

Hard to Get Away

*Is the paid holiday under threat
in Australia?*

By Troy Henderson

For the Centre for Future Work at The Australia Institute

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BRIEFING PAPER

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It will serve as a unique centre of excellence on the economic issues facing working people: including the future of jobs, wages and income distribution, skills and training, sector and industry policies, globalisation, the role of government, public services, and more.

The Centre will also develop timely and practical policy proposals to help make the world of work better for working people and their families.

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Summary

This report has been prepared in conjunction with the 8th annual ***Go Home on Time Day*** (<http://www.gohomeontimeday.org.au/>), sponsored each year by the Australia Institute to draw attention to the economic and social consequences of excess working time, and the problem of “time theft” – whereby millions of workers experience the uncompensated loss of leisure time entitlements. This special report focuses on the place of paid annual leave in contemporary Australian life and asks the question: is the paid holiday under threat in Australia?

Australia has, at various times, been viewed as a “workers’ paradise” and the land of the long-weekend, a place where workers enjoy high wages and people live an easygoing or laid back lifestyle. But the social advances that underpin these stereotypes were the result of a century of concrete political and industrial struggles. The social dividends of these struggles included paid annual leave, and the holiday – especially the long break over summer – became part of the Australian way of life in the post-WWII era.

More recently, however, the legacy of the annual holiday has been undermined, as the evidence presented in this report clearly shows.

The key findings of our analysis of official statistics, combined with original polling research, include the following worrying trends:

- Close to one-third of employed Australian workers had no paid annual leave entitlement in 2015.
- Another 36.7% of Australian workers did not fully utilise the paid holiday leave to which they were entitled.
- In sum, Australian workers have some 48 million unutilised holiday days, or close to 10 million holiday weeks.
- The collective value of that unutilised holiday leave in Australia is \$11.1 billion.
- The burden of holiday disentanglement falls disproportionately on lower-income Australians. Some 63% of those on incomes under \$40,000 received no paid holiday leave entitlements in 2015, compared to only 20% of those earning over \$150,000.
- Recent policy decisions will enhance the threat to the paid holiday. In particular, recent decisions by the Fair Work Commission endorsing the cashing out of paid holiday leave will further undermine the centrality of the paid holiday in Australian economic and social life.

The erosion of the Australian annual holiday will impose a range of negative consequences on individuals, families and Australian society – including implications for employment and unemployment, mental and physical health, family well-being, and more. The report concludes by putting forward several recommendations aimed at defending – and extending – the place of paid annual leave in Australia.

Our recommendations include the following:

1. Developing public education campaigns reminding Australians (including students) of the history of the struggle for shorter working hours and paid annual leave in Australia.
2. Giving workers the right to use excess paid annual leave balances at a time of their choosing.
3. Removing the option to cash out paid annual leave.
4. Introducing ‘gradual deeming’ and ‘portable leave banks’ that allows casual, and other insecure workers, to accumulate paid annual leave.
5. Increasing the statutory minimum paid annual leave from 4 weeks to 5 weeks in keeping with the benefits of ongoing productivity growth and standards in several other wealthy countries.

Introduction

Holidays are important. We dream about them. We plan them. We take them on our own, with family, and with friends. They give us an opportunity to unwind, to experience a change of pace and to just get away for a time. Paid holidays are among the greatest social achievements of workers, reformers and the labour movement. Paid annual leave democratises the holiday and allows millions of Australians to take a break with a sense of security.

But major economic, social and political forces seem to be placing the paid holiday in Australia in jeopardy.

This report, released in conjunction with the 8th annual ***Go Home on Time Day*** (sponsored each year by the Australia Institute to draw attention to the benefits of time off work, <http://www.gohomeontimeday.org.au/>), reviews the historical roots of paid holidays, considers its continuing economic and social value, and highlights emerging threats to the tradition of the great Aussie holiday.

Part 1 takes a tour through the history of the struggle for shorter hours and paid leave in Australia, stressing that these social advances did not fall from the sky. Rather, they were attained through persistent, ambitious campaigns, advocacy, and strikes.

Parts 2 to 4 lay out the evidence in relation to three major threats to the position of paid annual leave in Australia. The first is the growing number of workers not currently using all of their paid leave entitlements. The second focuses on the implications of the recent Fair Work Commission decision permitting most Award workers to cash out a portion of their annual leave. The third threat concerns the growing number of Australians with no paid annual leave entitlements, including casuals, independent contractors, and the self-employed.

Part 5 addresses some of potential negative consequences for Australian workers – and Australian society – of reducing access to, and utilisation of, paid annual leave.

Part 6 concludes the report and sets out a list of recommendations aimed at defending the place of paid annual leave as both an important social institution and an indispensable workplace right.

