

The Honorable Guy Guzzone
Chairman, Senate Budget and Taxation Committee
3 W. Miller Senate Office Building
Annapolis, MD 21401

The Honorable Ben Barnes
Chairman, House Appropriations Committee
House Office Building, Room 121
Annapolis, MD 21401

RE: Final Report on the Implementing a Four-Day Workweek Program - 2023 JCR


Dear Chairmen Guzzone and Barnes,

The Maryland Department of Labor (MDL) is pleased to transmit the enclosed final report on the implementation of a four-day workweek in Maryland. Pursuant to committee narrative included in the 2023 Joint Chairmen's Report, MDL studied the structure of four-day workweek programs and the potential impact on employers and employees.

This final report provides a summary of existing studies on four-day workweek programs, an analysis of potential incentives that could be provided to employers, the potential impact of a four-day workweek program on employers, the feasibility of moving State workers to a 36-hour per week work schedule, and the resources MDL would require to provide assistance to employers under a four-day workweek program. We hope that this report can be a catalyst for continued analysis and innovative thinking as we consider how to best support Maryland's workforce system.

Any questions about this report can be directed to Andrew Fulginiti at andrew.fulginiti@maryland.gov.

Sincerely,



Portia Wu
Secretary

Enclosure
cc: Members, Senate Budget and Taxation Committee
Members, House Appropriations Committee

Introduction

During the 2022 session of the Maryland General Assembly, the Chairmen of the Senate Budget and Taxation Committee and House Appropriations Committee authored the [Report on the Fiscal 2024 State Operating Budget \(HB 200\) And the State Capital Budget \(HB 201\) And Related Recommendations](#). The committee narrative on “Four-day Workweek” outlined the Committees’ interest in the feasibility of creating a four-day workweek program in the Maryland Department of Labor (MDL, or the Department). The narrative directed MDL to study the structure of four-day workweek programs and the potential impact on employers, to include:

- A study of existing four-day workweek programs, including those established internationally;
- An analysis of potential incentives that could be provided to employers;
- The potential impact of a four-day workweek program on employers;
- The feasibility of moving State workers to a 36-hour per week work schedule; and
- Any resources MDL would require to enable the agency to provide assistance to employers under a four-day workweek program.

By request of the Chairmen, the Department has authored this report to provide analysis on the four-day workweek concept.

Existing Studies

While implementation of the four-day workweek can take many forms, for the purposes of this report the Department only examined implementation of a four-day workweek that resulted in a reduction of working hours without a reduction in pay, including for hourly workers. For instance, schedule changes that shifted employees from working five eight-hour days to four ten-hour days were not considered. The Department narrowed the study to these parameters to match the understood legislative intent.

Overall, existing studies on the four-day workweek are limited, and of those, many are not generalizable to Maryland’s workforce system as they focus on single-employer studies. That said, certain research stands out as providing strong value for making informed legislative decisions on the four-day week. This report will focus on three such studies, providing an overview of each, followed by a synthesis of the findings from all three.

Icelandic Study¹

In 2021, the Icelandic national government, in coordination with the Reykjavik City Council, conducted a study on four-day workweeks titled, “*Going Public: Iceland’s Journey to a Shorter Working Week.*” The study was published by the Association of Democracy and Sustainability, along with the independent research group Autonomy, and involved over 2,500 Icelandic workers (1% of the country’s working population) reducing their working hours from 40 hours to 35-36 hours per week.

¹ https://autonomy.work/wp-content/uploads/2021/06/ICELAND_4DW.pdf

The study consists of two trials, one conducted by the Reykjavik City Council from 2014 to 2019, followed by a trial conducted by the Icelandic Government, which ran from 2017 through 2021. In both trials, the participants were civil servants employed through either Reykjavik's city government or the Icelandic national government, including agencies and offices such as the Reykjavik Child Protection Service, the Reykjavik City Mayor's office, The Icelandic Directorate of Immigration, and a local police station. These participants were chosen because their workplaces exhibited high rates of reported employee stress and burnout. Therefore, these trials aimed to explore how a reduction in working hours without a reduction in compensation could improve work-life balance and increase worker productivity. The trials then evolved to include a wide range of workplaces and job sectors along with an expanded sample population, which included a mixture of both individuals that work regular shifts (nine-to-five), as well as those on non-standard shift patterns.

