating in a variety of production, service and public sector activities, including brewing, broadcasting, chemicals, electrical, engineering, finance, food, health, leisure, local government, metals, mineral products, mining, packaging, papermaking, retail, soap and detergents, textiles, and water supply.

Other smaller scale surveys of annual hours schemes in operation have similarly pointed to this spread into a wide range of activities. The IPM study also highlights the recent


14 Desmons and Vidal-Hall, op. cit.

15 ibid., p. 22.


17 Hutchinson, op. cit.


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introduction of many annual hours schemes. Over half (57 per cent) of the schemes studied in 1992 had been introduced since 1989, while less than one in ten had been operating since 1984. In the service sector, this pattern is even more marked with almost two-thirds (65 per cent) of cases studied having been introduced in 1991 or later.

In addition to studies of schemes already in operation, some insight into the extent and pace of development of annual hours within British industry can be deduced from wider-ranging surveys on aspects of working time and flexibility. While none of these add up to a comprehensive and systematic study of annual hours in the United Kingdom, they nevertheless offer useful indications of the pattern of development. The picture emerging from this survey shows that, to date, the overall level of adoption of annual hours systems in the United Kingdom has been modest; though consistent with the above case studies, there are indications of a significant increase in coverage in recent years.

Two surveys conducted in the latter part of the 1980s indicated that, at that time, around 3 per cent of organizations were utilizing annual hours for some or all of their workforce.\(^1^9\) An Equal Opportunities Commission study in 1989 similarly found that around 3 per cent of employees had their hours formally calculated on an annual basis.\(^2^0\) A more recent study by the Employment Department in mid-1990, however, indicates a greater coverage of annual hours.\(^2^1\) In this survey of employees, which was concerned with a wide range of working time issues, 6.4 per cent of employees (6.9 per cent of males and 5.8 per cent of females) reported that their working time was calculated on an annual basis. The results of this survey further underline the extent to which annual hours arrangements are not confined to the manufacturing sector, or continuous process operations. Indeed, annual hours arrangements were found to be fairly evenly spread across different industry divisions, with around 6 per cent of employees in both manufacturing and services employed under annual hours arrangements. Similarly, there was comparatively little variation in terms of workplace size: 5 per cent of employees in workplaces

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\(^{21}\)Wareing, op. cit.
of less than 25 people had their hours calculated on an annual basis, compared with 6 per cent in workplaces of 25-500 employees, and 7 per cent in workplaces of more than 500.\textsuperscript{22}

4. The potential benefits of annual hours to management and forms of agreement

A number of employer objectives have been identified to explain the growth of interest in annual hours arrangements. Prominent among these have been the desire to reduce reliance upon (and the cost of) overtime working and, relatedly, to introduce working hours patterns which more accurately reflect fluctuations in demand. The IPM survey, for example, found that reducing or eliminating overtime was identified by 57 per cent of organizations as a main reason for introducing annual hours. Many of the organizations in this study identified more than one reason for introducing annual hours, and other prominent (and at least partially overlapping) reasons included improving productivity and efficiency (identified by 48 per cent of organizations), to increase scheduled operating hours (41 per cent), assist in implementing agreed reductions in working hours (41 per cent), assist in harmonizing conditions (32 per cent) and to cope with fluctuations in demand (27 per cent).\textsuperscript{23} Other studies have similarly pointed to links between the introduction of annual hours and the desire to extend operating hours (in various service activities, for example), reflect fluctuations in demand (for example, in the consumer electronics and food industries), and/or more generally to reduce current reliance on overtime working and the potential increase in overtime which might otherwise result from negotiated reductions in working time.

These employer objectives translate into two main types of annual hours agreement. The first may be described as a “fixed variability” system, where annual hours arrangements are designed to reflect a known pattern of output or demand variation. Under these agreements, employees’ work schedules vary between different times of the year with longer work hours during periods of peak demand and shorter ones during slacker periods; typically under such schemes, earnings are equalized throughout the year. This type of annual hours agreement has been introduced in a wide range of industries, including vegetable freezing, milk processing, toy manufacture, photo-processing, consumer electronics and leisure services. Several examples are discussed in more detail below.

\textsuperscript{22}ibid., p. 93.

\textsuperscript{23}Hutchinson, op. cit., p. 8.
The second main type of annual hours agreement involves an element of “floating variability”. Under this form, the number of shifts rostered for each individual in the annual hours schedule is less than the individual's agreed annual working time. The difference represents “reserve” hours during which employees are effectively “on call” and can be brought into work in circumstances such as covering for illness, emergencies, housekeeping duties and unanticipated peaks in demand. The employer normally pays for these on-call hours, whether they are worked or not, with earnings averaged across the year. In the IPM survey of schemes in operation, more than half (57 per cent) operated some form of reserve hours system, with the majority operating with 40-80 reserve hours per employee per year.24

Besides these two main types, examples can be found of other forms of annual hours arrangement also operating in the United Kingdom: for example, fixed annual rosters with no reserve hours and rosters which are established monthly, or even weekly, in work contexts where demand is highly unpredictable. However, compared to the two main forms identified above, these other arrangements appear far less common.

