



# Why the UK can afford a Community Day

The economic case for a new public holiday with a community  
and volunteering theme

## **1: Introduction**

This paper explores the economic case for creating a new public holiday. This case is strengthened greatly by the TUC/voluntary sector joint proposal to create a new Community Day holiday. A new public holiday in the autumn with a theme of celebrating and promoting community and voluntary activity would create something that would be of substantial value to society.

The work done by voluntary and community groups is inherently valuable, and also generates beneficial spin-offs in the shape of greater social cohesion and the development of those taking part.

It is also true that many leisure and retail businesses are boosted by public holidays. This is a fact that is missed by those simplistic commentators who assert that a new public holiday would be solely a cost to business.

The TUC's analysis is that the introduction of a well-planned Community Day public holiday could make the benefits to business close to or even equal to the costs.

Given that the introduction of Community Day would also bring benefits to workers and to society as a whole, the case for introducing the new public holiday is now overwhelming.

## **2: How did we come to have public holidays?**

Before the industrial revolution a large number of religious holidays and other traditional holidays such as May Day were widely celebrated. The advent of the industrial society and widespread factory work in the early nineteenth century greatly increased working hours and swept away all of these public holidays except Christmas Day and Good Friday, which were the most important days of Christian worship.

Trade unions and social reformers spent much of the rest of the century trying to improve working conditions from their low point in the 1820s. In 1871, just 3 years after the TUC was formed, Prime Minister Gladstone introduced 4 new public holidays in England and Wales and 3 in Scotland.

More recently, in the 1970s the government saw new public holidays as a way of allowing workers a greater share in the nation's prosperity:

- 1973 - 2 January was made an additional bank holiday in Scotland
- 1974 - New Year's Day made an additional bank holiday in England, Wales and Northern Ireland, and Boxing Day became an additional bank holiday in Scotland.
- 1978 - the first Monday in May in England, Wales and Northern Ireland, and the last Monday in May in Scotland made additional bank holidays.

In addition, in 1971 and 1978 new rules were introduced allowing substitute days for Christmas Day, Boxing Day and New Years Day holidays that fall on the weekend. This measure added about half a day a year to the average employee's public holiday entitlement.

### **3: Support for a new public holiday**

The time is now right to plan for a new public holiday. Most people certainly want more time off, and would overwhelmingly support the creation of a new public holiday. A TUC online poll drew 20,000 responses, 99% of which were in favour. The most popular time for a new holiday would be during the autumn half term break.

Early this year, travel agent Thomas Cook presented the Government with a petition of half a million signatures supporting the creation of a new autumn holiday.

### **4: Introduce the new bank holiday in a period of economic strength**

But can the UK afford to think about a new public holiday during the current economic slowdown? The question of timing will be important in making Community Day a success. The new public holiday would not be introduced until the next economic upturn.

The fact is that a Community Day holiday would need some lead-in time to allow businesses, community and voluntary organisations and trade unions to prepare. For Community Day to deliver all its promises, our partners in the community and voluntary sector would need to know the date of the new holiday at least a year in advance and preferably somewhat longer. An event that will involve millions of people needs a lot of planning.

Although the next year will be difficult, we do not expect the economic upturn to be too far away. The Bank of England has predicted that the slowdown will be quite short, with the economy likely to turn up again by the end of 2009<sup>1</sup>. Meanwhile, the Treasury's roundup of independent economic forecasts suggests that the 2.5 per cent Gross Domestic Product growth that we enjoyed in 2007 will fall to 1.6 per cent in 2008 and 1.4 per cent in 2009 before bouncing back up to 2.3 per cent in 2010<sup>2</sup>.

### **5: We have fewer public holidays than most other countries**

It is worth remembering that the UK has a relatively small number of public holidays in comparison with many of our European trading partners - only Romania has fewer days<sup>3</sup>.