The outcomes of the study demonstrated positive effects of a shorter working week for employees and employers alike. Study results indicated that a shorter work week generally yielded higher rates of worker productivity and an improved sense of worker well-being across a range of indicators, including perceived stress and burnout, health status, and work-life balance capabilities.

That said, managerial staff experienced more stressors than other staff. Certain managers cited increased pressure to meet deadlines and more difficult scheduling, with some even questioning the positive survey results of their staff. However, while managerial staff were more likely to cite difficulties with the four-day workweek than other staff, the majority still indicated positive changes to their personal and professional lives after switching to the model. These results were largely qualitative in nature, and the data was primarily gathered through interviewing workers and employers. Therefore, incorporating more quantitative data in future studies would offer further justification for the efficacy of implementing a four-day work week.

Following the trial and related study, unions in Iceland advocated for, and secured, a reduction in working hours for tens of thousands of their members. In fact, following the Reykjavik City council study, which concluded in 2017, 86 percent of Iceland's working population either transitioned to a shorter week or gained the right to do so.

United Kingdom Study²

"The Results Are In: The UK's Four-Day Week Pilot," published in February 2023 by Autonomy, the same independent research agency that conducted the Icelandic study, documents a four-day workweek trial conducted within the United Kingdom. The study included 61 companies and roughly 2,900 workers, lasting from June to December 2022. The design of the trial involved employers that already implemented a four-day workweek providing workshops, coaching, mentoring, and peer support to new businesses interested in adopting the model over a two-month period. From there, the companies - which included a wide range of sectors and employee sizes - could implement whichever type of working time reduction or four-day workweek fit best for their logistical and resource needs, as long as they maintained 100 percent pay for staff and gave employees a 'meaningful' reduction in work time.

² <https://autonomy.work/wp-content/uploads/2023/02/The-results-are-in-The-UKs-four-day-week-pilot.pdf>

These variations of shortened work hours included:

- Fridays off;
- Staggered days off in which a set number of employees were off each day of the week;
- Decentralized time off, in which different departments operated on different work patterns;
- Annualized time off, in which staff worked a 32 hour average working week over the course of the trial; and
- Conditional time off based on performance monitoring.

The report drew on administrative data from companies, survey data from employees, and interviews with both employees and company leaders, establishing multiple sources of information in making sound conclusions on the implications of the trial.

The results of the trial indicated that 92 percent of companies participating in the trial continued with the four-day work week after the trial's completion. The report noted extensive benefits of shorter working hours for employees' well-being, with 39 percent of staff expressing lower levels of stress, 71 percent expressing less burnout, and further reports of improvements in anxiety, fatigue and sleepiness, along with overall mental and physical health. Work-life balance of employees improved in relation to social commitments and familial duties, household obligations, household finances, relationships, and time management. Additionally, 60 percent of respondents noted an increased ability to combine paid work with care responsibilities, and 62 percent believed it was now easier to combine work with social life.

It is important to note that while 71 percent of employees reported a decline in working hours, 15 percent said they were working more and 13 percent experienced no change in working hours. Similarly, while 64 percent of employees stated that their average "work intensity" either decreased or remained the same, 36 percent of those surveyed noted that their work intensity increased. These results show that while the majority of staff noted positive gains from the transition, there could be a disparity in which staff are able to access the benefits of the four-day workweek model.