5. Examples of annual hours agreements

“Fixed variability” schemes

Among the organizations adopting this form of annual hours are several Japanese-owned consumer electronics companies located in the United Kingdom. Typically in these companies, the busiest period of demand falls in the months leading up to Christmas, with a significant weakening of demand in the subsequent months. In the past, Hitachi for example, covered the increased work demand during the August-November period by extending overtime working and recruiting temporary labour. A recent agreement, however, has led to a change in annual working time patterns of permanent employees. Under this agreement (signed with the single union recognized at the company, the Amalgamated Engineering and Electrical Union), employees are paid for 39 hours throughout the year, though actual weekly hours are 42 during the August to November period, and 37 hours at other times. In its first year of operation, the number of temporary workers engaged during the peak period fell by 75 per cent and less weekend overtime was worked by permanent employees. As is typical in other Japanese companies operating similar schemes, this move away from a fixed-length working week and reductions in overtime working (and overtime payments) has not been accompanied by any reduction in employees’ contractual

24ibid.
work hours. In fact, employees have typically gained no direct concessions as a result of accepting differential hours arrangements, and indeed have commonly experienced a reduction in earnings as a result of the scheme due to reduced overtime working during the peak period (under the new arrangement, premium rates for overtime working in the peak period only apply after 42 hours have been worked, rather than after 39 hours under the former system). Central to management’s case for introducing the scheme at Hitachi, however — and a major influence shaping the union’s response — was that the product market at that time was too weak to justify the full retention of staff during the non-peak period. Thus a failure to implement the differential hours system would be likely to result in redundancies in the period of low demand.

A similar variation in working hours between peak and low demand periods has also been introduced in a number of other (mainly Japanese-owned) consumer electronics companies in the United Kingdom. At Matsushita, for example (a microwave and colour television manufacturer located in South Wales), an agreement was reached in 1992 for 1,500 of the 1,800 employees to work different length work-weeks at different times of the year. Hours transferred from the slack to the busy period range (depending on the shift system) from 86 to 91 per annum to reflect a product market in which 60-65 per cent of demand occurs during the September to December period.25 The hours transfer was seen by management not only as a means of meeting the peak demand period with less recourse to overtime and hiring temporary staff, but also as a way of avoiding the stock-piling of finished goods during the non-peak periods. The main benefit this arrangement gives to employees is the number of additional free days which the annual hours system provides in the non-peak period. The lower work hours between January and April are achieved by Fridays being taken as free days. Correspondingly, daily shifts in the August to December period are extended by 45-60 minutes (a weekly increase of 4.75 hours above the nominal 39-hour work-week). The main disadvantage of the scheme for employees, however, is the loss in overtime earnings which could be considerable (up to one-fifth of overall earnings).26 However, the first year of the operation of the scheme (1992) coincided with a recession and fall in market, with the result that none of the transfer hours were worked (though they were still paid for).

At Toshiba, the working hours agreement specifies a 42.5-hour week in the four months prior to Christmas, with a 4.5-hour day, 37.25-hour week during the rest of the year. Throughout the year, employees are paid at the same rate based on 39-hour average earnings. This differential in weekly hours is also reflected among part-timers at the company with a 16-hour (four evenings)

25ibid., p. 49.

26ibid., p. 50.
shift pattern operating between January and July, rising to 20 hours over five evenings between August and December.

This use of annual hours to implement seasonal variations in working time is not confined to manufacturing. In one local authority, for example, employees in the parks and landscape maintenance areas work an annual hours contract involving a working time schedule of 45 hours for 30 weeks of the year (1 April to 31 October), and 30.75-hour weeks during the remainder of the year. Pay is equalized throughout the year on a 39-hour basis.

"Floating variability" schemes

An example of an annual hours agreement with a degree of “floating” variability is that introduced in 1992 at a South Wales paper mill. Under this agreement, sought by management to accommodate an agreed reduction in working time and to control overtime working, employees’ contractual hours are set at 1740 per year (145 x 12-hour shifts, based on a five-crew shift system and equivalent to a 38.2-hour working week). Required annual production hours, however, are set at 1684. The difference between these two totals of 56 hours represents “reserve” or “owed” hours, 24 of which are designated for training, with the remainder available for use as cover for absence and/or housekeeping. Payment for reserve hours is incorporated into an equalized pay system. (This payment system also takes into account the extent of night-working, with the result that, while actual hours worked average 38.2, employees receive payment based on an average of 46 hours per week.) In the shift rota, which is drawn up annually in the autumn of the previous year, all holidays (annual and public) are rostered in, and are taken during the mill shut-down or rest periods. The annual hours rota incorporates five 18-day rest periods per crew. Production operates on a continuous seven-day/24-hour basis other than during three shut-down periods, two of which are short (three days), with a longer shut-down over the Christmas-New Year period. Typically (excluding reserve hours), the working time system for each employee involves seven sets of four shifts (2 x 12-hour day and 2 x 12-hour night shifts); six of these are followed by four rest days, the seventh being followed by an 18-day rest period.

