

**Regulatory Impact Statement:
Proposed appointment of
Christmas Day as a public
holiday when it falls on a
weekend**

Department of Economic Development,
Jobs, Transport and Resources

10 May 2017

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Executive Summary

In 2016 Christmas Day fell on a Sunday. Currently under the *Public Holidays Act 1993* ('the Act') Christmas Day is not a public holiday when it falls on a Saturday or Sunday in Victoria. This means that Victorians working on this day of cultural significance are often not paid public holiday rates, and therefore may not be fairly compensated for time away from family and friends.

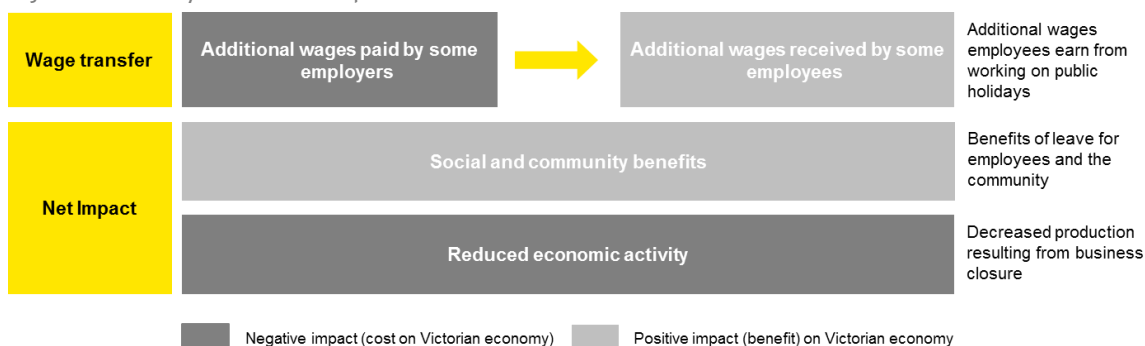
In response to community concern that Christmas Day was not a public holiday when it fell on the Sunday, the Victorian Government gazetted Sunday 25 December 2016 as an additional public holiday.

Christmas Day falls on a Saturday or Sunday once every 4 or 5 years. This next occurs in 2021 (on a Saturday) and 2022 (on a Sunday).

This Regulatory Impact Statement (RIS) considers the impact of making Christmas Day a public holiday when it falls on a weekend (the proposal).

The main impacts of the proposal are summarised in Figure 1 below.

Figure 1: Summary of economic impacts



Consultations and survey

Consultation for this RIS was taken in the following two forms:

- ▶ Twenty nine half hour phone calls with interested parties, many of which had already corresponded with the Department of Economic Development, Jobs, Transport and Resources on this issue (approximately two thirds were employees)
- ▶ A short survey on the Business Victoria website (to gain a wider cross-section of views), which gained 1,814 responses (mainly employees).

The workers and employers mainly affected by this proposal are in retail, hospitality and essential services.

The majority of consultation participants were in support of the proposal and considered that a public holiday gives recognition and reward for those who work on Christmas Day. This aligns with the primary objective of the proposal. However, responses were mixed about whether penalty rates should be paid twice in the years where Christmas Day falls on a weekend and two public holidays occur. Other consultations suggested it is often difficult to recover increased penalty rates to consumers in terms of surcharges.

Cost benefit analysis results

The cost benefit analysis and transfer payment estimates are presented in 2016 Australian dollars for the 2016 mix of employment and industries. Results are presented for two scenarios:

- ▶ Christmas Day falls on a Saturday
- ▶ Christmas Day falls on a Sunday.

It is expected that Saturday employers will reduce economic activity by a larger amount than Sunday employers, because the increase from a Saturday penalty rate to a public holiday penalty rate is larger than the increase from a Sunday penalty rate to a public holiday penalty rate. Saturday penalty rates are typically 150 per cent of a normal daily wage whereas Sunday penalty rates are typically 200 per cent of a normal daily wage. The public holiday penalty rate is typically 250 per cent of the normal daily wage.

The analysis has drawn on a number of data points, literature reviews and consultations to build into the modelling an estimate of the proportion of an industry sector that is likely to close as a result of the proposal. A range of results is shown based on this analysis.

The analysis indicates introducing Christmas Day on a weekend as a public holiday will result in an economic cost to the Victorian economy. The net economic cost of making Christmas Day a public holiday has been estimated to be between \$1.38 and \$4.19 million for a Saturday, and \$1.38 and \$3.35 million for a Sunday.

Workers are expected to receive a significant increase in wages in the event Christmas Day becomes a weekend public holiday, with the total value of the increase in wages across all affected sectors estimated to be \$42.75 to \$47.69 million for Saturday and \$37.58 to \$41.39 million for Sunday.

The wage transfers are important to consider for those operations that continue to open. Whilst they benefit workers, they negatively impact employers, particularly small businesses in the retail and hospitality sectors, not-for-profits in the health care and the social assistance sector and the government essential services such as health, justice, public order, emergency services and transport.

Table 1: Overall Impact (\$ m)

Saturday	Output reduced	Leisure valued	Net economic cost	Wage transfer
Low	\$4.03	\$2.66	-\$1.38	\$47.69
Observed	\$6.72	\$4.43	-\$2.29	\$46.76
High	\$13.95	\$9.75	-\$4.19	\$42.75
Sunday	Output reduced	Leisure valued	Net economic cost	Wage transfer
Low	\$4.03	\$2.66	-\$1.38	\$41.39
Observed	\$5.38	\$3.54	-\$1.83	\$40.89
High	\$11.16	\$7.80	-\$3.35	\$37.58

Source: EY analysis, detailed modelling approach documented in Appendix C.

The analysis also indicates the value of coordinated leisure time may potentially offset part of this impact from a whole-of-community perspective. Providing certainty around this is challenging given the difficulty in accurately valuing a Christmas Day-off with family, friends and loved ones, which may be underestimated or not fully quantified in the above analysis. Similarly, some casual employees are attracted to these industries due to the penalty rates and weekend work and may value leisure time less.

The overall measured cost is less than other public holidays measured given the majority of Victorian employers are not open on Christmas Day, irrespective of the proposal. For example, the RIS on Easter Sunday estimated reduced economic value of \$37 to \$46 million per annum¹.

Further, as Christmas Day only falls on a weekend twice in the next 10 years and only 5 times in the next 20 years, this impact occurs less often.

In 2016, employers were given one month of notice of the gazettal of Christmas Day being a public holiday, therefore it is suggested the higher end of the range may be considered for estimates of reduced output and increased leisure time. If using the higher end of the range, then the wage transfer will be relatively smaller.

Small business and competition impacts

The impact of this proposal falls relatively more on small businesses than larger businesses due to the restrictive shop trading rules in place on Christmas Day. The majority of businesses open on Christmas Day are small businesses.

There are minimal competition impacts of this proposal, as a public holiday affects all businesses, and does not change any barriers to entry to operate on Christmas Day.

Assumptions

The figures presented have been based on a number of assumptions guided by the consultations, literature review and survey results, covering:

- ▶ The proportion of employers likely to operate on a weekend Christmas Day without public holiday rates
- ▶ The proportion of employers likely to reduce their economic output in the event a weekend Christmas Day becomes a public holiday
- ▶ The daily output of employers in each sector on a Christmas weekend
- ▶ The level of skeleton staffing likely to occur on a weekend Christmas public holiday
- ▶ The approximate additional penalty rate received by workers on a Saturday and Sunday.

The estimate of reduced output is proportional to the estimate for the value of leisure time, and moves in the opposite direction to the estimate for the wage transfer. Therefore to the extent that more businesses close than estimated, the net cost to society will not increase by as much as the proportional change, and transfer payment will decrease. Therefore there are some offsetting counter actions in the key estimates reported.

Further consultation

We invite public feedback on this RIS and welcome specific consideration to the following key questions:

- ▶ ***Do you believe the social benefits of observing Christmas Day as a public holiday (when it falls on a Saturday/Sunday) outweigh the associated cost?***
- ▶ ***Does the report include those employers/workforce participants most likely to be affected by the proposed change to observe Christmas Day as a public holiday when it falls on a weekend?***

¹ PWC, 'Regulatory Impact Statement on proposed new public holidays in Victoria' for Department of Economic Development, Jobs, Transport and Resources, July 2015

- ▶ *Are the sectors of the economy likely to be most affected by the proposed change included in the analysis of this report? Have the relevant sectors been covered adequately?*
- ▶ *Are there any gaps in the analysis/assumptions of this report in relation to impacts/costs/social benefits of observing Christmas Day a public holiday when it falls over a weekend?*
- ▶ *What is the likelihood that employees are not paid public holiday penalty rates due to existing industrial arrangements covering public holidays in some sectors?*

1. Introduction

This chapter provides an introduction and sets up the framework for this Regulatory Impact Statement (RIS), it outlines the:

- ▶ Problem analysis in Section 1.1
- ▶ Objectives of government in Section 1.2
- ▶ Options considered in Section 1.3
- ▶ Scope and consultation in Section 1.4.

1.1 Problem analysis

In 2016 Christmas Day fell on a Sunday. Currently under the *Public Holidays Act 1993* ('the Act') Christmas Day is not a public holiday when it falls on a Saturday or Sunday in Victoria. This means that Victorians working on this day of cultural significance are often not paid public holiday rates, and therefore may not be fairly compensated for time away from family and friends.

In response to community concern that Christmas Day was not a public holiday when it fell on the Sunday, the Victorian Government gazetted Sunday 25 December 2016 as an additional public holiday. The gazettal was made on 24 November 2016.

Christmas Day falls on a Saturday or Sunday once every 4 or 5 years. This next occurs in 2021 and 2022. See Table 2 below.

Table 2: Days that Christmas Day falls on in the next 20 years.