International comparisons should be treated with some care, since public holidays may have a slightly different basis in law and culture in other countries, whilst the USA is notorious for having very small annual leave entitlements. Nevertheless, it is worth noting that the UK has fewer public holidays than France or Germany,

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<sup>1</sup> 'Quarterly Inflation Report', Bank of England, August 2009, p6

<sup>2</sup> HMT roundup of independent economic forecasts for the UK Economy (July 2008) for 2008/2009 median forecasts made in the last 3 months. The latest forecasts for 2010 were published in HMT's May roundup.

<sup>3</sup> The EU average is 11 public holidays. Romania is bottom the league with just 5 days per year. The UK and the Netherlands both have 8 days.

and indeed fewer than the EU countries as a whole (see table below).

***Public holidays in EU countries and USA.***

Country	Days	Country	Days	Country	Days
France	11	EU-27	11.9	GB	8
Germany	13	USA	10	Northern Ireland	10

Sources: Start-In-Business, Income Data Services, Trade union centres

**6: A new bank holiday would just be a pebble in the big pond of the UK economy**

It is worth remembering that the UK is a wealthy country. The table below shows that the UK has the 12<sup>th</sup> highest income per person in the world. Although we should aim to improve this ranking and catch up with countries like Norway and Denmark, it is worth noting that both our incomes and economic output per head are both now higher than those of people in France, Germany and Italy.

The UK has enjoyed over a decade of continuous growth and, despite our current economic worries, still currently sustains both record levels of profitability, with a healthy 15.3 per cent average net rate of return<sup>4</sup>, and record levels of employment, with a healthy 29.6 million people in work<sup>5</sup>, yet we have one of the lowest public holiday entitlements in the world and we have not had new public holiday since May Day was created in 1978.

***GDP and gross income per person – rankings for selected countries***

	GDP per person-world ranking	Gross income per person – world ranking
Luxembourg	1	1
Norway	2	2
USA	3	3
UK	11	12
France	16	19
Germany	18	18
Italy	19	21

OECD World Fact Book 2008,

**7: Workers are producing more for their employers**

There is a long-running historical trend for employers to become more efficient, harnessing new technology, and more recently particularly information technology, to produce more with less labour input. This has often led employers to prefer to grant more time off rather than simply to pay higher wages.

Labour productivity in the UK has been growing on average by just over 2 per cent per year. The speed of increase in productivity in the last 30 years has been such that the real value of the average worker's output has increased by 69.6 per

<sup>4</sup> National Statistics First Release: Profitability of UK companies, 1st quarter 2008, p1

<sup>5</sup> Latest figures for June 2006, National Statistics Website,

cent<sup>6</sup>, which would swamp the small decrease in the working year<sup>7</sup>.

### **8: Spending on leisure has been increasing – which benefits many employers**

However, a new bank holiday would not just be good news for employees, as there would be solid benefits for many employers as well. Some customer-facing industries, such as tourism, hotels, bars and restaurants and transport, do very well on public holidays, which deliver higher takings. Many people want to spend more than usual to make their bank holiday a special occasion.

The Government's VAT Registration Statistics suggest that these sections account for nearly a million UK businesses, which represents more than 1 in 5 per cent of the total (22.2 per cent)<sup>8</sup>.

These sectors have already benefited from the sustained growth in real disposable incomes in the recent years. The tables below look at the official data on household spending. This shows the increased percentage of growing household incomes being spent in the sectors most likely to benefit from the creation of a new bank holiday.

#### *Proportion of household income spent on sectors likely to benefit from a new public holiday – social trends*

	Recreation and culture	Restaurants and hotels	Transport	All
1971	9%	10%	12%	31%
2005	12%	12%	15%	39%
Change	+3%	+2%	+3%	+8%

Source: 'Social Trends' ONS 2007, p72, table 6.2

#### *Proportion of household expenditure spent on leisure goods and services*

	1987	1996/7	2006
Per cent of all household expenditure	15%	16%	19%

Source: 'Family Spending', ONS, 2007, p3, table A

It would therefore be cutting with the grain of the recent development in the UK economy to plan for further growth in these sectors, as these trends are likely to continue.