The IPM study of annual hours arrangements found this rostering in of holidays to be the most typical case. In just over half (51 per cent) of annual hours schemes examined, all holidays were rostered into the working time schedules (i.e. fixed at the time the rota was drawn up). Only in one-fifth (21 per cent) of cases were holidays not rostered in. In the remainder, there was a

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variety of practices, most commonly involving mainly rostered holidays but with a degree of flexibility in the form of a small number of flexible days.28

This type of annual hours agreement introduced in the paper mill is typical of many agreements reached in continuous process industries, though some variation exists over the total number of working hours, the length of shifts, the number of reserve hours, etc. In another case of a glass manufacture, for example, annual hours were introduced as part of a strategy to implement a working time reduction, replace a four-crew with a five-crew shift system, eliminate routine overtime working, and harmonize working time and other conditions across different work sites.29 Under this annual hours scheme, employees work four 12-hour shifts (two days followed by two nights), followed by six rest days. During the year, two 11-day breaks are incorporated into the rota. plus an 18-day break during the summer months. In addition to the rostered shifts, employees can be called upon to work “committed shifts” (reserve shifts). An additional 72 hours (six 12-hour shifts) are built into the 1,800 total annual hours to cover these committed shifts. If more than 24 hours’ notice to work a reserve shift is given, cover is compulsory under the terms of the agreement. If less than 24 hours’ notice is given, employees must, according to the agreement, “do their best to cooperate”.30 Payment for working these committed shifts is already incorporated into wages and, if at the end of the rostered year, not all reserve hours have been used, they are written off.

Similarly at a company manufacturing edible oils and margarine, annual hours were introduced for 700 workers in 1990 as part of a broader reorganization involving the introduction of continuous production, new shift and crew arrangements, a revised salary structure and the introduction of greater job flexibility and teamworking.31 The agreement at this company is based on a basic annual hours of 1,779, plus additional reserve hours up to a maximum of 282 per year. However, in its first year of operation, no employee worked more than 70 committed hours and over half of the workforce covered by the annual hours agreement worked ten or fewer reserve hours; the reserve hours are paid whether or not they are worked.

28Hutchinson, op. cit., p. 17.

29“Annual hours working and harmonization at Rockware Glass”, in Industrial Relations Review and Report, No. 542, August 1993, pp. 13-16.

30ibid., p. 14.

31“Annual hours and seven-day working at Van Den Bergh’s”, in IDS Report, No. 595, June 1991, p. 25.
In the service sector, there are also a number of examples of annual hours agreements which contain a significant element of reserve hours. At one regional health authority included in the Institute of Personnel Management survey, for example, hours of health-care assistants are calculated on an annual basis with rosters prepared one month in advance. Reflecting the fluctuating workloads within hospitals, notional weekly hours (37.5) can vary under the agreement by plus or minus 25 per cent (i.e. between 28 and 47 hours), though in each quarter, individual employee hours must fall within plus or minus 5 per cent of the notional hours.\(^3^2\)

The unpredictability of demand also characterizes the pattern of work at Independent Television News (ITN), where an annual hours agreement was introduced in 1989. Under this agreement, staff on “standard” annual hours contracts work up to 24 “call-in” days per year. These call-in, or reserve days, are used to cover unforeseen maintenance, absence, and/or major news events. On these call-in days, employees are required to be available at short notice: the agreement states that employees will normally be notified of a call-in requirement by midnight of the day before the one on which they are required, though it also specifies that even shorter notice is allowed in the case of unforeseen sickness or the transmission of special programme requirements.\(^3^3\) These call-in days raise particular issues for employees dependent on child-care cover. The call-in arrangements leave such employees with the dilemma of not knowing whether or not to arrange (and pay for) child care for the days on which they may (or may not) be called in.\(^3^4\) However, such problems arising from call-in days represent only part of more general difficulties which have been experienced with the operation of this annual hours agreement. In general, these difficulties underline the problem of attempting to operate annual hours in a context where the pattern of work demand is highly unpredictable (due, in this case, to being unable to predict the timing of major news events). Management have sought to contain this unpredictable work pattern within an annual hours system rather than, as previously, by the use of high levels of overtime working.

Reflecting this unpredictability, work rotas at ITN are subject to change by management; staff must be given at least 48 hours’ notice of changes to rostered hours, and 72 hours’ notice of changes to rostered days. The maximum work hours are 60 in any week and 14 in any single

\(^{32}\)Hutchinson, op. cit., pp. 52-55.