Year	Christmas Day	Year	Christmas Day
2017	Monday	2027	Saturday
2018	Tuesday	2028	Monday
2019	Wednesday	2029	Tuesday
2020	Friday	2030	Wednesday
2021	Saturday	2031	Thursday
2022	Sunday	2032	Saturday
2023	Monday	2033	Sunday
2024	Wednesday	2034	Monday
2025	Thursday	2035	Tuesday
2026	Friday	2036	Thursday

In its 2014 State election platform, the Government made a commitment to review public holiday arrangements with respect to Christmas Day.

We note that conceptualising the problem or the likely impact can be difficult given the infrequency of the event.

Christmas Day is unique in terms of its cultural significance, but also in terms of the types of employers that operate and the workers that work. Specific characteristics include:

- ▶ The vast majority of Victorians do not work on that day. The day falls in school holidays and often within office shut-down periods
- ▶ Only a subset of employers and essential services typically operate. Some of these will operate irrespective of the public holiday status, in which case this will change the rate of pay for

workers (i.e. a transfer between employees to employers when Christmas Day is not a public holiday, and from employers to employees when it is).

- ▶ Christmas Day is a restricted trading day under the *Shop Trading Reform Act 1996 (Vic)*. Only exempt businesses are allowed to trade on Christmas Day, including essential and emergency services (including transport), chemists, petrol stations, restaurants, accommodation, cafes, take-away outlets and hire outlets, and small businesses (fewer than 100 employees in total and fewer than 20 employees on the day). Restrictive shop trading rules applies to 25 December whether it is recognised as a public holiday or not.
- ▶ Many workers are under awards or enterprise agreements that have Christmas Day rates.
- ▶ Some employers may have alternative arrangements for compensating their employees for public holidays, such as paying employees based on the number of holidays, rather than whether or not they work on the day. These arrangements are employer specific and are so varied that it is complicated to model and beyond the scope of this RIS to quantify.

In terms of impacts across the community it is likely to affect:

- ▶ Employers (in private, government or not-for-profit sectors) that may face an increase in wage costs: may choose not to operate that day; or stay open and pay higher wages
- ▶ Workers may get paid additional wages if their employer stays open or gain additional leisure time if their employer chooses to close for the day
- ▶ Consumers may face an increase in surcharges in some services and a reduction in the provision of some services but also greater opportunity to have coordinated leisure time on a culturally significant day
- ▶ The government (both State and Federal) may get reduced taxation revenue, and also increased costs in providing essential services on that day.

1.2 Objectives of the proposal

The press release by the Minister for Small Business, Innovation and Trade at the time of gazettal of Christmas Day, Sunday 25 December, 2016 as a public holiday, stated that:

“... The existing arrangements unfairly affect those Victorians required to work on Christmas Day when it falls on a weekend”

“Christmas Day is not like any other day, it is a special day for many Victorians and it is a day to spend more time with family and friends.”

The Government's 2014 State election platform noted that when the Easter Sunday shop trading ban was lifted in 2011, it did not provide fair pay as Easter Sunday was different to other Sundays for much of the population, and it should be considered a public holiday. Similarly the Government noted that existing Christmas Day arrangements, when Christmas Day falls on the weekend, are unfair to those required to work.

Workers who receive date-based rate increases will continue to expect them on Christmas Day irrespective of whether it is a weekend or week day.

Therefore the objective of the proposed action is to provide fair pay to those working on Christmas Day (irrespective of whether it is a weekend or weekday).

1.3 Options considered

As it is currently explained in the Act, when Christmas Day falls on either a Saturday or Sunday it is not considered a public holiday on that day, rather a public holiday will fall on the next available weekday as a substitute public holiday. This situation (the status quo) forms the base case of the economic impact assessment. Christmas Day falls on a weekend irregularly, approximately 25 per cent of the time over the next 20 years.

Regulatory and non-regulatory options to achieve fair pay for those required to work on Christmas Day when it falls on the weekend have been considered. Non-regulatory options include self-regulation, whereby employers are encouraged to pay public holiday rates. Alternatively, the government could provide a subsidy to those employers that open, to encourage the payment of additional penalty rates. However these options are less likely to achieve the objective and are more administratively burdensome and costly than the proposal.

The Australian Hotels Association noted that for many employers in the food and hospitality sector operating on Christmas Day 2016, the workers and employers agreed to swap the public holiday pay to Sunday 25 December from the substitute day of Tuesday 27 December so that those who worked on Christmas Day were 'fairly' compensated. This arrangement was, however, reversed when the government gazetted the day in late November and workers in the industry were, in effect, paid the public holiday rate twice for Christmas Day, once on 25 December and again on 27 December 2016. This suggests that in some industries the problem can be partly solved through mechanisms already existing in the award or enterprise agreements.

Similarly, we understand some enterprise agreements only allow the public holiday penalty rates to be paid once in the case where additional public holidays exist when the public holiday falls on the weekend. However leaving it to workers and industry to negotiate does not achieve universal application of the proposal as not all the affected workers will be covered by such negotiations.

The proposal has the consequence of bringing Victoria in line with the majority of states and territories, where 25 December is a public holiday regardless of the day it falls on.

1.4 Scope of work and consultation

EY has been engaged by DEDJTR to undertake a RIS inclusive of an assessment of the economic costs and benefits of a proposed public holiday when Christmas Day falls on either a Saturday or Sunday.

In estimating the costs and benefits of the proposal, the following has been considered:

- ▶ Increased costs of wages on the public holiday and how this may impact an employer's decision to open, set prices, and set hours of operation
- ▶ The value of lost production for those employers that decide not to open on Christmas Day due to this change
- ▶ Transfers of increased wages from employers to employees (for those employers that decide to open on Christmas Day)
- ▶ The differences in impact when Christmas Day falls on a Saturday or a Sunday
- ▶ The likely number of workers affected by the change
- ▶ The social and community benefits from increased leisure time and marking a significant cultural holiday.

To conduct this analysis the RIS has drawn on economic theory, literature review, available statistics and the Commissioner for Better Regulation's 2016 'Victorian Guide to Regulation - a handbook for policy makers in Victoria'.

In addition, the analysis has evaluated the impact in 2016 when Christmas Day was gazetted as a public holiday on the Sunday, drawing on information from affected parties gained through the consultation phase.

Consultation for this RIS was taken in the following two forms:

- ▶ Twenty nine half hour phone calls with interested parties many of which had already corresponded with DEDJTR on this issue (approximately two thirds were employees)
- ▶ A short survey on the Business Victoria website open for two weeks which gained 1,814 responses (83 per cent employees).

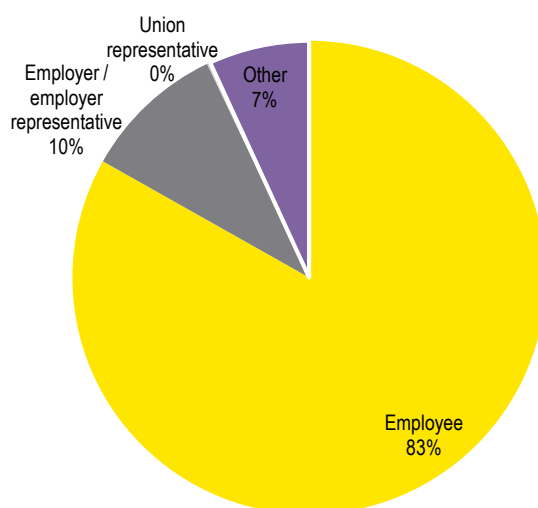
The table below summarises the consultations undertaken.

Table 3: Consultations

Category	Sector	Number of consultations
Union representative / industry association	Retail trade	2
Union representative / industry association	Accommodation and Food Services	2
Union representative / industry association	Health and Human Services	2
Union representative / industry association	Cross-sectors	1
Government representative	Cross-sectors	2
Government representative	Health and Human Services	2
Government representative	Transport	1
Employers	Retail trade	3
Employee	Health and Human Services	3
Employee	Public sector	1
Employee	Accommodation and Food Services	2
Employee	Retail trade	2
Employee	Utilities	1
Employee	Transport, postal and warehousing	4
Employee	Other	2

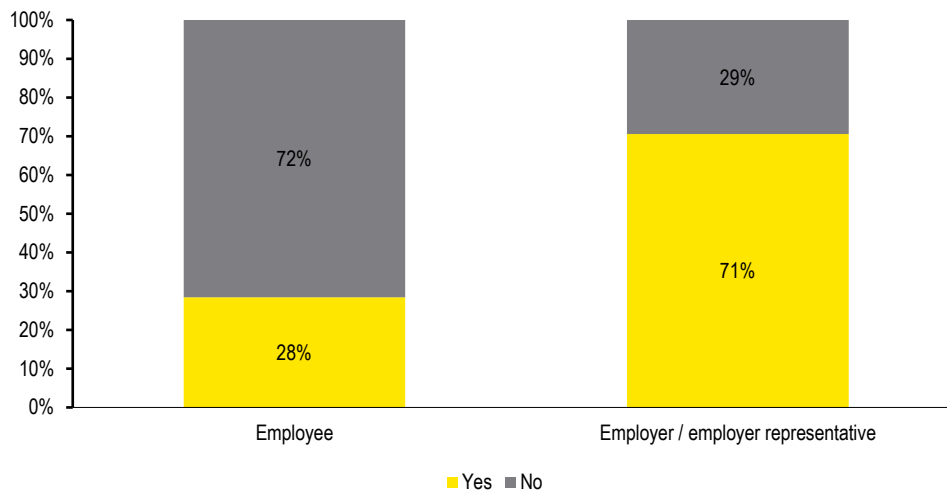
The figures below show how certain categories of respondents answered questions in the survey.

