



Impacts of proposed Grand Final public holiday

August 2015

PROPOSED NEW PUBLIC HOLIDAY ON GRAND FINAL FRIDAY IS A COST TO BUSINESSES AND THE VICTORIAN ECONOMY

Ai Group's latest research survey of Australian businesses suggests that three quarters of businesses with operations in Victoria will close for the entire day if the Friday before the AFL Grand Final is declared a public holiday.

On average, surveyed businesses who expect not to open on the new public holiday anticipate losing \$15,800 in income for the day. This result points to a cost to the Victorian economy of at least \$1 billion worth of lost or deferred sales per year. Further, businesses that expect they would close for the entire day would still have to pay staff an average of \$9,000 without corresponding sales revenue or production, equivalent to about \$500 million in wages and salaries and social contributions in total.

Businesses that expect to remain open if the new public holiday was declared anticipate incurring an average of \$6,700 of additional costs on the day, mainly due to increased salaries and wages from public holiday penalty rates.

These findings echo the recent regulatory impact modelling by Price Waterhouse Coopers (PwC) (commissioned by the Victorian Government), that estimated the loss of economic activity due to the proposed public holiday will be between \$680 million and \$852 million per year. On top of that, PwC estimates that Victorian employers will pay additional wages of between \$117 million and \$147 million in penalty rates due to the public holiday, if they chose to open for business on that day.

Expected effects on business operations

Three quarters of respondents to Ai Group's survey that have some operations in Victoria would close for the entire day, if the Friday before the AFL Grand Final is declared a public holiday. This year, the AFL Grand Final is scheduled for Saturday 3 October 2015, so if it is enacted, the new public holiday would fall on Friday 2 October. Among the businesses responding to the survey:

- 77% of Victorian-headquartered businesses expect they would stop operating on that day. 71% of firms that are headquartered in other states but have some operations in Victoria also expect they would close for the whole day.
- 78% of large businesses with 200 employees or more, 75% of medium (with 20-199 employees) and 74% of small (with fewer than 20 employees) businesses would expect to close for the entire day.
- Almost 80% of manufacturers and 71-72% of services and construction businesses expect they would close completely on that Friday.

On the basis of these results, we calculate that **roughly 158,000 employing businesses with operations in Victoria will be closed for the entire day.**¹

Within the 25% of respondents (or equivalent to about 55,000 employing businesses across the state) that would stay open on the AFL Grand Final Friday:

- 44% (or around 24,000 employing businesses) would **open with all staff as normal**, while
- 54% (or nearly 31,000 employing businesses) would **reduce staff numbers and/or their hours of operation**.

Estimated effects on sales

Almost one third of all business respondents expect their sales would decline for the day if the Friday before the AFL Grand Final became a public holiday. On average, these businesses anticipate losing **sales of an average of \$15,800** for the day (weighted average based on the number of employing businesses).

This implies **at least \$1 billion of reduced sales** in Victoria for the day (weighted by the number of employing businesses and assuming one third of all employing businesses in Victoria would experience a decline in sales as suggested by this survey).

Similarly, modelling by PwC commissioned by the Victorian Government as part of its *Regulatory Impact Statement on Proposed New Public Holidays in Victoria* (released in July) estimated the total loss of economic activity at between \$680 million and \$852 million per year if the Friday before the AFL Grand Final is declared a public holiday.

¹ This is based on the following: there were 212,761 employing businesses in Victoria as of 30 June 2014. Among these employing businesses, 94% (or 199,184 businesses) had 1-19 employees (i.e. small), while 12,629 firms employed between 20 and 199 staff (i.e. medium) and 948 firms had 200 or more employees (i.e. large) (see Table 1).

Small businesses would expect to lose sales/production of around \$12,000 on average for the day. Medium sized respondents anticipate lost sales of \$45,000, while large businesses think they will miss sales/production of almost \$350,000 on average.

In contrast, only **2% of the respondents would expect to earn additional income** from this proposed public holiday, with gains of **an average of around \$27,000 in extra sales** for the day. This likely reflects a potential increase in tourism, hospitality and retail income for a limited number of Melbourne-based businesses. Of course, these businesses would also incur additional wage costs due to extra penalty rates/loading so they may not necessarily earn a profit from the added sales income.