\(^{34}\)Ibid.
shift, though, as Pickard points out,\textsuperscript{35} even then the company can require employees to work extra hours arising from “spontaneous programme requirements”. Rather than operating a single annual hours contract, this company operates several different contracts, with annual hours totals ranging from 1,836 to 2,214 hours and including an “undefined” annual hours contract under which employees are expected to work whatever hours are necessary to fulfil their job. If employees on specified hours contracts complete their total annual hours before the end of the year, they are liable to being laid-off, with free-lancers employed, if necessary, to maintain cover. Pickard notes that the annual hours arrangements at ITN have aroused considerable employee criticism, particularly in relation to call-in, the loss of overtime earnings, and the imposition of a managerial right to change and extend shift patterns — a right which formerly had been embodied in an employee’s decision to work overtime. More generally, commentators on the ITN experience with annual hours have argued that such arrangements may not be well-suited to situations where work demand is both highly variable and unpredictable.

Hence, in contexts where demand fluctuations are either relatively minor (and can be accommodated by the use of modest amounts of reserve hours) or are large but predictable (and can be responded to by scheduling different length work-weeks at different times of the year), annual hours is potentially well-suited to providing management with the necessary degree of flexibility. However, in very unpredictable work situations, substantial modifications to work rosters may be required, along with more extensive use of call-in shifts and the possibility that employees will have worked all their contractual hours before the end of the year. While these may be seen as potentially undermining the annual hours system — and certainly cause criticism among employees working such annual hours — for senior management at ITN this criticism may have been a price worth paying. For, as Hutchinson comments, the greater fixity of maximum hours has led to reduced staff costs, a much-reduced reliance on overtime working and increased productivity. For employees, however, their decision to work overtime (and be paid extra for doing so) has been replaced by a contractual requirement to work agreed hours (which are subject to change by management), and also be available to work call-in days.

6. Annual hours and industrial relations

The majority of annual hours systems in operation in the United Kingdom have been introduced into unionized establishments following a negotiated agreement. In the IPM study of annual hours arrangements, only nine of the 75 schemes examined did not involve trade unions;

\textsuperscript{35}ibid., p. 39.
in some cases, this reflected particular groups affected by the annual hours not being unionized, while in others the organization as a whole was not unionized. In the large majority of cases where annual hours were negotiated, this most commonly involved the Amalgamated Engineering and Electrical Union (AEEU), the Transport and General Workers Union (T&GWU), the Graphical Paper and Media Union (GPMU), and/or the General Municipal and Boilermakers Union (GMB). In virtually all (95 per cent) of the cases in the IPM study, the initiative for considering annual hours arrangements was a management one.

While the vast majority of schemes are introduced on the basis of negotiated agreements, it is evident that the length of negotiations, and the degree of trade union and/or employee involvement in the planning and implementation of annual hours working, vary considerably between organizations. There are examples of companies taking as long as two-and-a-half years to research, formulate and negotiate the new working arrangements, while, in other cases, the negotiations have been concluded over a far shorter period. These variations reflect not only the differing strengths of trade union organization within different workplaces, organizations and industries, the different institutional arrangements existing for consultation and negotiation within different companies, and the varying state of business within different sectors at the time of introducing the annual hours, but also the extent to which annual hours has been introduced as a single initiative, or has formed part of a broader agreement on work restructuring (see below). Overall, while it appears common for organizations to have engaged in fairly extensive communications with employees to explain their proposals for annual hours, there is greater variation in the degree to which those proposals were open to significant influence and modification by employee representatives during the negotiation stage.

While there are examples in both service and manufacturing sectors of company-wide agreements on annual hours, it has been more common to date for annual hours to be negotiated separately for single, or a small number, of worksites. The only example of industry-wide bargaining over annual hours is in the paper and board industry, where the 1982 framework agreement, signed between the employees’ federation and the main unions represented in the industry, establishes guidelines for local negotiations over annual hours. In particular, it outlines how agreements over the reduction of working hours can be linked to the adoption of annual hours. This industry-wide framework agreement in the paper industry continues to influence local negotiations more than a decade after its creation. In the annual hours agreement recently

36Hutchinson, op. cit., p. 5.

37Desmons and Vidal-Hall, op. cit., p. 38.
negotiated in the paper mill described earlier, for example, reference is made back to the industry framework agreement for linking reductions in working time with the adoption of annual hours.

The paper mill example also highlights another common tendency in the broader adoption of annual hours arrangements in the United Kingdom: the coupling of negotiations over annual hours with other negotiations related both to changes in working practices and to other aspects of working time. In the IPM survey, almost two-thirds of the cases where annual hours had been introduced had negotiated over annual hours as part of a broader restructuring involving, for example, harmonization of pay and conditions, changes in payment systems, reductions in manning levels and increases in job flexibility.\(^{38}\) It has also been fairly common for annual hours to form part of wider negotiations over reductions in the length of the working week and changes in shift-work arrangements. At the glass manufacturer discussed earlier, for example, annual hours were introduced in conjunction with an overall reduction in working time (equivalent to a weekly reduction of two hours for day workers and 2.5 hours for shiftworkers), new shift-work arrangements (involving a move from four- to five-crew shift-working and changes to shift lengths), the harmonization of pay and other conditions across different worksites, and a simplified pay structure.\(^{39}\) Similarly at the edible oils manufacturer also described earlier, the negotiation of annual hours formed part of a wider agreement involving a move from five- to seven-day operation (and from three- to five-crew shift-working), a simplified pay structure (involving six, rather than, 20 grades), the removal of various job demarcations and the introduction of more flexible working practices, including the use of teamworking.\(^{40}\)