1. More Than Luck: The Fight for Shorter Hours, Weekends & Paid Holidays in Australia

Workers and their unions have always fought hard to improve pay and conditions in the workplace. But they have campaigned just as vigorously to quarantine some of their time from the world of paid work. The dream of 'free time' has inspired the imaginations of writers and philosophers, as well as the practical activities of workers, activists and progressive reformers.

This struggle was never just about increased opportunities for 'rational recreation and family stability.' Its goals went further, including escaping 'the constraints of alienation of an industrial work environment' and gaining freedom from 'authoritarian relationships' in the workplace (Cross, 1989: 11).

The historic fight for free time led to an ongoing reduction in working hours across the industrialised world. In Europe, the average annual work year fell from '3,000 to 3,600 hours per year to the contemporary standard of 1,650 to 2,000' between 1840 and 1940 (Cross, 1989: 20). The United States saw a similar fall in average working hours (Hunnicut, 2010).

In Australia the standard workweek was 48 hours by 1900 and, according to Donaldson, in 'a protracted war over time Australian workers were undoubtedly leading the world' (Donaldson, 1996: 18).

The main point to stress regarding these advances in time off work is that they were not the result of the benevolence of employers: rather, they had to be won by workers and progressive reformers. Indeed, they were the product of 'intense industrial and political conflict' (Cross, 1989, 14).

There were three main channels through which reduced working hours were achieved: a shortened working day, the creation of the weekend, and paid annual leave.

Sydney stonemasons and Melbourne building workers led the world in winning the 8-hour day after strikes in 1855 and 1856. From this point onwards the '8-8-8' symbol became 'almost mythical' as workers fought for 'eight hours work, eight hours rest and, most importantly, eight hours for *what you will*' (White, 2005: 56-57). In the early

decades of the 20th century workers across a range of Australian industries won the 8-hour day through persistent industrial action (Donaldson, 1996: 109-110, 116-117).

Another goal, pursued in parallel to the 8-hour day, was shortening the working week. By 1914, 45% of Australian workers belonged to a trade union. This organised industrial muscle, together with the role of the Commonwealth Arbitration Court, saw maritime workers win the 40-hour week in 1915 and textile workers (mostly women) win the 44-hour week in 1919.

The average working week oscillated between 44 and 48 hours for next three decades as workers pushed for progressive change, while employers and conservative governments pushed back. It was not until the success of an ACTU-led campaign for a generalised 40-hour week in 1948 that the 'Great Aussie Weekend was born' (Donaldson, 1996: 117-125).

Holidays, even more than weekends, inspire fantasies of freedom. We dream about getting away, recharging the batteries and escaping our stale routines. From lazy summers by the beach and bush camping, to partying in Phuket or precious time with family, holidays evoke nostalgia and provoke desire.

The development of steamships and railways in late-19th and early-20th centuries made out-of-town holidays in Australia more feasible – at least for the upper and middle classes – and promoted the growth of a domestic tourism industry. By 1938 one in five Australian families owned cars, further increasing the opportunities for leisure and travel. But there was one critical missing ingredient: paid annual leave. It was not until 1941 that 'one week's paid holiday became a regular award benefit' (White, 2005: 65-68, 96, 113).

The post-war economic boom became the 'heyday of the holiday' (White, 2005) in Australia. Full employment, mass consumption and the extension of paid leave were the key drivers of this trend (White, 2005). The 1944 *Annual Holidays Act* granted NSW workers 2 weeks paid annual leave, and by 1974 4 weeks paid annual leave was the accepted Award standard across the country (White, 2005: 122, 128). As a consequence, the long holiday – often in summer – became an important, and egalitarian, part of Australian way of life. It is important to note there has been no change in that 4-week minimum standard for over 40 years, despite substantial improvements in productivity and average real incomes over that time.

The long-term reduction in working hours in industrialised countries, including Australia, has plateaued since the 1970s (Skidelsky and Skidelsky, 2012: 21). Average weekly hours in Australia fell slightly from 35.5 to 33 hours between 1978 and 2010 (ABS, 2010: 11). But average weekly full-time hours have actually increased: from 36.4

to 38.6 hours for women and from 39.5 hours to 42.3 hours for men since 1985. The small reduction in average working hours overall is therefore explained solely by the increase in part-time work during this period (Cassells et al, 2011: 11; ABS, 2010: 13). In addition, millions of Australians now work on weekends, and large numbers of workers have no access to paid leave (a problem explored in detail in Part 4 below).