Figure 2: Proportion of survey respondents



Source: EY Survey

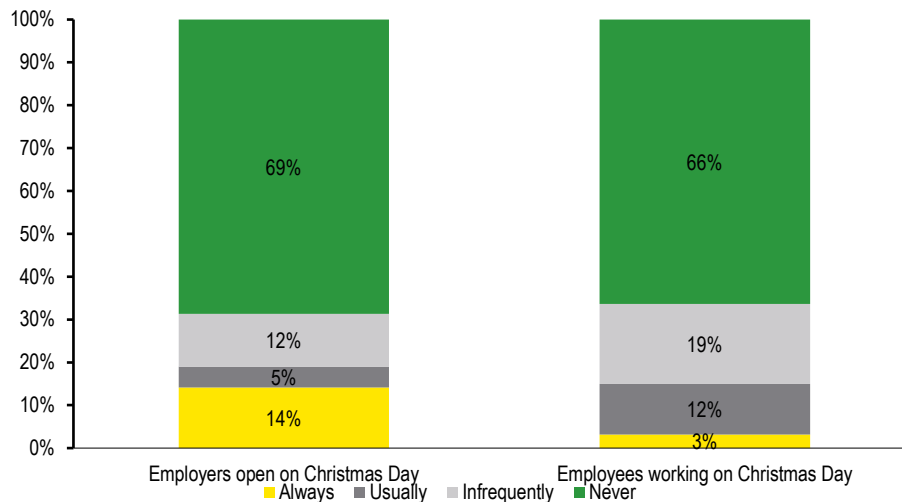
Figure 3: Do you work in, or operate a small business?



Source: EY Survey

Figure 3 shows the proportion of employees that work in a small business (yellow, left) and the proportion of employers / employer representatives that own a small business (yellow, right).

Figure 4: Proportion of employer and employee respondents that typically are open/work on Christmas Day



Source: EY Survey

The consultation questions are presented in Appendix A and the survey questions in Appendix B.

The remainder of this report is outlined as follows:

- ▶ Chapter 2 assesses the impacts of the proposal compared to the base case, or status quo in terms of cost benefit analysis
- ▶ Chapter 3 briefly outlines the implementation and evaluation plan
- ▶ Appendix A presents the consultation questions
- ▶ Appendix B presents the survey questions
- ▶ Appendix C presents the modelling methodology.

2. Impact analysis of the proposal

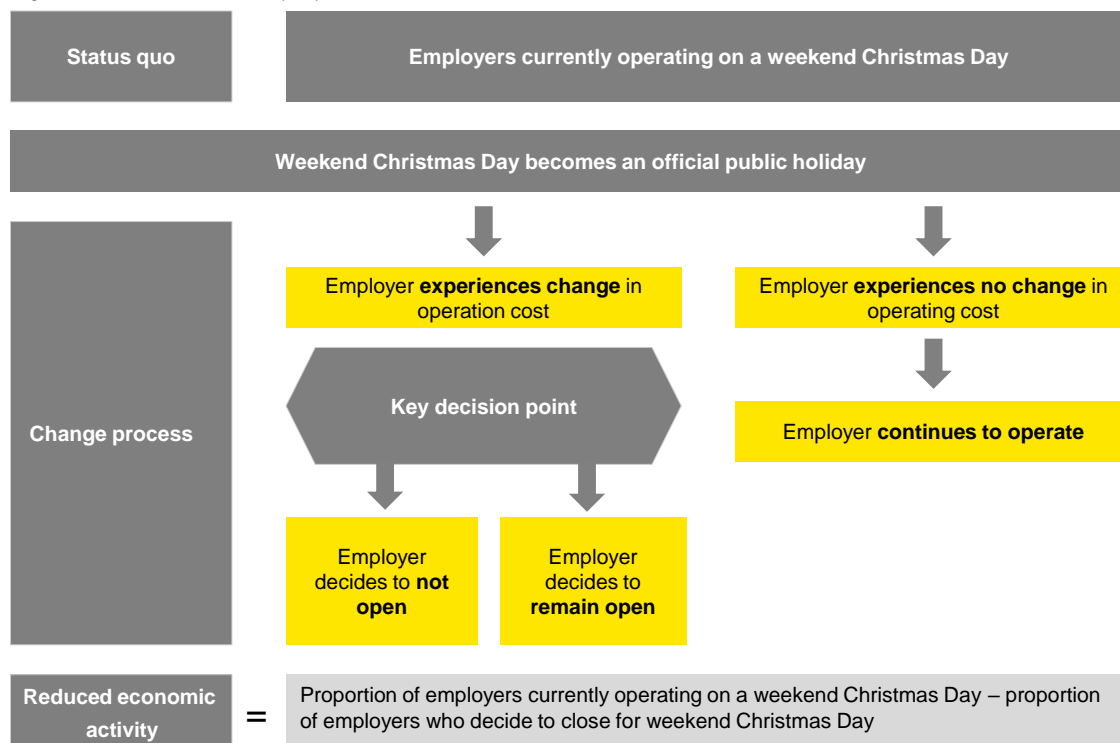
This chapter outlines the analysis of the costs and benefits and overall impact of the proposal using cost benefit analysis. The chapter outlines:

- ▶ A framework for the cost benefit analysis of the proposal in 2.1
- ▶ A discussion of the economic impacts drawing from the literature review, consultations and survey results in 2.2
- ▶ A discussion of the social impacts drawing from the literature review, consultations and survey results in 2.3
- ▶ The impact of the proposal in terms of a cost benefit analysis in 2.4
- ▶ Other considerations in 2.5.

2.1 Framework for the cost benefit analysis of the proposal

Figure 5 below outlines how the introduction of a Christmas Day weekend public holiday may influence the decision of employers to open on Christmas Day.

Figure 5: Economics of the proposal



In developing the modelling approach it is useful to conceptually describe the changes that this proposal is likely to have:

- ▶ There are a number of employers in Victoria that currently operate on a weekend Christmas Day.
- ▶ In the event Christmas Day on a weekend becomes a public holiday, some employers will experience a change in operating cost as they will need to pay an increase in penalty rates from weekend to public holiday rates.

- ▶ Of the employers that experience an increase in wages:
 - ▶ Some employers will continue to operate on that day and possibly reduce profits, introduce a surcharge or reduce labour costs (by using skeleton staff, increasing junior staff mix or the owner or family working in the business). Those employers that stay open will transfer some economic income to employees through higher rates of pay. This transfer of wages is estimated in the RIS but not formally part of the cost benefit analysis as net impact on society of the wage transfer is zero.
 - ▶ Other employers may decide to close for the day. This will result in reduced output, reduced choice for consumers and reduced employment. It will also result in increased leisure time for those workers no longer working on that day. The reduced output is a cost, while the increased leisure time is a benefit. Both are estimated in the cost benefit analysis.
- ▶ The cost benefit analysis in this RIS focuses on the incremental effect -i.e. any costs or benefits are measured net of the base case (the status quo before 2016, that Christmas Day when it falls on a weekend and is not a public holiday). Therefore the RIS will explore how costs and benefits for different groups in society and how different types of employers are likely to be different when Christmas is a Saturday or a Sunday, and is made a public holiday.

2.2 Economic impacts

In economic terms, penalty rates such as public holiday rates operate as a 'price floor', that is, a minimum price for a given product or service. The expected economic impact is summarised as follows:

- ▶ For those employers who remain open - there is a transfer of economic income from employers to employees as employees earn higher rates of pay than they would otherwise earn for those employers that stay open
- ▶ For those employers who close for the day as a result of the proposal - there is lower employment, in terms of the total number of people working, however this is partially offset by greater leisure time for those workers no longer needing to work on that day
- ▶ There will also be economic losses (known as deadweight loss) from the loss of the economic benefits at the margin including reduced choice, consumption and investment.

There are a number of reasons why a reduction in output as a result of the proposal will be less than a typical workday including:

- ▶ Most employers close on weekends
- ▶ A large number of employers close on Christmas Day
- ▶ Those businesses, government and not-for-profit service providers that do open, typically do so on skeleton staff, the exception being hospitals, justice, disability services and emergency services which tend to operate at similar levels 24/7
- ▶ If the operation is closed for the day, typically there is some production smoothing, moving some production to the shoulder period either side of the public holiday. This is less so in service industries.

Further, employers may respond to the increase in costs in a number of ways:

- ▶ Reducing output (for example, reducing opening hours, reduced functions or choosing not to open)

- ▶ Increasing prices (for example, introducing a surcharge)
- ▶ Reducing costs by changing the mix of labour inputs (for example, skeleton staff, increase proportion of junior staff, owner and/or family working in business etc.)
- ▶ Incurring the higher wage costs without increasing prices which will lead to reduced profits.

2.2.1 Insights from consultations and survey - economic impacts

In response to the gazettal in November 2016 the government received numerous submissions with the majority supporting a pathway to make a permanent change with respect to the treatment of Christmas Day when it falls on a weekend. However, employers pointed out their costs would increase if there was an additional public holiday, and requested that cost factors be fully considered in any determination relating to the Christmas Day public holiday arrangements. In addition, some employers provided feedback that they were not given enough notice ahead of the gazettal of Christmas Day 2016 as a public holiday.

The majority of consultation participants in support of the proposal considered that acknowledging Christmas Day as a public holiday on the day it falls gives recognition, and rewards those who work on Christmas Day. This aligns with the primary objective of the proposal.

Costs of the proposed change as identified in the consultations include:

- ▶ Reduced economic output
- ▶ Increased employment costs with no corresponding benefits to productivity
- ▶ Greater burden for small businesses than larger businesses due to trade restrictions
- ▶ Potential for more employers to close for a period greater than just Christmas Day, reducing consumer choice
- ▶ Potentially 'double dipping' in penalty rates for employees who gain public holiday rates twice. Responses were mixed on this topic, with some parties arguing the public holiday rate should only be paid once for an employee, while others believed you should always be compensated if you work on a public holiday
- ▶ It is difficult to recover increased penalty rates from consumers in terms of surcharges on the day.