In other cases, however, annual hours have been implemented with only minimal changes occurring in other aspects of work organization. This is particularly evident within those annual hours arrangements designed to provide longer working hours at peak demand periods. Generally, this change has been introduced independently of other changes to payment systems, work practices, etc. In part, this may reflect the nature of several of the companies introducing this type of annual hours pattern (particularly Japanese consumer electronics manufacturers), the recent establishment of many of these companies, the high levels of job flexibility already achieved on these (largely greenfield) sites, and (to date) a managerial unwillingness among most Japanese companies in the engineering industry in the United Kingdom to concede a reduction in the working week below 39 hours.

\(^{38}\)Hutchinson, op. cit., p. 10.

\(^{39}\)“Annual hours working and harmonization at Rockware Glass”, *Industrial Relations Review and Report*, op. cit.

\(^{40}\)IDS, “Annual hours and seven-day working ...”, op. cit.
It will already be evident from the foregoing discussion the kinds of concessions that management have offered in exchange for agreement over annual hours. In particular, annual hours have been linked in a number of organizations to the implementation of a shorter working week, though, as just noted, this is far from universal. Another respect in which employees may see the adoption of annual hours as beneficial is the creation — under the arrangements of some schemes at least — of additional free days. It is not annual hours in itself which achieves this, however, but the widespread tendency, particularly in continuous process operations, for annual hours to be linked to the adoption of 12-hour shift-working. In the (largely management) literature on annual hours agreements in the United Kingdom, this adoption of 12-hour shifts has tended to be written up as a concession made by management to trade union demands, who in turn have sought to provide employees with an increased number of non-work days. In the earlier example of the paper mill, for instance, employees were rostered for work on 145 days. Even taking into account the additional reserve hours, such a system provides far more days away from work than the 225 or so which would typically be worked under an eight-hour shift pattern. At the same time, 12-hour shift-working may potentially yield significant benefits for management, not least resulting from the lower disruption to production due to the fewer shift change-overs. However, this increase in 12-hour shift-working is not unproblematic, but raises important questions about its broader impact on the workers involved and on their performance; this is an issue we return to below.

Another aspect of management's negotiating stance on annual hours, particularly in relation to the introduction of seasonal variations in working time, has been the likelihood that this would improve job security. It is significant that many annual hours agreements in the United Kingdom (those after late 1989) have been negotiated during a period of economic recession — indeed, the longest recession in the United Kingdom’s post-war history. This helps to explain why, in some contexts at least, trade unions have been willing to conclude annual hours agreements containing no significant gains to employees to offset the potential loss in overtime earnings resulting from the introduction of annual hours.

7. Employee issues arising from annual hours

In discussions of annual hours developments in the United Kingdom, less attention has been paid to the implications for employees than to the potential benefits for management. In general, this reflects the sources of much of the available information, which is largely confined to the management literature. Thus a potentially prominent effect of annual hours for the majority of those involved — the loss of overtime payments — has tended to be discussed only in terms
of possible savings to employers’ overall labour costs. Clearly for many people involved, however, the possible loss of overtime entails a significant reduction in overall earnings, and a loss only partially compensated for by benefits, such as a more fixed and predictable income and (under some schemes at least) reduced working time and more free days. Indeed, as we have seen, in at least some cases no direct compensation has been offered for loss of overtime and acceptance of new working time schedules, other than that this could improve workers’ job security.

Despite this general dearth of information deriving from employees on their reactions to annual hours, some insights can nevertheless be gained from the small number of accounts which do exist, and from problems identified by management concerning the operation of annual hours schemes. In the IPM study, for example, the most common problem identified by management (in over one-fifth of organizations with annual hours) related to the reserve hours arrangements.\(^{41}\) Employee criticism of reserve hours included problems arising from their unpredictability, the short notice often associated with working reserve hours, and the lack of specific “call-in” payments for working those hours (payment for reserve hours typically being built-in to normal weekly payments). The result was a widespread reluctance to work reserve hours. Problems with reserve hours have also been noted elsewhere; in the broadcasting company discussed earlier, for example, problems stemming from the short-notice given and difficulties of arranging child care for on-call periods, were identified.\(^{42}\)

In the IPM survey, the second most frequent area of difficulty with annual hours (identified by management in one in eight organizations) were problems arising from 12-hour shift-working. The particular issue most commonly noted by management was the problem of keeping sufficiently in touch with employees during their non-work periods, which could be as long as 18 days.\(^{43}\) As discussed in more detail below, however, this is only one of several potential problem areas with this shift arrangement, and is an aspect of annual hours which deserves much closer attention.