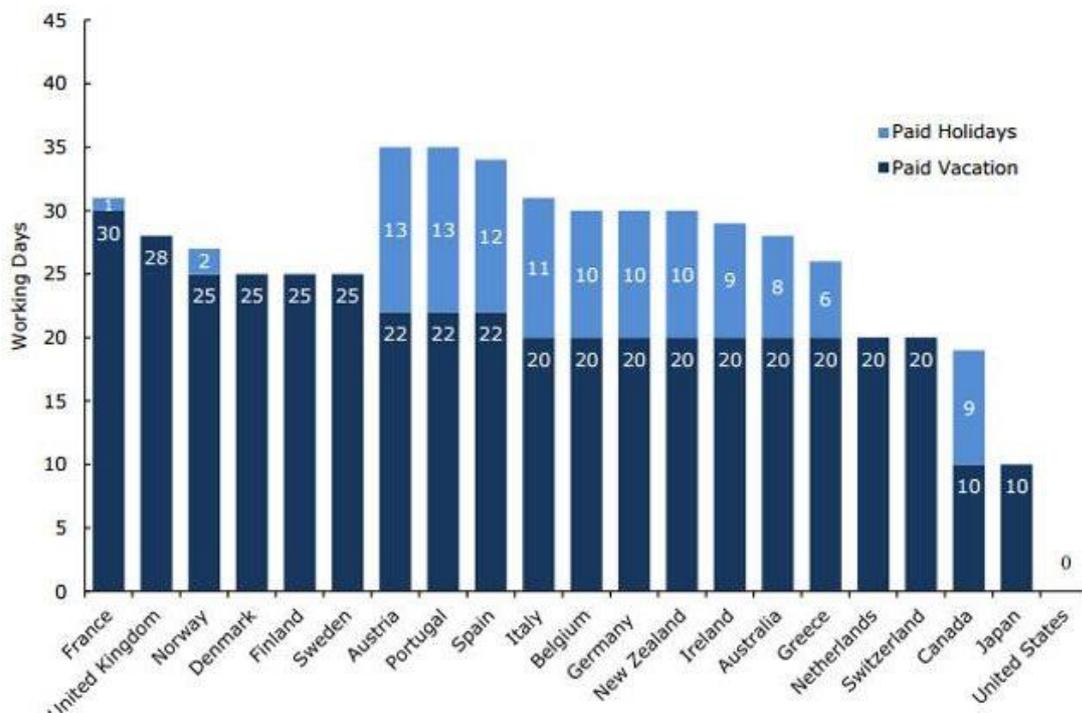
Understanding how shorter working hours and paid holiday leave were won in the first place is vital for anyone wanting to defend – and extend – access to these rights today.

2. Leaving it on the Table: Unutilised Annual Leave

The previous section situated paid annual leave within the history of a broader struggle by workers to quarantine more time from the world of paid work. The formal standard of 4-weeks paid annual leave for full-time permanent workers remains in place today, and places Australia broadly in the middle of the pack of rich countries.

A 2013 study of minimum statutory paid holiday entitlements in 21 rich countries shows that Australia sits a fraction below the average (20.2 days), within a range that extends from 30 days in France to zero in the United States. When paid public holidays are included, Australian full-time permanent workers sit above the average (25.6 days). However, if we remove the extreme outlier of the US (zero days minimum entitlement), Australia sits closer to the average (26.9 days) for total paid holiday entitlements (Ray, Sanes, Schmitt, 2013: 2-3). However, evidence shows that a significant percentage of Australians are not taking all of their annual leave entitlements.

Figure 1. Paid Vacation and Paid Holidays, OECD Nations, in Working Days.



(Source: Ray, Sanes and Schmitt, 2013: 2)

The most recent data from the Household, Income and Labour Dynamics in Australia survey (HILDA), based on a large longitudinal database of households and individuals, found that many full-time Australian workers are leaving a significant part of their paid annual leave entitlement on the table. For full-time permanent workers, men reported taking an average of 15.4 days – and women 17.4 days – of their 20-day minimum statutory leave entitlement. According to HILDA, this represents a modest increase from 14.5 days for men – and no significant change for women – in relation to paid annual leave taking since 2005 (see Table 1). The report suggests the possibility that ‘given traditional gender-role norms, it is possible that men are more prone to under-reporting leave taking than women, and this could explain the differences between men and women’ (Wilkins, 2016: 51-52).

Table 1. Mean annual days of leave taken by full-time employees, by type of leave, 2005 to 2014 (excludes casual employees and employees who worked less than three-quarters of the year leading up to interview).

	2005		2008		2011		2014	
	Males	Females	Males	Females	Males	Females	Males	Females
Annual leave	14.5	17.2	14.5	17.3	14.8	17.7	15.4	17.4
Sick leave	3.5	4.6	4.0	4.7	3.8	5.0	4.1	5.1
Other paid leave	1.6	3.2	1.7	3.4	2.2	4.1	2.0	4.0
Unpaid leave	1.2	2.0	1.0	1.4	1.3	1.8	1.0	1.5
All leave	20.7	27.0	21.2	26.8	22.1	28.5	22.5	28.0

Source: Wilkins, 2016: 52.

