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TIME MANAGEMENT ACCOUNTS

Briefing Note

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TIME MANAGEMENT ACCOUNTS

Time management accounts are widespread models for the management of working time. They help the transition to flexible daily, monthly or yearly working hours.
Employees' working time is booked hourly on an account that can be used either to build up a credit or to reduce a predetermined deficit.
This model of management of working time is particularly widespread especially in Germany, notably within higher qualified groups of employees, such as large public administration sectors.

Basically, there are two types of time management accounts: those where the employees may themselves dispose of the accounts and where to a certain extent a negative time balance may be accumulated, and others, on the other hand, that are solely for the administration of a working time credit, however generated.

When and to what extent employees may dispose of their time management account credit - and, similarly, the modus operandi for accumulating a working time credit (or a deficit) and how this may be used - depends on individual agreement. For instance, a working time credit may have to be consumed via compensatory days off or remuneration may vary according to the real performance of working hours.

In any case, the limits of the allowed total working time are set by tariff agreements and working time legislation.

The "typical" time management account is set for the duration of one working year (in all cases, tariff agreements have to be respected), the intended purpose being to keep the credit and deficits of the account balanced in a sensible time frame.

In fact, it was observed that employees only tend to increase the credits and not so much to accumulate a deficit on their account. Would there be no timeframe for the compensation of the working time credit, the amount of the credit would be so high at one point that it could only be refunded in cash. In this case, the time management account model only led to an increase of weekly working hours, and not to more working time flexibility!

However, an unlimited duration of the working time account could be an advantage for the employee; if he saves the credit for a determined goal, such as a sabbatical year or early retirement. However, the use of the credit for such purposes must be agreed in advance.

The (working hours) volume of the account is calculated according to different models; usually the obligatory weekly working hours are multiplied by 52 (weeks/year) and have to be worked off during the year, except for hours of remunerated absences, such as paid holidays or sickness. A minimum of weekly working hours, and a "core time" where employee presence is compulsory, is normally set in order to guarantee the smooth running of the business and to avoid the accumulation of excessive working time credits or deficits.

Certainly, the advantages for the employees are a greater sovereignty over working hours and a greater flexibility. Moreover, it provides companies and employees - especially in businesses with seasonal peaks - the scope to hire employees all year round with a small fixed wage and only use the workforce during seasonal peaks. This avoids increased "hiring and firing" activities before and after peaks and greater stability both for the workforce (employed all year round) and the company (no need to hire new, inexperienced people). In certain cases (see above), it permits employees to obtain a (partially) paid sabbatical year or early retirement.
Companies have the additional benefit of having the workforce available when most needed, without having to pay for overtime. However, time management accounts involve greater administrative costs.

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