Estimated additional costs

Four fifths of the respondents to the survey would expect to incur additional costs, if the AFL Grand Final Friday was declared a public holiday.

For businesses who expect to be **closed for the entire day, the additional costs are anticipated to be around \$9,000 on average** (weighted by the number of employing businesses). This represents wages/salaries that still have to be paid to employees but without the corresponding sales or production that would have otherwise been earned (also see above).

- Large businesses would expect to incur the most extra expenditure, averaging \$90,000 for the day. On average, medium sized firms would expect \$13,500 additional costs on average and small businesses expect to fork out \$8,400 for the day.

To put these numbers into perspective, among the 2.97 million workers in Victoria as of May 2015, around 587,900 people work in industrial sectors such as manufacturing (288,400) and construction (250,600) (ABS original data). Another 876,000 people work in business services sectors like professional (275,100), administrative (149,900), transport (158,300), wholesale trade (113,700) and financial services (107,200).

Most of these businesses, as well as public-sector dominated industries like education (242,400 people) and public administration (149,900), are most likely to close for the entire day, but will have to pay staff salaries and wages nonetheless (see Table 1).

This implies an estimated total bill of around \$500 million in wages and salaries (and related labour on-costs) that must be paid to employees by Victorian businesses, organisations and Government agencies that will not be open on the Friday before the AFL Grand Final.²

² This is based on total wages and salaries and social contributions of employees in Victoria of \$167.2 billion in 2013-14 (ABS data), averaging almost \$666.0 million per day, with 251 working days in the year. Our survey suggests three quarters of businesses with operations in Victoria will close for the entire day if the Friday before the AFL Grand Final is declared a public holiday, equivalent to around \$500.0 million.

For businesses that would expect to open with all staff as normal or reduced staff numbers and/or hours, the additional costs are expected to be about \$6,700 on average for the day (weighted by the number of employing businesses). Most of this amount represents increased labour costs arising from the additional 50-150% public holiday penalty rates that must be paid to employees who work on that day.

In addition, PwC estimated that operating businesses will pay additional wages of between \$117 million and \$147 million to employees in total due to public holiday penalty rates that will apply on the Friday before the AFL Grand Final.

- Large businesses expect to incur the most extra costs, averaging \$83,000 for the day largely due to penalty rates. Medium (\$12,000) and small businesses (\$6,000) also expect increased expenditure as they pay additional salaries/wages.
- Manufacturers expect to incur an additional \$39,000 on average for the day, while services firms would expect almost \$16,000 extra costs. A number of small services respondents also noted that the owners would staff the shops/businesses for the AFL Grand Final Friday if it were declared a public holiday. Construction firms would expect to incur \$10,000 extra expense on average for the day.
- Higher expected additional costs for manufacturers likely reflect their bigger employment size, with an average of 21 people working in a typical Victorian manufacturing business. This compares to an average of 15 employees for a service business in Victoria and only 7 employees for an average construction firm (calculated using ABS data).

Consumer services sectors such as retail trade (317,200 employees in Victoria) and hospitality (205,000 employees in Victoria), as well as essential sectors like healthcare (including hospitals and aged care facilities, with 347,500 employees Victoria) are likely to remain open with full or reduced staff or hours and to pay additional salaries and wages due to penalty rates.

Quotes from businesses about 'Football Friday'

"The direct cost to us will be a touch over \$ 8000. Not to mention what it will cost the state for all those government employees who are rostered to work that day and now I assume will be paid double time and a half. Whilst this year it would be offset by ANZAC day not being a public holiday, it will become an entitlement that will endure forever. When was the last time an opposition went to the polls and promised to repeal a public holiday? And won? My previous attempt to outsource design services overseas is once again on the agenda at the expense of local employment."

"As a National Business located in Melbourne we are already at a disadvantage as against other states, given we have a higher number of state-based public holidays. We need to have staff working these 'public holidays' days as we need to cater for our clients interstate. These days come at a significant cost to us in terms of additional salary but it is the productivity that's lost through this that concerns me most...What we don't want or need right now is for Governments to be rolling over to placate the few which places the many in harm's way or at risk."

"We have to balance the same or increased throughput via a short week, with additional staff requirements and overtime."

"Our average hourly cost of labour is expected to increase by 0.685% as a result. This includes working 7.6 hours overtime, at time and a half, to get the same work done."