A further issue arising from the introduction of annual hours is the reduced employee discretion over working time which those arrangements typically involve. This reduced discretion can be seen in three main areas. First, as noted earlier, the majority of schemes operate on the basis of rostering all non-work periods (including holidays) into the annual hours schedule. Many employees (particularly in production industries) are already subject to restrictions on when they

\(^{41}\)Hutchinson, op. cit., p. 20.

\(^{42}\)Pickard, op. cit.

\(^{43}\)Hutchinson, op. cit., p. 21.
can take holidays, and are often required to take part of their holiday entitlement during shut-down periods. However, the rostering of all holidays (or, in some cases, the bulk of them) into annual hours schedules potentially increases this degree of fixity over holidays and further reduces employees’ discretion and their ability to respond to unforeseen domestic circumstances. Second, annual hours reduces employee discretion over working periods that, under previous arrangements, were categorized as overtime. A degree of overtime working in the British production sector is frequently contractual in nature (that is, employees are required to be available to work a period of overtime if production demands require it). In addition to this, however, employees in these situations typically have some discretion over whether or not to work additional overtime hours. Under annual hours systems however, this discretion is removed and employees have greater restrictions on the total amount of hours they are required to work. This also relates to the third area, in which employee discretion over working time may be seen to have diminished, that is in relation to the working of reserve hours. Under former arrangements, these reserve hours would either be part of standard hours or would more commonly be worked as overtime. Under annual hours, however, employees are required to be available and on-call, in some cases at very short notice. In many cases, the overall effect of this will be to reduce employees’ discretion over their actions on reserve days, relative to those situations where the equivalent periods are worked as overtime.
8. Annual hours and compressed work-weeks

Compression in working time occurs when weekly hours are performed in fewer than the typical number of weekly working days. The definition of compression changes over time; when six-day work-weeks were common, for example, a five-day week represented compression. Currently, however, weekly working hours occupying less than five days are generally seen to represent compression. As Poor and others have noted,44 compressed work-weeks are not a new phenomenon. However, as the working week falls significantly below 40 hours, the prospects for more widespread compression increases as employers seek to introduce longer shifts in order to maintain opening or operating hours, while employees seek an optimum distribution of working and non-working time across the week.

Management have traditionally been identified as the main initiator of compressed schedules.45 For management, compression potentially offers less disruption to production (due to fewer shift change-overs), easier cover for longer operating/opening times, reduced overtime working, lower levels of absenteeism and improved worker morale.46 Such benefits from compressed work-weeks are not guaranteed, however, but rather depend on a series of other factors, such as the nature of the jobs involved and the characteristics of employees. Indeed, Nollen47 has identified a relatively high rate of abandonment of compressed work-week schemes in the United States, underlining the possibility that these arrangements do not necessarily meet management and/or employee needs.

The growth of annual hours in the United Kingdom, particularly within continuous process operations, appears to have further stimulated the use of compressed schedules. As noted above, there are many examples in the United Kingdom of annual hours being implemented on the basis of 12-hour shift-working, with employees typically undertaking four 12-hour shifts in succession, followed by up to six (and periodically up to 18) rest days. Certain of the documented cases of

44R. Poor (ed.): *Four days, 40 hours* (London, Pan, 1972).
46ibid.; see also D.I. Tepas: “Flexitime, compressed workweeks and other alternative work schedules”, in S. Folkard and T.H. Monk (eds.): *Hours of work: Temporal factors in work-scheduling* (Chichester, Wiley, 1985), pp. 147-164.
annual hours in the United Kingdom have identified the impetus for 12-hour working coming from trade unions rather than management, with unions aiming to secure more free days for their members under an annual hours system. In the absence of detailed studies of negotiation processes over annual hours in different contexts, however, it is difficult to estimate the relative strengths of union and managerial support for compressed schedules. What is apparent, however, is that an annual hours pattern based on 12-hour shifts has generally proved to be acceptable to both management and the workforce in a significant number of organizations. On the one hand, employees stand to gain additional free days, less travel costs, and less time spent journeying to and from work. On the other hand, management potentially gain, among other things, a simplified shift structure, fewer shift change-overs and extended periods of cover.

Yet what seems surprising is that the 12-hour shift arrangements appear to have been adopted with, in most cases, comparatively little examination of the possible consequences for levels of fatigue, accidents, productivity, etc. The (generally unstated) assumption appears to be that, because the physical nature of most jobs has declined over the past generation as a result of increased mechanization and automation, shifts of 12 hours’ duration are now less likely to give rise to performance problems resulting from fatigue. Little recognition appears to have been given to the fact that, while the physical nature of many jobs may have reduced, many more jobs now require greater mental alertness in the monitoring of gauges, instruments, computer screens, etc.