On the business side, metrics showed signs of positive benefits, with an average revenue increase of 35 percent from before and after the trial period, indicating a healthy level of growth during the period of working time reduction. Additionally, staff departures decreased by 57 percent, and 15 percent of employees reported that no amount of money would entice them to accept a five-day schedule compared to the four-day one they enjoyed over the course of the trial.

Boston College Study³

"Assessing Global Trials of Reduced Work Time With No Reduction in Pay," spearheaded by Boston College and assisted by researchers at University College Dublin and Cambridge

³<https://static1.squarespace.com/static/60b956cbe7bf62efd86b04e/t/6387a0e53881be1284cb046e/1669832945858/The+Four+Day+Week-+Assessing+Global+Trials+of+Reduced+Work+Time+with+No+Reduction+in+Pay+%E2%80%93+A+%E2%80%93+30112022.pdf>

University, was conducted in 2022. To enhance the scope and quantity of companies analyzed, the study looked at a combination of 27 different employers, including American companies, companies originating out of Ireland, as well as some fully remote companies. The majority of companies studied were from the administrative, technological, or professional service job sectors.

Overall, companies that participated in the study gave an average satisfaction rating of 9/10, with 10/10 being the highest satisfaction rating and 1/10 being the lowest satisfaction rating. At the trial's conclusion, 18 companies reported plans to definitely continue to utilize a four-day work week, seven planned to continue to do so, one leaned towards continuing, and one was not sure yet if they would continue. Notably, no company responded that they leaned against or planned on not continuing the four-day work week for their business operations.

Participants reported overall company performance at an average score of 7.6/10, 7.7/10 as it related to productivity, and revenue increased on average by 8.14 percent from beginning to end of the trial. Furthermore, revenue was up 37.55 percent on average per company when compared to the six-month period the previous year, with staffing increased by 12.16 percent.

For employees, the results of the trial showed that "employee experience" averaged at a 9.1/10. Virtually all employees (96.6 percent) wanted to continue the trial's four-day work week offering, and when employees were asked to rate their current work performance at the conclusion of the trial compared with their perceived lifetime best performance, the average score rose from 7.17/10 before the trial to 7.83/10. This statistic means that at the end of the trial, employees reported working at 78.3 percent of their most optimal work performance level. A wide range of well-being metrics showed significant improvement from beginning to end of the trial as well, including a decline of stress (84 percent of employees experienced the same or less stress) and burnout (66 percent of employees reported feeling less burnt out). Marginal improvements were seen in areas of fatigue (decrease of 9 percent), and inability to feel energized to complete household tasks (13.75 percent decrease in perceived lethargy). Small improvements were also seen in mental health conditions (average improvement of 6 percent), positive affect (average increase of 9.8 percent), and physical health (a 3.6 percent improvement over the six-month trial).

Consistent with the other studies, while the majority of respondents noted positive changes, a substantive percentage of employees did not experience the benefits of their co-workers, such as 16 percent of staff reporting more stress with the new schedule.

Synthesis

The findings of each of these three reports suggests that employers and employees may benefit from the four-day workweek structure. From a business standpoint, the studies noted increased productivity, improved workforce retention, economic growth and satisfaction, as well as the movement to a permanent four-day work week following the conclusion of the trials for most companies. From an employee standpoint, the studies noted improvements in well-being; stress, and fatigue; stronger work-life balances; and enjoyment of increased leisure time that allowed employees to feel less burnt-out.

The studies also highlight the potential disparity in which staff are actually able to reduce their working time to four days per week. While the majority of those surveyed decreased their working hours, in all studies some subset of employees' work hours remained the same or increased. While the research shows that overall the majority of staff benefit from the model, there is the potential that a smaller subset would be negatively impacted by the four-day workweek, such as the managerial staff highlighted in the Icelandic study. More research is needed to better understand what types of roles are or are not successful in accessing the benefits of the four-day workweek.