Furthermore, the UK tourism industry has benefited from the combination of the long-term growth in real earnings and in paid leave entitlements, which included the new public holidays created in the 1970s. The total average paid holiday

<sup>6</sup> Output per worker 1978 = 63.5, spring 2008 = 107.7 (2003 = 100).

<http://www.statistics.gov.uk/statbase/TSDdownload.asp>

<sup>7</sup> 0.3% to 0.4% of the working year, depending on the assumptions made about application to part-time workers

<sup>8</sup> Source: Department of Business Enterprise and Regulatory Reform Small Business Service VAT statistics

entitlement for a full-time employee has risen from 16 days in 1971 to 33 days in 2007<sup>9</sup>.

Most people will only travel abroad for a holiday of a week or a fortnight<sup>10</sup>. However, they often supplement their main holiday with short breaks and days out.

The value of 'days out' is often underestimated, yet single day leisure visits actually contribute £90 billion worth of spending to the economy in England alone. Nearly 1 in 6 people surveyed (17%) report that they have had a single day leisure visits in the last 2 weeks, which adds up to 3.6 billion days out per year at an average spend of £25.09 per person per visit<sup>11</sup>.

Shopping, in particular, has increasingly become a leisure activity in the last twenty years. For example, Bluewater advertises itself as 'the leading shopping *and leisure* destination in Europe'. Whilst other more specialist retail operations such as Clarks Village in Somerset and Botany Bay in Lancashire are also successful tourist destinations in their own right. This trend towards leisure retail makes it more likely that the sector would benefit from a new public holiday.

It follows that one particular strength of balancing growing annual leave entitlements with an extra public holiday would be that it is likely that most of the benefits from extra spending would go directly to UK businesses.

### **9: A new public holiday would generate some human resource benefits for business**

Looking beyond the businesses that directly benefit from increased trading on public holidays, there is also likely to be some modest but real personnel benefits to all businesses, but particularly to those with the least generous leave entitlements at the moment. These benefits would include better per hour labour productivity, health, motivation and retention.

A large body of literature on work-study suggests that proper holiday entitlements are likely to be good for productivity. Tired workers produce less per hour and make more mistakes.

Employers with poor holiday entitlements are also see likely to see some improvement in their workers' attendance. For time-poor employees in particular, the introduction of a new public holiday is likely to lead to a small increase in health and a slight drop in absenteeism. More recent academic work suggests that every extra day of holiday may decrease absence by 0.05 days per person<sup>12</sup>. These

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<sup>9</sup> Department of Employment and BERR figures. Both include public holidays, which most employees get as paid time off.

<sup>10</sup> ONS Travel Trends 2006, p13, fig 8.

<sup>11</sup> Source for figures – 'England Leisure Visits Survey', Natural England, 2006.

<sup>12</sup> M. Ercolani and M. Robson, "Does Raising the Pay of Low-Wage Employees Reduce their Rate of Sickness Absence? Evidence from the Impact of Minimum Wage Legislation.", paper to the Royal Economic Society annual conference, April 2007

personnel benefits would help to offset the costs to businesses that do not gain directly from the increase in trade.

### **10: A new Community Day holiday would generate valuable additional benefits for all of us**

The TUC and the main voluntary sector organisations<sup>13</sup> are proposing the creation of a new Community Day public holiday that would encourage people to celebrate and take part in community and voluntary activity. This would have significant economic benefits for the UK.

We propose that Community Day would be held on the last Monday in October. This would be an event that would draw for its tone on national celebrations like the Millennium, local Town Fairs and big charity events like Comic Relief and Children in Need. Within a framework of communities coming together to celebrate and enjoy themselves, it would be a chance for all the local community and voluntary sector groups to promote what they do.