"Overtime may be required at penalty rates on other days to meet production requirements."

"We need to harmonise holidays across different states in Australia to minimise unnecessary disruption to businesses."

"This is an additional cost to our business which will provide no economic or social benefit. It is just before Christmas and manufacturing will be racing to complete jobs before the summer shutdown. It is ill timed and unnecessary. Whilst the AFL Grand Final is an important sporting day, it is hard to see the economic benefits of having a public holiday."

"We will still need to put someone on call as we are a national company."

"Costs of employing staff that we will have to pay even if they do not work that day."

"Depends on demand - we may need overtime in the following week to catch up on production."

"Disruption of service and supply to non-Victorian distributors."

"This will result in backlog of production at our busiest time of year."

"This does not affect us directly but the majority of our sub-contractors are based in Melbourne. This will in turn affect turnaround and production schedule."

"As the owner I will have to personally manage the phones for interstate / international customer

/ supplier queries on the day.”

“Expected loss of sales and production for a day because of this.”

“We have no ability to recover the costs and lost sales in the current soft market conditions.”

“We are heading in to the busy season in October for our national hub warehouse and pre-delivery centre. This will be very negative on productivity and profitability.”

“We will try to get other tradesmen on site if someone wants the long weekend off.”

“We supply Australian customers from our centralised warehouse. This proposed holiday means no deliveries or sales to interstate customers for the day.”

“Our major customers are based interstate. We have no option other than to remain open for the day and pay penalty rates or lose business.”

“As an owner and manager of three companies I know first-hand the cost of these extra public holidays will be jobs. Government decisions like these are pushing manufacturers out of Australia.”

Table 1: No. of businesses and employees in Victoria

Industry	Number of employing businesses (2014)	Employment (2015) ('000, 4-qtr average)
Agriculture, Forestry & Fishing	12,477	84.9
Mining	367	11.2
Manufacturing	13,708	286.1
Electricity, Gas, Water & Waste Services	771	35.7
Construction	35,568	241.1
Wholesale Trade	11,959	110.4
Retail Trade	20,653	327.2
Accommodation & Food Services	16,303	198.0
Transport, Postal & Warehousing	10,278	150.9
Information Media & Telecommunications	1,870	63.5
Financial & Insurance Services	8,276	109.4
Rental, Hiring & Real Estate Services	7,036	46.2
Professional, Scientific & Technical Services	29,150	257.1
Administrative & Support Services	9,068	99.5
Public Administration & Safety	787	151.3
Education & Training	3,264	237.9
Health Care & Social Assistance	13,172	346.5
Arts & Recreation Services	2,422	68.3
Other Services	12,658	108.6
Total	212,761	2,933.8

Source: ABS *Labour Force, Australia, Detailed, Quarterly*, May 2015; ABS *Counts of Australian Businesses, including Entries and Exits*, Jun 2010 to Jun 2014.

Appendix: Survey question and respondents

In June 2015, CEO's and managers from around 160 Australian businesses answered this survey question:

The Victorian State Government plans to introduce an additional state-wide public holiday on Friday 2 October 2015, the day before this year's AFL Grand Final. Public holiday penalty rates would apply for employees working on this day.

If you have any business interests in Victoria, how will this additional public holiday affect you? (Please select any responses that apply to you):

Close for the entire day		Additional costs for the day? By how much? \$ _____	
Stay open but reduce staff numbers and/or hours		Additional sales for the day? By how much? \$ _____	
Stay open with all staff as normal		Reduced sales for the day? By how much? \$ _____	
Other effects on business (please specify):			

Table 2: Ai Group survey respondents, June 2015

	No. of respondents	% of total respondents
Manufacturing	69	42.9
Services	48	29.8
Construction	44	27.3
Small (<20 employees)*	67	52.4
Medium (20-199 employees)*	52	40.6
Large (200 employees or more)*	9	7.0
<i>Average employment number</i>	<i>54</i>	
Victoria (head office)	113	70.2
Rest of Australia (head office)	48	29.8
Total	161	100.0

* Excludes businesses that did not disclose their staff numbers

Appendix: business feedback via our Ai Group Blog

In addition to this survey, Ai Group collected comments from affected businesses through our online Blog. We asked businesses 'What impact will these additional public holidays have on your business?' Responses were posted on our Blog between March and May 2015.

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