Some consultations noted that while costs may increase for some employers in some sectors, these can be partially offset by reducing labour or through reducing levels of service. However the consultations and survey overall suggested that surcharges were relatively rare and that reducing labour costs by reducing staff and using more junior staff was more common.

Many consultation participants noted that the most significant risk of the proposal was that the economic burden would largely fall on the small business sector, given restrictive trading rules. Some may respond by closing or running the business with family members rather than employees. In addition the parts of government operating 24/7 and not-for-profit sectors would face increased wages and be largely unable to change services.

Consultations with employers and employees in many sectors showed that while productivity on the morning of Christmas Day was high in order to meet service demand, this may typically diminish from lunch time onwards as demand for services lowers. An exception may occur in the case of pubs, restaurants and hotels that provide a Christmas Day lunch and/or dinner. For essential services (health, social services and justice etc.) Christmas Day is typically like any another weekend day in terms of workload and staffing.

Productivity in the days leading up to Christmas Day varies significantly, with some consultations highlighting that productivity leading up to Christmas Day is extremely high (with specific reference given to retail). Many noted that they are required to work longer hours to both satisfy increased service demand and complete their tasks before taking time off over the festive period.

2.3 The social impacts

While the public holidays that exist in various countries have different origins, the general consensus is that they typically all exist for the common observation of festivals². There is a certain value of direct utility to be gained by those that enjoy coordinated leisure time such as that which is experienced on Christmas Day and other days of historical 'cultural' importance. In Victoria, these include Australia Day, Easter, ANZAC Day and Christmas Day.

For many Victorians, Christmas Day is the biggest social event in the calendar year. Many Victorians catch up with friends and family at each other's homes for lunch or go out for catered lunches. According to a survey conducted in 2014 regarding Easter Sunday, 76 per cent of Victorians believed that families should have the right to a public holiday as an opportunity to spend time together, away from work.³

A number of papers have investigated the social benefits of public holidays and leisure activities. In general, these conclude that increased participation in leisure activities result in increased life satisfaction.

A paper by Merz and Osberg looked at the benefits of public holidays. They consider that a major social function of public holidays is to facilitate coordination in the timing of leisure. The paper tests the theory that easier socialisation enabled by public holidays has benefits that extend beyond time use on public holidays to time use on normal workdays, and normal weekends, because 'keeping in touch' on holidays helps to maintain social contacts and enables easier social matching on normal workdays and weekends. They found that more public holidays are significantly and positively associated with more leisure time spent with others for entertainment and meetings - and with more enhanced total social time. For most, coordinated leisure time with friends or family provides a greater benefit than individual leisure time.⁴

Other studies found additional benefits stemming from coordinated leisure time include greater economic growth, improved health and lower social costs.⁵

Leisure time is of value to the individuals who do not work on the day. The recent RIS for Easter Sunday⁶ in its estimate of the value of leisure time considered a range between 50 per cent⁷ and 100 per cent⁸ of average earnings. This provides an indication of the value of leisure time but may not include the value of Christmas Day specifically and the value of coordinated leisure time.

However, some individuals may not have chosen leisure time on Christmas Day 2016 and may have preferred to work. Retail and hospitality sector workers employed on weekends are often casual

² Merz, J. and Osberg, L., 'Keeping in Touch: A Benefit of Public Holidays', *Institute for the Study of Labor Discussion Paper No. 2089*, April 2006, p.18.

³ SDA submission to Small Business Victoria regarding the proposed gazettal of Easter Sunday 2015 as a public holiday, 30 January 2015.

⁴ Merz, J. and Osberg, L., 'Keeping in Touch: A Benefit of Public Holidays', *Institute for the Study of Labor Discussion Paper No. 2089*, April 2006.

⁵ Cairncross, G. and Waller, I., 'Not Taking Annual Leave: What Could it Cost Australia?', *Journal of Economic and Social Policy*, vol. 9, no. 1, Summer 2004, pp. 43-59. Merz, J. and Osberg, L., op.cit., p.19. Putnam, R., 'Bowling Alone: America's Declining Social Capital', *Journal of Democracy*, vol. 6, no. 1, 1995, pp. 65-66.

⁶ PWC, 'Regulatory Impact Statement on proposed new public holidays in Victoria' for Department of Economic Development, Jobs, Transport and Resources, July 2015

⁷ Brown, E., 'Assessing the value of volunteer activity', *Nonprofit and Voluntary Sector Quarterly*, Vol 28, Issue 3, 1999, p. 11.

⁸ The Commonwealth Office of Best Practice Regulation's (OBPR) Regulatory Burden Measurement Framework suggests using the average hourly wage of \$27 per hour: Department of the Prime Minister and Cabinet, *Office of Best Practice Regulation*, 'Regulatory Burden Measurement Framework', July 2014.

and part-time employees. It is possible that some of this cohort of employees may value the income more than leisure time as compared to the average employee. They may be attracted to these industries because of the availability of weekend work and the associated penalty rates.

2.3.1 Insights from consultations and survey - social impacts

The outcomes from the consultations in April and May 2017 to support this RIS provide some support for the findings of the studies in the literature review. The interviewees raised a number of social benefits of the proposed public holiday. In particular, a theme of the discussions was that Christmas Day is a day for families and communities to come together and that those who have to work should be fairly compensated for doing so.

“Business sometimes forgets that workers are people and that we have families and are part of our communities. Celebrating Christmas with friends and family is very important for most people. We say that if someone is going to have to miss out on that family and community time to help a business make profit over the Christmas period, they should be properly compensated for that.” Wil Stracke from Victorian Trades Hall Council

Similarly the Australian Hotel Association (AHA) acknowledged the importance of a family day and that the pubs and accommodation sectors facilitate this by enabling families to get together for a meal or congregate in the same location.

Survey results show approximately 75 per cent of employee survey respondents would not want to work if Christmas Day was made a permanent public holiday when it falls on a weekend. Of the 75 per cent of employee respondents that indicated they would not want to work on a weekend Christmas Day if it was permanently made a public holiday, 95 per cent infrequently or never work on Christmas Day, while 5 per cent always or usually work on Christmas Day.

Sixty five per cent of employee respondents overall highlighted that they typically ‘never’ work on Christmas Day and 19 per cent of respondents noted that they ‘infrequently’ work on Christmas Day.

There was not a large supply side response to the gazettal in 2016 (i.e. few employers decided to close), as many employers had already taken bookings and deposits and were committed to opening. The AHA noted that more of their members would have chosen to close if they had more notice.

Seventy eight per cent of employer survey respondents did not open on Christmas Day in 2016. In the survey 93 per cent of respondents said last year’s Christmas Day public holiday announcement did not change their decision to open. This is broadly consistent with our prior expectations and assumptions used in the economic modelling.

The main benefits of the proposed change as identified in the consultations include:

- ▶ Fair pay and recognition for those that work on Christmas Day
- ▶ Clear and permanent arrangements which allow employers to plan ahead
- ▶ Allowing individuals to enjoy work and life balance
- ▶ Coordinated leisure time
- ▶ Recognition of a day of cultural significance
- ▶ The goodwill transfer to the employer for giving staff the day off to be with family
- ▶ A considerable break for those that work hard during other times of the year and the weeks leading up to Christmas Day (with reference given to the Retail Trade and Hospitality sectors).

2.4 Impact analysis of the proposal

Overall, the analysis indicates introducing Christmas Day on a weekend as a public holiday will result in an economic cost to the Victorian economy. However, the analysis also indicates the value of coordinated leisure time, which is not explicitly quantified and may potentially offset part of this impact from a whole-of-community perspective.

The analysis has drawn on a number of data points, literature reviews and consultations to estimate the impact of the proposal. A range of results is shown based on this analysis and judgement. Estimates are presented as a range - high, observed and low ranges reported reflect how responsive the industry is to the proposal in terms of choosing to close for the day.

Details on the modelling approach is presented in Appendix C. The remainder of this section presents and explains the results. In Table 4 below the net economic cost of making Christmas Day a public holiday has been quantified as a cost of between \$1.38 to \$4.19 million for a Saturday and \$1.38 to \$3.35 million for a Sunday before accounting for the social unquantified benefits of coordinated leisure time and marking culturally significant days.

Workers are expected to receive a significant increase in wages in the event Christmas Day becomes a weekend public holiday of between \$42.75 million and \$47.69 million for a Saturday and between \$37.58 million and \$41.39 million for a Sunday. These transfers largely affect the 24/7 essential services such as health, justice and public order.

The total value of gained leisure time in the event a Christmas Day public holiday falls on a Saturday is approximately between \$2.66 million and \$9.75 million. On a Sunday it is expected to be approximately between \$2.66 million and \$7.80 million.

Table 4: Overall Impact (\$ m)

Saturday	Output reduced	Leisure valued	Net economic cost	Wage transfer
Low	\$4.03	\$2.66	-\$1.38	\$47.69
Observed	\$6.72	\$4.43	-\$2.29	\$46.76
High	\$13.95	\$9.75	-\$4.19	\$42.75
Sunday	Output reduced	Leisure valued	Net economic cost	Wage transfer
Low	\$4.03	\$2.66	-\$1.38	\$41.39
Observed	\$5.38	\$3.54	-\$1.83	\$40.89
High	\$11.16	\$7.80	-\$3.35	\$37.58

Source: EY analysis, detailed modelling approach documented in Appendix C.