The new holiday would be expected to generate a significant amount of additional voluntary and community activity that will offset the cost of a new holiday. The TUC estimates that Community Day could have an 'on the day' effect worth up to £250 million<sup>14</sup>. This is based on a conservative estimate of approximately 10% of the adult population taking an active role in Volunteers Day (in reality, of course, many children may also play a part).

However, the day will also play a major role in building community activity in the longer term. Our initial view is that we might expect the 'second round effects' of the day to double its overall economic value, taking the overall value of the day to £500 million.

The benefits are also likely to include some improvement in the health of the volunteers. A CSV survey<sup>15</sup> found that nearly half of those responding said that volunteering combated stress and depression, whilst a similar number said that volunteering has improved their physical health and fitness, whilst 1 in 5 also said that volunteering had helped them lose weight. The beneficial health effects for young volunteers under the age of 25 were even more pronounced, and this age group also said that volunteering helped them to cut down on alcohol and tobacco.

These health effects are likely to be quite valuable. The UK Government plans to spend £96.6 billion on health this year<sup>16</sup>. To highlight just a couple more statistics, 1 in 5 people in the UK are obese, which is the second highest incidence of obesity

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<sup>13</sup> Our partners are the CSV, NCVO, NAVCA and Volunteering England

<sup>14</sup> Based on 5 million volunteers x 5 hours @ £10 per hour

<sup>15</sup> Make Difference Day Survey, (ICM Research for CSV, 2004)

<sup>16</sup> Department of Health Departmental Report 2006, p32

amongst the EU states<sup>17</sup>. We estimate that an improvement of one tenth of one per cent in the health of the UK population is likely to be worth about £100 million to the National Health Service.

Furthermore, the skills and discipline developed through volunteering and community activity can often help people to return to paid employment, a fact that was recognised by the Government when it established the Environmental Task Force and Voluntary Sector options in the New Deal.

It has also been reported that employed volunteers develop new skills that they can use at work, such as teamwork, communications, leadership and project management<sup>18</sup>.

It is also likely that there will be synergy effects as groups of people come together for the first time to form new networks. Given that a significant minority, perhaps about 1 in 3, of those who are involved in community and voluntary activity cite potential career benefits as a motivation<sup>19</sup> we should not underestimate this effect. When we conclude our careers we can now expect to enjoy about 20 years of well-earned retirement. As life expectancies have increased, the voluntary organisations that support elderly people have also grown in importance.

A big event like Community Day would also generate heightened knock-on benefits to retail, hospitality and travel by stimulating activity beyond the impact of a normal public holiday.

Thus, the ongoing benefits to the UK economy and to public spending of Community Day in terms of voluntary labour, improved health, skills development and social cohesion should more than compensate for an on the day loss to UK business. And, of course, these benefits will be repeated, enhanced and built upon year after year as Community day is repeated.

## **Conclusions**

UK workers have been doing more and more for their employers in terms of increasing productivity, yet we still have a very low public holiday entitlement compared to most other countries. We deserve a new holiday

Public holidays directly benefit 1 business in 5 through increased trading. Many other businesses would enjoy some offsetting personnel benefits, especially those who currently have low annual leave entitlements. Business can easily afford a new public holiday, although to be on the safe side we should take care to introduce it during the period of economic recovery, which is expected to be well underway by 2010.

Designating the new public holiday as community day would bring real benefits

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<sup>17</sup> ONS report on OECD study: ukhs2\_tables\_10\_rel1.xls

<sup>18</sup> See, for example, the Institute of Volunteering Research study of employee volunteering at Barclay's Bank, <http://www.ivr.org.uk/barclays.pdf>

<sup>19</sup> See, for example, the 2004 survey by Do-it.org.uk, the volunteers' vacancy website



to society in terms of generating more community and voluntary activity. This would have some valuable spin off benefits that would help both workers and employers.