Analysis of Potential Employer Incentives

The Department could not identify any research that had been conducted on employer incentives related to the four-day workweek. However, Maryland could potentially explore utilization of other systems or incentives that already exist to encourage participation. For example, the State could consider providing funding through a grant program or tax credit to provide a financial incentive for employers to participate, which may reduce perceived risk in switching to a four-day workweek. Additionally, there could be a statewide marketing campaign highlighting the potential employer benefits of switching to a four-day work week, which could mitigate employer and public skepticism regarding moving workers to a shorter workweek.⁴

For four-day work weeks to succeed, the Department's research suggests that the top levels of leadership must be committed to making the concept work for their employees and business. Without support throughout management-level staff, workers may feel pressure to work beyond the shorter working hours, minimizing the potential benefits for employees which in turn could negatively skew the overall impact on the business. By providing employers an incentive to participate, it could potentially increase buy-in throughout the business and mitigate concerns that any managers may have about decreased productivity/profits.

Considerations may also be given based on business size and business type when developing incentive programs. What works for a large employer may not translate to a small business setting, for example. Additionally, what works for one industry may not translate to an industry that relies on a regular presence of workers as a part of their business model. For example, occupations that do not largely revolve around clientele-based services and production – such as those in the technical field and many government agencies – tend to have workplaces that are more conducive to moving towards a four-day workweek.

Highlighting this fact, the Wall Street Journal⁵ published an article noting the particular difficulty that consumer-oriented employers – mainly those in the service industry – could face in adopting a four-day work week schedule. Another article published by the Society for Human Resource Management (SHRM)⁶ noted the difficulty that manufacturing-based employers could face, both

⁴ <https://www.businessinsider.com/unhealthy-american-work-habits-2017-11>

⁵ <https://www.wsj.com/articles/the-truth-about-the-four-day-workweek-from-people-who-have-tried-it-de8f1561>

⁶ <https://www.shrm.org/hr-today/news/hr-news/pages/is-the-32-hour-workweek-feasible-in-the-us-experts-weigh-.aspx>

relating to the need to maintain the same rate of clientele services and requests under less working hours, placing high levels of stress on employees. In manufacturing, production targets are established based on customer demand and must be met over a certain time period. Others have addressed best practices to account for successful integration of a four-day work week for employers. The article notes that, “Implementing a four-day workweek can require tinkering with how shifts and annual leave are handled” along with “removing or improving work processes to get the same output in four days.” This implementation period can give companies pause when considering the adoption of a four-day workweek, according to an article published by Bloomberg,⁷ which goes on to say, “[the employers] start trying to fix every possible problem or issue before they actually run their trial, which is impossible, because a lot of the productivity gains and process improvements are ground up and led by teams.”

It should be noted that the Maryland Wage and Hour Law and the U.S. Department of Labor Wage and Hour Fair Labor Standards Act requires overtime to be paid for certain employees that work over 40 hours in a workweek. This report does not analyze how a shift to a four-day workweek could impact when overtime pay would be required or how overtime rules could impact employers within certain industries transitioning to a four-day workweek.

Given these considerations, more research is needed to understand how different incentive structures impact different industries/occupations.

Employer Impact & Feasibility of Moving State Workers to a 36-Hour per Week Schedule

Given the findings of the aforementioned research, this report showcases the possible benefits and downsides of Maryland shifting its workforce to a 36-hour per week schedule.

For historical context, the majority of State employees worked a 35.5 hour work week until then-Governor William Donald Schaefer’s executive order proclamation mandating a 40 hour work week for all State employees in 1991. The executive order was intended to mitigate potential layoffs in the face of a fiscal shortfall, while simultaneously boosting worker productivity and minimizing overtime costs.