However given the data is based on 2016 when employers were given just one month of notice we would suggest that the higher parts of the ranges may be considered for estimates of reduced output and increased leisure time. If using the higher end of the ranges, then the wage transfer will be relatively smaller (as it is inversely related to the number of employers that chose to close as a result of the proposal).

Table 5 shows that the number of workers receiving the day off as a result of the proposal is greater on Saturday than Sunday and ranges between 15,719 and 58,060 workers on a Saturday and 15,719 to 46,448 on a Sunday.

Table 5: Total number of workers receiving a day of as a result of business closure

	Low	Observed	High
Saturday	15,719	26,199	58,060
Sunday	15,719	20,959	46,448

Source: EY analysis, based on survey results and literature review detailed modelling approach documented in Appendix C.

The wage transfers are important to consider, for those operations that continue to open. Whilst they benefit workers, they negatively impact employers, particularly small businesses in the retail and hospitality sector, not-for-profits in the community sector and the government in terms of essential services (as these employers are likely to continue operations). The wage transfer by industry is presented in Table 6 over the page.

Table 6: Wage transfer by industry (\$m)

Sector	Wage Transfer (Saturday)			Wage Transfer (Sunday)		
	Low	Observed	High	Low	Observed	High
Electricity, gas, water and waste services	\$0.66	\$0.66	\$0.66	\$0.33	\$0.33	\$0.33
Retail trade	\$6.09	\$5.37	\$4.21	\$2.43	\$2.15	\$1.68
Accommodation and food services	\$6.50	\$6.29	\$3.44	\$6.50	\$6.29	\$3.44
Transport, postal and warehousing	\$4.65	\$4.65	\$4.65	\$2.32	\$2.32	\$2.32
Information media and telecommunication	\$1.34	\$1.34	\$1.34	\$1.34	\$1.34	\$1.34
Public administration and safety	\$5.50	\$5.50	\$5.50	\$5.50	\$5.50	\$5.50
Healthcare and social assistance	\$22.96	\$22.96	\$22.96	\$22.96	\$22.96	\$22.96

Source: EY analysis, detailed modelling approach documented in Appendix C.

We can see from Table 6 above, workers in the healthcare and social assistance sector are most likely to receive the highest aggregate increase in wages. This is because a larger proportion of this industry is likely to operate on Christmas Day compared to other industries.

However as noted earlier, Christmas Day 2016 is not a perfect example to draw evidence from, as only one month of notice was provided and therefore employers did not have much flexibility to change business practices or undertake the option to close. The survey results may therefore understate the impact.

2.5 Assumptions and key limitations

There are a number of important considerations to make when interpreting the results of the models outlined above, and these may qualify the estimates of some of the impacts:

- ▶ Limited data is available on Christmas Day turnover, employee absenteeism or business operations. While more information on this was gathered during industry consultations and through the survey, this is still just a sample.
- ▶ Surcharges are currently imposed by many restaurants and cafes on Christmas Day due to the higher cost of staff. There may be some change in the level of surcharges imposed. However from the consultations we understand this is relatively rare in the hotel and accommodation sectors, the retail sector, and essential services. It does, however, occur in the restaurant sector. We have not formally modelled surcharges which is a transfer from customers to employers.

The figures presented are based on a number of assumptions guided by the consultations, literature review and survey results covering:

- ▶ The proportion of employers likely to operate on a weekend Christmas Day without public holiday rates
- ▶ The proportion of employers likely to reduce their economic output in the event a weekend Christmas Day becomes a public holiday
- ▶ The daily output of employers in each sector on a Christmas weekend
- ▶ The level of skeleton staffing likely to occur on a weekend Christmas public holiday
- ▶ The approximate additional penalty rate received by workers on a Saturday and Sunday.

The estimate of reduced output is proportional to the estimate for leisure time, and moves in the opposite direction to the estimate for the wage transfer. Therefore to the extent that more businesses close than estimated, the net cost to society will not increase by as much as the proportional change, and transfer payment to workers will decrease. Therefore there are some offsetting counter actions in the key estimates reported.

3. Implementation and evaluation

This section outlines the implementation plan and evaluation framework.

The proposed changes to the Christmas Day public holiday arrangements could be implemented by:

- ▶ Ongoing gazettal of Christmas Day
- ▶ Amending the Act to make Christmas Day a public holiday regardless of the day it falls on, including if it falls on the weekend.

Amending the Act to make Christmas Day a public holiday when it falls on a weekend is the most formal and permanent acknowledgement of the day and provides certainty for employers and employees. We note that the majority of other States that currently observe Christmas Day when it falls on a weekend as a public holiday have implemented this by amending their respective public holiday Acts.

Regardless of the implementation method taken, the implementation process will need to occur before 2021, i.e. the next time Christmas Day falls on a weekend. A formal implementation plan is not necessary as amending the Act or activating an ongoing gazettal are straight forward processes to implement.

One suggested option for a simple evaluation strategy would be that once a reform has been implemented and the first example of a weekend Christmas Day has occurred (i.e. after December 2021), is that a follow up survey be undertaken in early 2022 to determine if the implementation of the proposal has achieved the intended objectives and had the expected impact. It is suggested that the follow up survey be of a similar format to the survey undertaken as part of this RIS, and aim to estimate the number of employers that closed as a result of the implementation of the reform.

The evaluation of any reform after the 2021 Christmas Day will be timely considering Christmas Day will again fall on a weekend in the following year (on Sunday 25 December 2022).

Appendix A Consultations

The following questions were discussed with interviewees to gain information to assess public opinion and to refine the modelling of the impact. Interviewees were given the option to have the interview conducted under Chatham House rules and therefore encouraged an open discussion on the themes covered in the RIS.

Last year the Christmas Day public holiday was only gazetted one month before Christmas Day and therefore could have contributed to some of the negative community feedback that occurred after the public holiday was gazetted. The consultations aimed to focus on the actual economic effect of the public holiday (irrespective of how it was introduced).

Employer / employer representative questions:

- ▶ Tell us about your business, what sector do you operate in?
- ▶ Do you typically open on Christmas Day?
- ▶ Did you open last year, on 25 December 2016, when Christmas Day fell on a Sunday and was gazetted as a public holiday?
- ▶ Did the gazettal change your decision to open, and why?
- ▶ Do you think it is a good idea to make last year's announcement of Christmas Day (25 December) as a public holiday when it falls on a weekend permanent and why?
 - ▶ If so, do you have a view on how the government should do this?
 - ▶ Do you see any risks?
- ▶ What do you see as the main benefits for Christmas Day being a public holiday if it's on the weekend (for your business, for society, for your employees etc.)?
- ▶ If you do typically open on Christmas Day, before 2016, did Christmas Day falling on a weekend increase or reduce your labour costs of operation on that day (i.e. that is when it was not declared a public holiday)?
 - ▶ If increase or decrease, by how much?
 - ▶ Is this different if it's on a Saturday or a Sunday?
- ▶ In your industry is there already a Christmas Day rate in awards or enterprise deals etc.?
 - ▶ Do you pay this if Christmas Day falls on the weekend?
- ▶ Did you close on 25 December 2016?
 - ▶ If so, is this because of the four day long weekend or because of the extra cost, or because you typically close on Christmas Day?
- ▶ Do you charge a surcharge for public holidays or reduce labour costs on such days?
 - ▶ If so by how much?
 - ▶ Does this fully offset the increase in costs on that day?
 - ▶ If not, roughly by how much?
- ▶ Do you notice a change in service demand on Christmas Day (i.e. is this a day of high demand for your services)?
- ▶ Do you typically have enough employees for your business needs who want to work on Christmas Day?
- ▶ What is productivity like during the days leading up to Christmas Day?
- ▶ What is productivity of your employees like on Christmas Day?

The interviews used these questions as a prompt modified for the specifics of the individual and the sector they come from.

Employee questions:

- ▶ Tell us about your job role, what sector are you employed in?
- ▶ Do you typically work on Christmas Day?
- ▶ Did you work last year on 25 December 2016, when Christmas Day fell on a Sunday and was gazetted as a public holiday?
 - ▶ Was this different from previous Christmas Days?

- ▶ Do you think it is a good idea to make last year's announcement of Christmas Day (25 December) as a public holiday when it falls on a weekend permanent and why?
 - ▶ If so, do you have a view on how the government should do this?
 - ▶ Do you see any risks?
- ▶ What do you see as the main benefits for Christmas Day being a public holiday if it's on the weekend?
- ▶ Do you get more pay or more flexibility in choosing not to work if it's a public holiday?
- ▶ Would you take advantage of a four day long weekend and not work?
- ▶ Do you want to work Christmas Day?
 - ▶ Does the public holiday change this?
- ▶ Do you think your employer will face increased costs for Christmas Day, when it is a public holiday?
 - ▶ Do you know how they adjust for this (surcharges, reduced hours for staff, bring in more junior staff, choose to close, skeleton staff, offset by increased demand etc.)?
- ▶ Do you notice a change in service demand on Christmas Day (i.e. is this a day of high demand for your services)?
- ▶ Do you typically have enough staff/colleagues for the business's needs who want to work on Christmas Day?
- ▶ What is your productivity like during the days leading up to Christmas?
- ▶ What is your productivity like on Christmas Day?

The interviews used these questions as a prompt modified for the specifics of the individual and the sector they come from.