What makes this apparent lack of consideration even more surprising, however, is that the potential fatigue issues arising from (a) 12-hour work periods and (b) a compression involving four 12-hour periods being worked successively, are exacerbated by two of these shifts typically being worked throughout the night. It is generally accepted that night work, in disrupting circadian rhythms, can result in chronic sleep deprivation. The effects of this, and the resulting implications for performance, alertness, and so on, will tend to be exacerbated both by the length of the night shifts (12 hours) and these being rostered immediately after two 12-hour day shifts. This rapid rotation of shifts also means that the chances of (even partially) adapting to the inversion of day and night activity are slight, since rest days and day shifts involve a (temporary) return to normal diurnal rhythms.

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The regular working of 12-hour night shifts contravenes the European Union Directive on Working Time, under which the normal maximum length of night shifts is eight hours. However, given the derogations negotiated by the Government of the United Kingdom to comply with this Directive, it is likely to be several years before this Directive exerts a major effect on working time patterns in the United Kingdom.

9. Future trends

In the foregoing discussion, a number of potential benefits to management arising from annual hours arrangements have been identified, not least the scope for reducing overtime working and matching work schedules more closely to patterns of demand. Moreover, current labour market conditions characterized by high unemployment, coupled with falling trade union membership (union density has fallen from 55 per cent to 35 per cent between 1979 and 1993), would suggest that conditions favour management’s ability to introduce significant changes to work patterns without encountering major resistance from employees or their representatives. Yet the fact remains that, to date, the growth of annual hours arrangements has been comparatively modest. In a working population of well over 20 million, one worker in 16 working annual hours adds up to a substantial number in absolute terms, but remains far smaller than the proportion of the working population working say, overtime, shifts, or part time. Thus, in considering the prospects for the future growth of annual hours in the United Kingdom, it is important to take account of the factors which may have inhibited this growth to date.

Three factors are particularly noteworthy. The first concerns the timing of the introduction of existing schemes. The fastest period of growth in annual hours appears to have been over the last three to five years. Thus, it may be the case that, in many sectors of activity, knowledge about annual hours is only now beginning to spread, with cases of annual hours receiving attention in a range of industries. The demonstration effect of these cases may mean that the pace of adoption will accelerate, as other organizations decide to introduce similar schemes. If this proves to be the case, the 1990s is likely to see a more accelerated adoption of annual hours now that increasing role models have been established in a comparatively wide range of sectors.

Secondly, as well as the recent establishment of most annual hours schemes, the growth in attention paid to annual hours may also have been affected by management’s existing access to working time flexibility. In her 1989 survey of the hours of women and men in Britain, for
example,⁵⁰ found that while only 3 per cent of the sample formally had annual hours contracts at that time, more than two-fifths (41 per cent) of the sample indicated that there were times of the year when the length of their working week changed. This access to informal flexibility may have acted to restrict management’s perceived need to introduce formal annual hours systems. Yet as Marsh comments, the very size of this proportion of employees working variable work-weeks at different times of the year indicates a “great scope for employers to achieve cost-saving and greater flexibility by increasing their use of annualized hours contracts”.⁵¹ However, as Marsh also comments, any impetus for annual hours is likely to come from management. Almost all of those questioned in the survey indicated that it was work demands which caused the variation in work hours; almost none of the workers indicated that they deliberately varied their working week out of their own choice.

Thirdly, one of the main ways by which the working period is varied is through the use of overtime working. We commented earlier that, while in some contexts high levels of overtime working has clearly acted as a stimulus to the adoption of annual hours, in others the presence of overtime working may have actually inhibited any managerial search for other forms of temporal flexibility. In particular, overtime working represents an important source of additional earnings for those employed on comparatively low basic wage-rates. Various commentators in the past have identified overtime payments as an important “lubricant” to the management of industrial relations in the United Kingdom, with potential worker conflict over basic wage levels being muted by the opportunity to increase earnings through overtime. At the same time, overtime working allows management to respond to fluctuations without pre-planning. Further, in highly unpredictable environments, it may be difficult to satisfactorily contain the variation within an annual hours system; in the broadcasting case discussed above, for example, the introduction of annual hours had not been achieved without significant problems, particularly in terms of employee response to the new arrangements.

Yet despite these various factors which reinforce the continued use of overtime, growing competitive pressures and management’s desire to control and reduce labour costs, are likely to result in a growing search to replace overtime with less costly forms of temporal flexibility, such as may be achieved through annual hours arrangements. Thus, notwithstanding these factors which may have restricted the growth of annual hours systems in the past, it is expected that the rate of adoption of annual hours in the United Kingdom is likely to increase, and that perhaps one employee in ten will be covered by such arrangements by the end of the 1990s.

⁵⁰Marsh, op. cit., p. 46.

