



The average bank holiday costs the economy £2.3 billion. Do we really need so many?

The average employee in the UK working full time works 1,647 hours a year. The average Korean works 2,191. That's the equivalent of working nearly 4 more months a year at the British rate. Even the average US worker works more than we do at 1,695 hours a year. Only in the decadent European economy do people work shorter hours than in the UK.

One of the reasons why we work such short hours is our bank holidays. In a regular year, there are eight bank holidays in England and Wales and 261 weekdays. The bank holidays mean that eight of these 261 weekdays, or 3% of weekdays, are taken as time off by many workers. This puts downward pressure on productivity and hence GDP.

On the other hand, people often use bank holidays to spend money – for example the Easter holidays are the peak time for spending on garden equipment and DIY.

The sectors that lose from bank holidays are offices, factories and construction sites.. These sectors account for about 47% of the economy. Those that gain are retail, wholesale, hotels and restaurants. These sectors account for about 14% of the economy.

Quantifying the effects of bank holidays on the economy is difficult.

Our rough and ready calculations show that if the eight regular bank holidays were cancelled in an average year, annual GDP would rise by about 1.3%, or £19 billion. This means that each regular bank holiday makes annual GDP about 0.16% lower than it otherwise would have been. In a normal year, each of the eight regular bank holidays will result in £2.3 billion of forgone GDP. The two Easter bank holidays we are all currently enjoying come with a price tag of 0.3% of GDP, about £4.7 billion.

But this is not a normal year. With an economy teetering on the brink of recession there is a lot of slack around and the productivity lost over Easter will probably be made up at other times in the year. Though with disposable incomes under threat, the additional spending this year is also probably scaled down from the usual level.

Special one-off bank holidays, such as the upcoming Jubilee, weigh less heavily on the economy than the eight normal bank holidays. This is because the tourism sector can get some benefit from additional foreign visitors and consumption might also be boosted by more than on a regular bank holiday. Nevertheless, these special bank holidays depress GDP as well – the Department of Culture Media and Sport estimates that the Royal Wedding last year cost the UK £1.2 billion or 0.08% of GDP.

Should we reduce the number of Bank Holidays and make Easter Monday a working day as in the US? This is more a social than an economic judgement. Money is not the only thing and a healthy lifestyle needs time off to reflect and relax. We probably had too many bank holidays in April and May last year, when the combination of the Royal Wedding and late Easter combined with the May Day and early summer bank holiday to give 5 bank holidays in roughly as many weeks. Because people took annual leave to bridge over some of the holidays, business lost momentum and this probably contributed to the rather weak economic performance over the year. But in a normal year 8 holidays is probably not too many – though they could be spaced out a bit better over the year.

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