Union / union representative / industry association questions

- ▶ Tell us about your organisation, what sector/s do you represent? How many businesses and employees do you represent?
- ▶ Does your sector typically open on Christmas Day?
- ▶ What proportion of the sector opened on 25 December 2016, when Christmas Day fell on a Sunday and was gazetted as a public holiday?
- ▶ Do you think it is a good idea to make last year's announcement of Christmas Day (25 December) as a public holiday when it falls on a weekend permanent and why?
 - ▶ Do you have a view on how the government should implement this change?
 - ▶ Do you see any risks?
- ▶ What do you see as the main benefits (possibly foregone) for Christmas Day being a public holiday if it's on the weekend (for your sector, for society, etc.)?
- ▶ If part of your sector / association typically opens on Christmas Day:
- ▶ Before 2016, did Christmas Day falling on a weekend increase or reduce your sector's labour costs of operation on that day (i.e. when it was not declared a public holiday)?
 - ▶ If increase or decrease, by how much?
 - ▶ Is this different if it's on a Saturday or a Sunday?
- ▶ In your sector / industry is there already a Christmas Day rate in awards or enterprise deals etc.?
 - ▶ If so, how much? Does this change if it's a Saturday or Sunday?
 - ▶ Typically does the sector pay this if Christmas Day falls on the weekend?
- ▶ In regards to the part of the sector that closed on Christmas Day on the 25 December last year, did it close because of the four day long weekend or because of the extra cost, or because they typically close on Christmas Day?
- ▶ Typically did the part of your sector that opened on Christmas Day (25 December) in 2016 introduce a mechanism to offset any increase in cost, such as surcharge, skeleton staff, increase junior staff, owner operates etc.?
 - ▶ If charge surcharge by what percentage?
- ▶ Does your sector notice a change in service demand on Christmas Day (i.e. is this a day of high demand for your services)?
- ▶ Does the sector typically have enough employees for its needs who want to work on Christmas Day?

- ▶ Do you think whether Christmas Day being declared as a public holiday changes whether parts of your sector opens?
- ▶ What is productivity like in your sector during the days leading up to Christmas Day?
- ▶ What is productivity of your sector like on Christmas Day?

The interviews used these questions as a prompt modified for the specifics of the individual and the sector they come from. Industry Groups, Councils and Government Departments were given questions along the same lines, with slight changes to reflect their wider and different coverage.

Appendix B Survey

Background on survey link

In 2016 the Government announced Sunday 25 December as a public holiday. In that year there was also a substitute public holiday for Christmas Day on 27 December.

The Government is now considering introducing a permanent solution by appointing Christmas Day as a public holiday when it falls on a Saturday or Sunday, in effect there will be two public holidays for Christmas in those years. This survey is to get feedback about the impact of making Christmas Day as a public holiday when it falls on a weekend.

Your input will be helpful in informing public policy affecting all Victorians.

The survey should take approximately 5 minutes to complete.

We respect your privacy and all responses will remain confidential and anonymous. Your data will be aggregated with other people's responses and used for the purpose of analysis. Responses to the survey will not be reported at a level which would identify individuals or businesses.

Qualifiers

Do you currently live or work in Victoria?

- ▶ Yes, both live and work
- ▶ Yes, live only
- ▶ No

Rule: if answer no, send to disqualification page explaining the survey is for respondents that live and/or work in Victoria

Which category best describes you:

- ▶ Employer / employer representative
- ▶ Employee
- ▶ Union representative
- ▶ Other (please specify)

Separate surveys for each category, outlined below.

Employer / Employer representative

Which sector do you operate in?

- ▶ Agriculture, Forestry and Fishing
- ▶ Mining
- ▶ Manufacturing
- ▶ Electricity, Gas, Water and Waste Services
- ▶ Construction
- ▶ Wholesale trade
- ▶ Retail trade
- ▶ Accommodation and Food Services
- ▶ Transport, Postal and Warehousing
- ▶ Information, Media and Telecommunications
- ▶ Financial and Insurance Services
- ▶ Rental, Hiring and Real Estate Services
- ▶ Professional, Scientific and Technical Services

- ▶ Administrative and Support Services
- ▶ Public Administration and Safety
- ▶ Education and Training
- ▶ Health Care and Social Assistance
- ▶ Arts and Recreation
- ▶ Other (please specify)

Are you a small business owner?

- ▶ Yes
- ▶ No

Do you typically open on Christmas Day (25 December)?

- ▶ Always
- ▶ Usually
- ▶ Infrequently
- ▶ Never

In your industry award / enterprise bargaining agreement, do you have a Christmas Day (25 December) rate for your employees?

- ▶ Yes
- ▶ No

Rule: if no, skip following question. If yes:

Do you pay the Christmas Day (25 December) rate even if it is not a public holiday?

- ▶ Yes
- ▶ No

Did you open last year on Christmas Day (25 December 2016)?

- ▶ Yes
- ▶ No

Rule: If no, skip following question. If yes:

On Christmas Day in 2016 did you introduce a mechanism to offset any increase in cost, such as surcharge, skeleton staff, increase junior staff, owner operates etc.?

- ▶ Introduce surcharge (please specify)
- ▶ Reduce labour costs (please specify)
- ▶ Both (please specify)
- ▶ Other (please specify)

Rule: skip following two questions if answered yes to did you open last year on Christmas Day.

Did you close mainly because of?

- ▶ The four day weekend
- ▶ Extra costs of public holiday
- ▶ We are typically closed on Christmas Day irrespective of the public holiday status
- ▶ Other (please specify)

Did the announcement of the Christmas Day 2016 (25 December) public holiday change your decision to open?

- ▶ No
- ▶ Yes, why?

Do you typically have enough employees who want to work on Christmas Day to meet your business needs?

- ▶ Yes
- ▶ No

Do you think whether Christmas Day is declared as a public holiday changes your decision to open?

- ▶ Yes
- ▶ No
- ▶ Unsure

On a typical Christmas Day do you notice a change in service demand relative to a standard day of operation?

- ▶ Yes, increase
- ▶ Yes, decrease
- ▶ No
- ▶ Unsure

Employees

Which sector are you employed in?

- ▶ Agriculture, Forestry and Fishing
- ▶ Mining
- ▶ Manufacturing
- ▶ Electricity, Gas, Water and Waste Services
- ▶ Construction
- ▶ Wholesale trade
- ▶ Retail trade
- ▶ Accommodation and Food Services
- ▶ Transport, Postal and Warehousing
- ▶ Information, Media and Telecommunications
- ▶ Financial and Insurance Services
- ▶ Rental, Hiring and Real Estate Services
- ▶ Professional, Scientific and Technical Services
- ▶ Administrative and Support Services
- ▶ Public Administration and Safety
- ▶ Education and Training
- ▶ Health Care and Social Assistance
- ▶ Other (please specify)

Do you work in a small business?

- ▶ Yes
- ▶ No

Did you work last year on Christmas Day (25 December 2016)?

- ▶ Yes
- ▶ No
- ▶ Unsure

Do you typically work on Christmas Day (25 December)?

- ▶ Always
- ▶ Usually
- ▶ Infrequently
- ▶ Never

Rule: If never, skip following 3 questions. If yes:

On a typical Christmas Day do you notice a change in service demand relative to a standard day of operation?

- ▶ Yes, increase
- ▶ Yes, decrease
- ▶ No
- ▶ Unsure

If Christmas Day was made a permanent public holiday when it falls on a Saturday or Sunday, would you want to work that day?

- ▶ Yes
- ▶ No

Union representatives

Which sector do you represent?

- ▶ Agriculture, Forestry and Fishing
- ▶ Mining
- ▶ Manufacturing
- ▶ Electricity, Gas, Water and Waste Services
- ▶ Construction
- ▶ Wholesale trade
- ▶ Retail trade
- ▶ Accommodation and Food Services
- ▶ Transport, Postal and Warehousing
- ▶ Information, Media and Telecommunications
- ▶ Financial and Insurance Services
- ▶ Rental, Hiring and Real Estate Services
- ▶ Professional, Scientific and Technical Services
- ▶ Administrative and Support Services
- ▶ Public Administration and Safety
- ▶ Education and Training
- ▶ Health Care and Social Assistance
- ▶ Other (please specify)

Do businesses in your sector typically open on Christmas Day (25 December)?

- ▶ Yes
- ▶ No

If no, skip following question. If yes:

What proportion of businesses in your sector opened on Christmas Day last year?

- ▶ 10%
- ▶ 20%
- ▶ 50%

- ▶ 70%
- ▶ 100%

Typically do the businesses in your sector that opened on Christmas Day (25 December) in 2016 introduce a mechanism to offset any increase in cost, such as surcharge, skeleton staff, increase junior staff, owner operates etc.?

- ▶ Introduce surcharge (please specify)
- ▶ Reduce labour costs (please specify)
- ▶ Both (please specify)
- ▶ Other (please specify)

In regards to the businesses that closed, in general do you think they close because of?

- ▶ The four day weekend
- ▶ Extra costs of public holiday
- ▶ We are typically closed on Christmas Day irrespective of the public holiday status
- ▶ Other (please specify)

Do businesses in your sector typically have enough employees who want to work on Christmas Day to meet your business needs?

- ▶ Yes
- ▶ No

Do you think whether Christmas Day being declared as a public holiday changes whether businesses in your sector open?

- ▶ Yes
- ▶ No
- ▶ Unsure

Do workers in your sector have a Christmas Day rate in awards and enterprise bargaining agreements?

- ▶ Yes
- ▶ No
- ▶ Unsure

Rule: if no, skip following question. If yes:

Do they typically get paid the Christmas Day rate when it falls on the weekend and is not a public holiday?

- ▶ Yes
- ▶ No
- ▶ Unsure

On a typical Christmas Day does the industry you cover have a change in service demand relative to a standard day of operation?

- ▶ Yes, increase
- ▶ Yes, decrease
- ▶ No
- ▶ Unsure

Other

Rule: Answers to the following questions will be in comment boxes.

What is your occupation?

What do you think is the impact of making 25 December a public holiday irrespective when it falls on the weekend?

Survey complete

Thank you for completing this survey. While your individual responses will not be passed on, would you like to be asked to complete another survey in the future on the implementation of any reforms in this area? If so, please provide your email address in the comment box below.