While the executive order may have made financial sense in 1991, it is worth recognizing that the landscape of Maryland’s State workforce has shifted over the past 30+ years, with workforce vacancies now reaching historic levels. As of January 2022, staffing levels are down 13.8 percent in public safety, down 12.6 percent in the executive branch, and down 10 percent in transportation from traditional levels, to name only a few. The resulting vacancies are costing the State an estimated \$250 million in overtime costs.⁸ Moving to a four-day work week could potentially improve retention through incentivizing current State employees to remain in their roles and increasing the competitiveness of State employment for prospective employees. Based on learnings from the studies, for certain sectors the shift could potentially help the State to establish a stronger workforce capable of optimizing public services and meeting the needs of

⁷<https://www.bloomberg.com/news/articles/2022-09-20/four-day-week-pilot-findings-successful-for-most-firms-but-not-all?leadSource=uverify%20wall#xj4y7vzkg>

⁸ <https://www.wbaltv.com/article/maryland-state-government-worker-shortage/38849120#>

Maryland citizens, as demonstrated through the researchers' conclusions that workers are generally able to complete their work within the shorter workweek with the increases in productivity that such a schedule provides. The potential for increased productivity, coupled with incentives that may lead towards a more fully staffed workforce, could decrease the likelihood that government agencies experience excessive overtime costs. However, the Department does caution extrapolating similar positive outcomes, as identified in the cited research, to an application to Maryland. Further research would be useful in understanding how the variances in economic, social, workforce, and even cultural factors could impact outcomes in Maryland.

Were the State to make the transition, there are specific workforce alterations that would need to be considered, such as adoption of new technology to manage changing workflows. Additionally, the Wall Street Journal⁹ notes that employers that successfully transition to a four-day workweek have created an organizational shift in the structure of the workday, including fewer and more efficient meetings, fewer long email exchanges, and dedicating time to focus work. One cited business spent over three months setting up new systems and schedules, as well as communicating with customers and partners about the upcoming changes. If the State were to embark upon a path in this direction, ample planning time and potentially significant investment in technology enhancements would be required in order to transition successfully.

Resources Needed at the Maryland Department of Labor to Support this Effort

The research presented in this report is based upon four-day workweek trials implemented without government-funded financial incentives. When determining resources that MDL would require to support the efforts of a four-day workweek, it is felt the Department could support efforts through outreach, fielding complaints based upon changes in work schedules, and being ready to process complaints for any incentives or actions that ultimately results in reduced wages. Additionally, employees who are in job classifications that do not fit into a 4 day workweek may inquire with MDL or attempt to file a complaint that they are not able to participate in a four day workweek. It is estimated 1-2 contractual Wage and Hour Investigator II positions (Grade 13, Step 7) initially to perform outreach, offer guidance, and handle inquiries/complaints (for example an employer must provide employees with 2 weeks notice to modify their work hours). Any legislation or incentive programs that need a level of evaluation or processing will need fiscal impact based on relative operational impacts. Any legislation that creates an incentive program that needs monitoring or evaluation will have similar resource requirements as HB0181 from 2023

Conclusion

Overall, the limited research that is available to the Department concludes that changing to a four-day workweek could potentially bring some benefits to both employees and employers. Studies found that employees reported experiencing less stress and burnout, more leisure time, and improved work-life balances; and employers indicated that they experienced higher levels of productivity among employees and higher rates of employee retention.

⁹<https://www.wsj.com/lifestyle/careers/how-a-4-day-workweek-actually-works-from-the-companies-pulling-it-off-1a5c0e2a>

However, research also showed that not all employees received the benefits of the four-day week. Certain staff worked the same or more hours, with increased work intensity and stress due to maintaining productivity over fewer hours. Additionally, employers from industries outside of the traditional nine-to-five workday may experience increased difficulties in shifting their workforce over to a four-day workweek, creating a disparity in the types of workers able to utilize the model.

Given the limited research, potential benefits, and potential pitfalls, the Department recognizes that a resource investment to support businesses and agencies with making this transition would be a key incentive to attract employers to make this transition in Maryland. The Department provided an estimated fiscal impact, via the Fiscal Note for HB 0181 2023, to operate a hypothetical tax credit program; however, other incentive structures may prove more effective depending on industry and should be explored further.