

# Should government meddle in anybody's working time?

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**Ott, Katarina**

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# PRESS RELEASES

## Should government meddle in anybody's working time?

KATARINA OTT, Institute of Public Finance, Zagreb

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**The announced changes to the legal framework for work on Sundays in Croatia and heated debate they have sparked off created a sense of *déjà vu* in the country where nothing seems to ever really change. An identical situation existed twelve years ago, when Katarina Ott's article „The Great Regulator“ was published in the *Banka* magazine. The main message of the article, namely that the purposes of economy are to satisfy consumers' needs and create jobs, and that banning Sunday work contributes to neither of them, is still valid today. As a contribution to the debate, the original article from April 2008 is cited below without any interventions.**

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Restrictions on store opening hours have existed for centuries, and were tightened severely during the 1930s, due to pressures from various interest groups, retailers, shop workers and religious communities. Over the last forty years, Sunday store opening has been reconsidered and deregulated, especially in the US and Canada, but, increasingly, in Europe, as well. Despite evidence of the beneficial effects of deregulation, numerous countries still limit Sunday trading in many different ways. In Germany, Norway and Switzerland, for example, shops are forbidden to work on Sundays, whereas in Denmark and Finland, the ban is confined to big stores. In Belgium, Italy, Spain and the Netherlands, regulation is devolved to local authorities. As concerns the US and Canada, federal states or provinces are authorized to restrict Sunday trading or alcohol sales. However, there are almost no trading restrictions in Ireland, Portugal, Sweden and UK.

The transformation of traditional industries and growth of services have led to new work forms, lifestyle and labour diversification and the weakening of consensus about the preferred time of work, leisure activities and shopping. Sweden, for example, has made a dramatic improvement in child care, due to increasing female employment, and has the most liberal regulation of store opening hours in Europe. According to a Canadian survey, the strongest proponents of shopping outside the „normal“ opening hours are younger respondents with children and those more educated who find 'shopping during normal business hours' more expensive. Therefore, storekeepers offer shopping opportunities outside the regular opening hours, combining shopping with recreation and entertainment, which has led to the emergence of shopping malls with movie theatres, restaurants and children's playrooms. These developments are irreversible, requiring from social institutions to adapt to the work and private-life demands of citizens.

### **Public interest vs. state capture**

According to the *public interest theory*, regulation is provided in response to public demands for correcting inefficient or unfair market practices. In this case, however, there are obviously no inefficient practices, because stores would hardly be open on Sundays, if it were not for profit. As

concerns public demand for regulation, the stores' Sunday turnovers speak for themselves. If unfair practices exist, e.g. against workers, then it is necessary to regulate their working hours and compensation. According to *the state capture theory*, regulation is provided in response to the demands of interest groups struggling with one another to maximize their goals. The question is, to which interest group in Croatia, except the church, such regulation may be of interest.

The public interest theory was based on the assumptions that markets are inherently vulnerable and prone to act inefficiently or unfairly, and that state regulation produces no costs. Both of these assumptions have been refuted. The socially undesirable outcomes of regulation are, nevertheless, the consequence of interest groups' influence. Restrictive laws in parliament are backed by interest groups, and not by directly concerned industries, much less consumers who are direct losers. No wonder then that governments are unable to enforce the impossible demands of parliaments, while at the same time disrupting the effective functioning of regulated markets.

Deregulation contributes to employment growth and consumer well-being. The impact on employment is considerable and positive, mainly due to the need for additional employees as a result of longer operating hours, but also increased sales. Extended opening hours provide consumers with more time to make their shopping choices. Average prices can be reduced or increased, depending on whether the labour costs are higher due to higher pay rates for Sunday working, or lower, as a result of productivity growth. Markets create a proper relationship between higher costs, if any, and benefits of longer opening hours for consumers. There will be stores with different opening hours but also consumers with different shopping habits, which will result in equilibrium. Interestingly, after complete deregulation, store operating hours in Sweden shortened.

The consequences of the Sunday trading ban will include less efficient shopping concentration over a shorter time, greater capital intensity, higher prices and lower sectoral activity levels.

Exemptions pose a special problem. Restrictions on stores depend on total display and service space in square meters, the volumes of items offered, etc. The more complicated the regulations, the more difficult and costlier their implementation and control, which gives rise to additional inefficiencies. Who will control and fine, for example, flower shops near cemeteries, whose offer may soon include detergents, or rapidly growing catalogue sales and online purchases, all of which are more and more subject to tax evasion?

### **Economic vs. religious arguments**

It is not only economic factors, but also social cohesion issues and religious attitudes that influence Sunday trading decisions. Religion-based political parties are normally against working on Sundays for not only religious but also social reasons, whereas liberal parties emphasize the role of trade in stimulating economy. In the Netherlands, for example, where church is separate from state, local government units with more active churches apply more restrictive measures. It is interesting that in catholic Ireland, almost all stores are open on Sundays. Similarly, Spain had no restrictions on Sunday trading as early as the 1980s, but some were imposed in the 1990s. Nevertheless, numerous stores continue to operate on many (or even all) Sundays. While the church becomes less involved in the Sunday shopping debate, the real battle is fought between big and small traders. Ever since 1982, Canadian provinces and territories have been required to state non-religious reasons for imposing restrictions on store opening hours, which has led to their significant liberalization.

Even the European Commission has not prescribed when workers can work. However, there was an EU directive providing that, in principle, the weekly rest should include Sunday, but the European Court of Justice rescinded that provision. Lower employment rates in Europe are accounted for by slower employment growth in the service sector, compared with that in the USA, as a consequence of more restrictive regulation. Hence, deregulation (especially as concerns store opening time) is considered one of the key employment stimulation policies.

Regretfully, we must once again ask ourselves whether Croatian governments' policies are really as liberal as claimed, since the measures taken under the pressure of particular interest groups prove just the opposite. The purposes of economy are to satisfy consumers and create jobs, but the prohibition of Sunday trading serves neither of them. If something should be regulated, it is the

working time of individual workers and not an entire sector. But after all, should governments really meddle in anyone's working time? If there were no restrictions on Sunday trading, churchgoers would have enough time to go both to church and shopping. A ban on Sunday store opening has already been in force in Croatia, but has ended up in a failure. Let us hope the announced new one will not last long either.