Appendix C Impact analysis – cost benefit analysis methodology

Overall summary of modelling approach

- ▶ Consultation, survey analysis and previous research confirmed that the majority of industries are not open on Christmas Day, and therefore unaffected by the proposal.
- ▶ Industry categories and types of employers that are likely to operate on Christmas Day include:
 - ▶ Retail trade
 - ▶ Accommodation and food services
 - ▶ Transport, postal and warehousing
 - ▶ Electricity, gas, water and waste services
 - ▶ Information, media and telecommunications
 - ▶ Public administration and safety
 - ▶ Healthcare and social assistance.
- ▶ Due to Christmas Day shop trading restrictions already in place, much of the retail sector is likely to be closed on Christmas Day.
- ▶ Only a small proportion of those small retail businesses are expected to be operating because they already face higher wage costs due to weekend penalty rates, and some may choose to close over the Christmas period to allow for a holiday.
- ▶ A sample of the relevant awards and enterprise agreements for each industry were considered to establish modelled penalty rates and whether a Christmas Day rate exists.
- ▶ We note that the Fair Work Commission has also recently reduced the public holiday penalty rates in the Hospitality and Retail awards (except for the Clubs Award).⁹
- ▶ Gathering data of observed behaviour on an infrequent event is challenging. The last time Christmas Day was on a weekend and was not a public holiday was a Saturday in 2010. Asking survey respondents to recollect how that day was different from 2016 is problematic as respondents are unlikely to remember, may not understand the question, may not have been working in the sector at that stage and therefore, may decide to exit the survey or may answer inconsistently. The survey asked a number of questions around these issues:
 - ▶ Whether employers were open on 2016 Christmas Day
 - ▶ Whether they are typically open at Christmas
 - ▶ Whether the proposal would change decisions to open in future.
 - ▶ A combination of this data and information from the consultations and the literature review were used to develop the modelling assumptions. We note that respondents' answers on behaviour in the future needs to be tempered, as often how people indicate they will behave, differs from the behaviour observed.
- ▶ Therefore, the 2016 Christmas Day (Sunday) data was used to model both Saturday and Sunday. Under this approach, the upper range for Saturday modelling is larger than the range estimated for a Sunday.

⁹ Fair Work Commission '4 yearly review of modern awards – Penalty Rates' AM2014/30523 February 2017

- ▶ The analysis focuses on the proportion of each industry that is open on Christmas Day and that is likely to close for the day as a result of the proposal presented as a range - high, observed and low ranges:
 - ▶ The observed value for Sunday is the difference in the proportion of businesses typically 'always' or 'usually' open on a weekend Christmas Day compared with the proportion of businesses that opened on Christmas Day in 2016 supplemented with information from the consultations and the literature review.
 - ▶ The low range for Sunday and Saturday is 75 per cent of the observed value (Sunday low is the same as the Sunday low as many industries have weekend rather than Saturday and Sunday rates).
 - ▶ Sunday high is calculated by taking 75 per cent of the predicted behaviour of surveyed businesses based on their response to the question of whether or not they would close in future should Christmas Day fall on a weekend and become public holiday. We do not use the full figure reported by respondents in the survey as there is some uncertainty in how respondents actually behave compared to what they say they would do.
 - ▶ The Saturday estimated and high ranges are 125 per cent of the Sunday level, to reflect greater uncertainty as the survey considers Sunday 25 December 2016 and not a Saturday, and the increase from Saturday penalties to public holiday penalties is larger than for a Sunday.¹⁰

Approach to modelling industries

Of those that do open, the following essential 24/7 services are unlikely to reduce output as a result of an increase in wages, as they still need to provide services irrespective of whether the day is a public holiday:

- ▶ Electricity, gas, water and waste services
- ▶ Information, media and telecommunications
- ▶ Public administration and safety
- ▶ Transport, postal and warehousing
- ▶ Healthcare and social assistance.

In these sectors there is likely to be a wage transfer from employers to employees. For example, in the case of hospitals we understand that there is little change from a typical public holiday or weekend as staff are still needed to cover all specialties and most non-elective services irrespective of whether it is Christmas Day or any other weekend day.

Those industries that are open on Christmas Day and more likely to reduce output as a result of the increased wages in the proposal are:

- ▶ Retail trade (for those employers not affected by restrictive trading)¹¹
- ▶ Accommodation and food services.

The table below shows the estimated proportion of each industry that is expected to reduce economic activity on either a Saturday or Sunday in the event of a Christmas Day public holiday.

¹⁰ This is by assumption, and the analysis is based on judgement bringing together the following factors: difference in penalty rates (between Saturday and Sunday, more businesses are open on a Saturday generally, and more will be open relatively given the different in penalty rates, and Saturday businesses likely to be more responsive than Sunday given more businesses are open).

¹¹ Christmas Day is a restricted trading day under the *Shop Trading Reform Act 1996 (Vic)*. Only exempt businesses are allowed to trade on Christmas Day, including essential and emergency services (including transport), chemists, petrol stations, restaurants, accommodation, cafes, take-away outlets and hire outlets, and small businesses (less than 100 employees in total and less than 20 employees on the day).

Table 7: Reduced economic output by industry sector for modelling (%)

Saturday			
Industry	Low	Observed	High
Electricity, gas, water and waste services	0.00%	0.00%	0.00%
Retail trade	6.00%	10.00%	14.06%
Accommodation and food services	3.75%	6.25%	27.19%
Transport, postal and warehousing	0.00%	0.00%	0.00%
Information media and telecommunications	0.00%	0.00%	0.00%
Public administration and safety	0.00%	0.00%	0.00%
Healthcare and social assistance	0.00%	0.00%	0.00%
Sunday			
Industry	Low	Observed	High
Electricity, gas, water and waste services	0.00%	0.00%	0.00%
Retail trade	6.00%	8.00%	11.25%
Accommodation and food services	3.75%	5.00%	21.75%
Transport, postal and warehousing	0.00%	0.00%	0.00%
Information media and telecommunications	0.00%	0.00%	0.00%
Public administration and safety	0.00%	0.00%	0.00%
Healthcare and social assistance	0.00%	0.00%	0.00%

Source: EY analysis based on survey results and consultations and EY analysis, detailed assumptions in Table 10.

The table below outlines the increase proportion of normal daily wage from a weekend penalty rate to a public holiday penalty rate used in the modelling based on a sample of enterprise agreements and awards for each industry.

Table 8: Public holiday wage transfer by industry

Industry	% of additional normal daily wage received in the event of a Saturday becoming a public holiday	% of additional normal daily wage received in the event of a Sunday becoming a public holiday
Electricity, gas, water and waste services	100%	50%
Retail trade	125%	50%
Accommodation and food services	100%	100%
Transport, postal and warehousing	100%	50%
Information, media and telecommunications	100%	100%
Public administration and safety	50%	50%
Healthcare and social assistance	100%	100%

Source: EY analysis, detailed assumptions in Table 10.

We note the following regarding the wage transfers:

- ▶ In some industries there is already a Christmas Day penalty rate in the absence of Christmas Day being a weekend public holiday. This primarily affects hospitality workers who under the Hospitality Industry (General) Award 2010 and Restaurant Industry Award 2010 receive 150 per cent of their normal daily wage on Christmas Day. Transport worker awards such as the Road Transport and Distribution Award 2010 have similar stipulations.
- ▶ However, not all workers in hospitality are working under those awards. Many Christmas Day weekend workers are self-employed or have individual contracts with employers. Furthermore, penalty rates differ for casual employees compared to full time and part time employees as well as shift-workers.
- ▶ For simplicity in the modelling, the penalty rates have been generalised based on a literature review of a subset of awards and enterprise agreements and guided by consultation.

Calculating reduced economic output

Figure 6 outlines the method for calculating reduced economic value.

Figure 6: Foregone economic value



Reduced economic value is calculated by multiplying total factor income (TFI) in each industry by the percentage of employers likely to close when Christmas Day is made a public holiday (measured as a proportion of total output rather than employer numbers), the percentage of output produced in one day in these industries, the percentage of production not smoothed. Specifically the analysis:

- ▶ Accounts for production smoothing. In some industries output in the days immediately before the Christmas period will increase to partly offset any closure over the Christmas period. This effect called production smoothing has been developed from the literature review and discussed in the consultations¹².
- ▶ Government revenue from the TFI is added back in to reflect the full production from the industry in the absence of the proposal¹³.

Calculating wage transfers

Figure 7 outlines how average daily wages, industry employment and penalty rate differences are used to calculate the wage transfer from employer to employee as a result of being paid a public holiday penalty instead of a Saturday or Sunday penalty (for those employers that stay open).

Figure 7: Wage transfer



To measure the additional wages paid by some employers to employees, the analysis models:

- ▶ The residual proportion of employers that stayed open for each industry (i.e. One minus the proportion of industry expected to be closed over the Christmas weekend, including those that

¹² Given most of the affected industries are services we have assumed 20 per cent for information, media and telecommunications and public administration and safety industries and other industries are assumed to be 10 per cent.

¹³ This is calculated using Victorian State Accounts data ABS 5220.03.

typically close and the additional employers we expect to close as a result of the public holiday introduction)

- ▶ The employment and earnings in each of these industries using the ABS employment and wages data and the number of workers who gain increased wages
- ▶ Multiply this figure by the Saturday penalty rate, Sunday penalty rate and/or public holiday penalty rate. To measure the additional wages the analysis will take the difference between the aggregate public holiday rate in each industry and the aggregate weekend penalty rate
- ▶ The proportion of normal wage costs follows an assumption that employers typically reduce labour numbers of the weekend to partly offset penalty rates. We have used the assumption of 5/7 following the Easter Sunday RIS.¹⁴This has been broadly consistent with consultations
- ▶ Adjusted average daily earnings have been calculated by dividing the average weekly earnings in each industry within Australia by 5, assuming workers work on average 5 days a week. This figure then has also been reduced by 5 per cent to account for the penalty rates that may be captured in the weekly average earnings data¹⁵
- ▶ For simplicity, we have not included Christmas bonuses in in the modelling.