⁵¹bid.
10. Summary and conclusions

Annual working hours in the United Kingdom represent a response by management primarily designed to reduce reliance on overtime working and to schedule working time so as to more accurately match variations in demand. By calculating working time on an annual, rather than a weekly basis and thereby loosening the definition of the basic working week, this provides greater scope for management to define more hours as “standard” rather than “premium” for payment purposes. Moreover, in various ways, annual hours schedules can provide more formalized systems of work flexibility. Variability is built into annual hours systems, either in the form of reserve hours or different work-week lengths at different times of the year, rather than being covered via ad hoc overtime arrangements. This potential — to exert greater control over labour costs, match labour input more closely to output demands, and formalize the amount of temporal flexibility provided by employees — makes annual hours an attractive proposition for a growing number of work organizations in the United Kingdom. Annual hours schemes can now be found operating in a wide variety of manufacturing and service organizations in the public and private sectors.

Indeed, given these apparent benefits to management, it is somewhat surprising that it is only in very recent years that such schemes have begun to be adopted more widely. As we have noted, however, in many British organizations, overtime working has come to represent an important element in maintaining relations between employers and employed, particularly in organizations where basic wage-rates are comparatively low. In addition, management's continuing access to overtime has acted as a useful source of flexibility, allowing less forward planning of production than might otherwise be required. Nevertheless, increased pressure to reduce labour costs has caused a growing number of organizations to seek annual hours agreements to replace existing working time arrangements.

The two main forms of agreement to have developed are quite distinct in character: one typically involving equal shift lengths coupled with a number of reserve hours; the other essentially a seasonal hours arrangement with longer work-weeks at busier times and shorter ones during slacker periods. Within these two main forms, there are significant variations, for example, in the number of reserve hours, the degree of seasonal variation, and the extent to which rosters are subject to change. Variation also exists in the extent of negotiation and/or consultation over annual hours, the degree to which introduction was accompanied by concessions to employees, and the extent to which annual hours were negotiated independently or as part of broader job restructuring. Overall, it appears to have been more common for the seasonal variation version of annual hours to have been introduced independently of other changes, while the annual hours
schemes based on standard shifts and reserve hours has commonly formed part of broader negotiations over work reforms.

For many employees, the main consequence of annual hours is reduced access to overtime. While some agreements take account of former average earnings, in others — notably those involving seasonal variations in work hours — the loss of overtime earnings is likely to be more directly felt. Indeed, in this latter version, compensation (financial or non-financial) for accepting annual hours is least in evidence. In those schemes based on standard shifts and additional reserve hours, the most common form of compensation has been a reduction in average weekly hours (or, to put it the other way round, one condition of management agreeing to a cut in hours has been the introduction of annual hours). In addition, many of these agreements, particularly in continuous process operations, have been accompanied by 12-hour shift-working, with the result that employees work on fewer days per year. Yet while on some counts longer shifts may yield desired outcomes for both employees and management, too little account appears to have been taken of the potential problems arising from fatigue (mental as well as physical) of successive 12-hour shifts in general, and long night shifts in particular. This is an issue requiring closer consideration in the future. As working time reduces, it may well be the case that a greater degree of compression becomes desirable for both management and the workforce. However, in many situations, compression to four days may prove more acceptable to both parties than compression to three days.

Annual hours currently represent only one means by which management are attempting to secure greater control over working time and more flexible work arrangements. Others include the use of different part-time schedules to match peak demand periods, the introduction of new shift systems to reflect longer opening and operating times, and more intensive use of the working period by reductions in informal breaks and the introduction of “bell-to-bell” working. In the past, trade union interest in working time has been primarily focused on issues of duration. It is becoming increasingly evident, however, that issues of duration will no longer be considered by management in isolation, but will increasingly be linked to other changes in the arrangement and utilization of working time. Thus trade unions will require a greater ability to negotiate on the overall structure of working time. Unions have been relatively successful at negotiating cuts in duration in the past; they need to become equally adept, however, at negotiating over the way those hours are arranged and utilized.

For management, these changes in working time coincide with other pressures to increase productivity and quality. Towards these ends, securing greater employee commitment and flexibility are widely regarded as important contributors. In this, however — and including the changes being made to working time patterns — the reciprocal nature of the employment
relationship has tended to be understated in the United Kingdom in recent years. The weakness of labour markets and trade union organization over the last 15 years has facilitated a tendency for changes to be introduced by management without due consideration to possible reciprocal aspects. In the case of annual hours, it is evident from the foregoing analysis that some forms of reciprocation or exchange are evident: for example, in relation to reducing overall working time and, in some cases, introducing shift systems preferred by employees. In other cases, however, the introduction of annual hours appears to have taken place without any direct reciprocation, and potentially at significant cost to employees in the form of foregone overtime payments. Yet, given the recognized need for high-quality output and a committed workforce, it is all the more important that issues central to the work experience — and few are more central than the arrangement of working time — should be subject to joint planning and decision, with management giving due consideration to possible ways of compensating employees for, for example, loss of overtime payments, greater fixity of holidays and the requirement to be “on call” at certain times. If, as predicted, annual hours schemes continue to expand in the United Kingdom in coming years, the extent to which they will contribute to positive employee relations, as well as lower labour costs, will depend in large part on the way the schemes are designed and implemented and the extent to which employee as well as employer interests are taken into account.