¹⁴ PWC, 'Regulatory Impact Statement on proposed new public holidays in Victoria' for Department of Economic Development, Jobs, Transport and Resources, July 2015

¹⁵ *ibid*

Table 9 below provides details of each figure used to calculate the wage transfer.

Table 9: Wage transfer data

	Electricity, gas, water & waste services	Retail trade	Accommodation & food services	Transport, postal & warehousing	Information media & telecommunications	Public administration & safety	Health care & social assistance
Adjusted average daily earnings	\$338.90	\$215.44	\$210.58	\$293.91	\$347.42	\$303.41	\$281.11
Number of full time employees	37,791	169,754	84,851	113,881	45,455	122,839	214,829
Number of part time employees	2,205	169,229	134,346	32,326	32,326	39,753	197,122
Proportion of full time employees working on a weekend	71%	71%	71%	71%	71%	71%	71%
Proportion of part time employees working on a weekend	41%	41%	41%	41%	41%	41%	41%
% of normal wage costs adjusted	70%	70%	70%	70%	70%	70%	70%

Source: ABS (2017), consultations with various stakeholders, survey, a sample of relevant awards and enterprise agreements, PWC, 'Regulatory Impact Statement on proposed new public holidays in Victoria' for Department of Economic Development, Jobs, Transport and Resources, July 2015

Calculating the benefits for leisure time

To measure the social and community benefits, the analysis discusses the impacts qualitatively based on the literature review and the consultations.

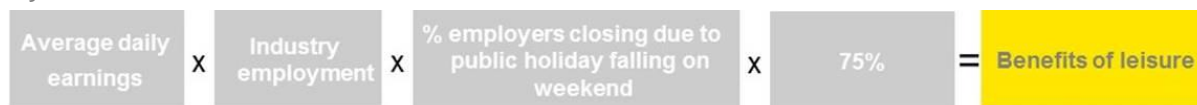
This is used to form a basis of the value of leisure time to estimate the leisure time benefits of those employees who are no longer working as a result of the proposal. This will follow logically from the previous analysis of those employers that chose to close due to the increase in wages on a weekend Christmas Day.

From the literature review the analysis forms a view of how best to value leisure time, noting that in the Easter Sunday RIS, 50-100 per cent of the average daily earnings was considered.¹⁶

¹⁶ PWC, 'Regulatory Impact Statement on proposed new public holidays in Victoria' for Department of Economic Development, Jobs, Transport and Resources, July 2015

For the purpose of this report we have calculated benefits of leisure time to be a midpoint of 75 per cent of average daily earnings of the affected industries and then calculated a range in the benefit based on estimations of the proportion of each industry assumed to reduce operation. This broadly accords with the survey results that indicated that 75 per cent of respondents who said they would prefer not to work Christmas Day if it was made a public holiday.

Figure 8: Benefits of leisure time



Detailed industry assumptions

Table 10 below outlines the assumptions made about ANZSIC categories which were used to model the costs and benefits of the proposal. Assumptions were based on data from various sources including ABS data listed at the end of this report, the previous Easter Saturday RIS¹⁷, consultations and the survey results.

- ▶ Assumptions regarding penalty rates have been made after reviewing a subset of awards and enterprise agreements in each industry
- ▶ Additional proportion of employers likely to close on a weekend public holiday have been based on industry consultation, surveys and a review of the relevant literature
- ▶ Of the awards analysed, many of the penalty rates within the awards have been generalised for the purpose of this report. In many awards workers receive a particular penalty rate for the first three hours of work and then a higher penalty rate for the hours worked after that. There are also different penalty rates for casual workers compared to full-time and part-time workers.

Table 10: Summary of key assumptions for industries

ANZSIC Category	Assumed Saturday to public holiday penalty rate increase modelled	Assumed Sunday to public holiday penalty rate increase modelled	% of industry assumed to be open in a base case	Comments
Electricity, Gas, Water and Waste Services	100%	50%	10%	<p>We reviewed a sample of awards and wage agreements and found a range of penalty rates awarded to workers on a Saturday to be between 0% and 150%, on a Sunday to be between 0% and 200% and on a public holiday to be between 150% and 250%. We have also found some agreements to include a Christmas Day penalty rate of 50% on top of the weekend public holiday rate.</p> <p>From the review we have assumed the increase of penalty rates from a Saturday to a public holiday penalty rate to be 100%, and from a Sunday to a public holiday penalty rate to be 50%. It has been assumed as this industry is an essential service likely to already be operating on skeleton staff, there would be no additional change in business operation.</p>
Retail trade	125%	50%	15%	Wage agreements within this sector suggested a range of penalty agreements on a Saturday to be between 125% and 200%. On a Sunday penalty rates varied between 150% and 200%. On a public holiday penalty rates ranged between 225% and 250%.

¹⁷ PWC, 'Regulatory Impact Statement on proposed new public holidays in Victoria' for Department of Economic Development, Jobs, Transport and Resources, July 2015

ANZSIC Category	Assumed Saturday to public holiday penalty rate increase modelled	Assumed Sunday to public holiday penalty rate increase modelled	% of industry assumed to be open in a base case	Comments
				From the review we have assumed the increase of penalty rates from a Saturday to a public holiday penalty rate to be 125%, and from a Sunday to a public holiday penalty rate to be 50%.
Accommodation & Food Services	100%	100%	37%	<p>A review of the awards showed a range of penalty rates between 125% and 150% on a Saturday, between 125% and 175% on a Sunday and between 225% and 250% on a public holiday. This industry also has wage agreements with a Christmas Day penalty rate of 150%.</p> <p>From the review we have assumed the increase of penalty rates from a Saturday to a public holiday penalty rate to be 100%, and from a Sunday to a public holiday penalty rate to be 100%.</p>
Transport, postal & warehousing	100%	50%	24%	<p>Penalty rates on a Saturday in this industry ranged from 0% to 200 on a Saturday and Sunday and from 0% to 250% on a public holiday.</p> <p>From the review we have assumed the increase of penalty rates from a Saturday to a public holiday penalty rate to be 100%, and from a Sunday to a public holiday penalty rate to be 50%.</p> <p>Sample size in the survey for the transport sector was small. We have based our proportion of business expected to be open on a Christmas Day public holiday on available literature and consultation.</p> <p>It has been assumed as this industry likely to already be operating on skeleton staff, with minimal changes in business operation.</p>
Information media & telecommunications	100%	100%	15%	<p>Penalty rates in this industry ranged from 150% to 200% on a Saturday, and Sunday and up to 250% on a public holiday.</p> <p>From the review we have assumed the increase of penalty rates from a Saturday to a public holiday penalty rate to be 100%, and from a Sunday to a public holiday penalty rate to be 100%.</p>
Public administration & safety	50%	50%	50%	<p>Penalty rates in this industry on a Saturday ranged from 0% to 200%, on a Sunday from 175% to 200% and on a public holiday up to 250%.</p> <p>From the review we have assumed the increase of penalty rates from a Saturday to a public holiday penalty rate to be 50%, and from a Sunday to a public holiday penalty rate to be 50%.</p> <p>Sample size in the survey was small. We have based our proportion of business expected to be open on a Christmas Day public holiday on available literature and consultation. It has been assumed as this industry is an essential service likely to already be operating on skeleton staff, with minimal changes in business operation.</p>
Healthcare & social assistance	100%	100%	50%	<p>Penalty rates on a Saturday ranged between 150% and 175% on a Sunday and between 150% and 200% on a public holiday.</p> <p>From the review we have assumed the increase of penalty rates from a Saturday to a public holiday penalty rate to be 100%, and from a Sunday to a public holiday penalty rate to be 100%.</p>

Source: ABS (2017), PWC, 'Regulatory Impact Statement on proposed new public holidays in Victoria' for Department of Economic Development, Jobs, Transport and Resources, July 2015, consultations with various stakeholders and survey

Data

The below table details the data used, its source and how it is used to measure the two quantitative factors of interest highlighted above.

Table 11: Data summary

Data	Source	How the data is used
Victorian Gross State Product (GSP)	Australia Bureau of Statistics State Accounts, Victoria, ABS 5220.03, released November 2016	<ul style="list-style-type: none"> ▶ Total factor income (TFI) is disaggregated by industry to build an understanding how each industry contributes to total state GSP ▶ A sum of each loss incurred in each Victorian industry a result of a public holiday falling on a weekend is calculated to generate a figure for reduced economic loss
Average Weekly Earnings by Industry	Australian Bureau of Statistics, Average Weekly Earnings, Australia, ABS 6302.0, released February 2017	<ul style="list-style-type: none"> ▶ Used to calculate weekly earnings of workers affected by changes in penalty rates
Penalty Rates	Australian Fair Work Ombudsman industry and occupation awards ¹⁸ A sample of large enterprise agreements	<ul style="list-style-type: none"> ▶ Used to calculate changes in wages as a result of making Christmas Day a public holiday ▶ Distinguishes between rates on Saturdays and Sundays ▶ Some adjusted in terms of application from consultations
Number of full time and part time workers in each industry within Victoria	Australian Bureau of Statistics, Labour Force, Australia, Detailed, Quarterly, Table 05. Employed persons by State, Territory and Industry division of main job (ANZSIC), ABS 6291.0.55.003, released March 2017.	<ul style="list-style-type: none"> ▶ Used to calculate the number of workers affected within each industry by public holiday changes

¹⁸ Awards listed can be downloaded at <https://www.fairwork.gov.au/awards-and-agreements/awards/list-of-awards>

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