The HILDA Report also demonstrated that different employment statuses and occupational characteristics are associated with different levels of annual leave taking (Wilkins, 2016: 52-54). These findings included:

- ‘University-qualified full-time employees taking one day more per year, and full-time employees with other post-school qualifications taking half a day more per year, than full-time employees without post-school qualifications’;
- ‘Professionals and community and personal service workers take the most annual leave, while managers and sales workers take the least sick leave’;
- ‘Workers in agriculture, forestry and fishing and in accommodation and food services take the least annual leave’;

- ‘Workers in education and training, many of whom are teachers, take the most annual leave’;
- ‘Union members take more sick leave and annual leave, while employees on fixed-term contracts take less of both’;
- ‘Job tenure—length of time with current employer—is associated with higher levels of both annual leave and sick leave’;
- ‘There is a positive association evident between size of employer and amount of leave taken: employees of firms with 100 or more employees take 1.6 more days of annual leave and 1.2 more days of sick leave than employees of firms with fewer than 20 employees.’

The Australia Institute’s original research provides additional evidence regarding patterns of paid leave taking. Our 2003 report on paid holidays reported survey research showing only 39% of Australians took all of their annual leave, with 42% nominating work-related factors such ‘being too busy at work (29 per cent) and not being able to get time off that suited them (13 per cent)’ as reasons why they left some of their holiday entitlements on the table (Denniss, 2003: ix). Our subsequent 2012 study found that 52% of Australian workers reported not taking all of their annual leave (Cameron and Denniss, 2012: 26).

Table 2. Unutilised Paid Holiday Leave in Australia.

Amount of Unutilised Leave	Percent of Respondents ¹
1 week or less	26.3%
1-2 weeks	33.3%
2-3 weeks	19.9%
3-4 weeks	10.1%
Over 4 weeks	10.4%
Total	100%
Average (days) ²	10.86

Source: Survey results as described in text.

1. Percentage of workers entitled to leave, who did not utilise it all.

2. Avg. calculated with responses of over 4 weeks capped at 20 days.

The most recent Australia Institute/Centre for Future Work survey research further corroborates these findings (summarised in Table 2). Between 16 and 28 September 2016, the Australia Institute contracted Research Now, a national opinion research firm, to conduct a national opinion poll of 1442 people, with nationally representative

samples by gender, age and state or territory. In the sample, there were 891 people working, but only 604 (or 68 percent) had access to some paid annual leave. Over half of those with access to paid annual leave (327 workers) did not use all of their entitlement. Among those not taking their full leave, the average unutilised leave was 10.86 days per person.

Across the whole sample of employed Australians, therefore, this implies that 36.7% of working Australians have unutilised paid holiday leave entitlements, translating into an average 4 days of unutilised paid annual leave per person for all those in employment. Extrapolating these results across the labour market as a whole (11.96 million employed Australians¹), this equates to a total of 47.84 million unutilised holiday days, or 9.57 million unutilised holiday weeks. Multiplying this figure by average weekly earnings for all workers (\$1160.90²) puts the value of unutilised leave in Australia at \$11.1 billion.

Table 3. For which, if any, of the following reasons did you not take all the holiday leave you were entitled to in the last year?

Reasons for not taking all holiday leave	Percentage
I am storing up leave to use later	51%
Work was too busy to take more time off	33%
I didn't feel like I needed to take all my leave	31%
I had too much to do at work	26%
I felt guilty about taking leave	12%
I want to have leave 'paid out' when I leave my current organisation	10%
I worried it would harm my job security	9%
My manager / supervisor said I was not able to take all my leave	6%
I worried it would harm my promotion chances	5%
Other	5%
I felt uncomfortable asking for it	3%
I enjoy work more than I enjoy holiday	2%
None of these	2%
<i>Source: Surevey results as described in text.</i>	

There is a combination of 'choice' factors and 'workplace pressure' factors behind the underutilisation of holiday leave (see Table 3). The four most commonly cited reasons for not using up annual leave entitlements were: storing up leave in hope of using it later, work was too busy, did not feel like taking all leave, and too much to do at work.

¹ Based on August 2016 ABS (2016a) Labour Force data.

² From ABS data (2016b) on average weekly earnings for all employed persons.

It is possible that the same 'workplace pressure' factors that partially explain paid holiday underutilisation may undermine the ability of those 'storing up leave to use later' to actually do so in practice.

This section has presented clear evidence that many Australians are leaving a significant portion of their paid holiday entitlements on the table due to a combination of 'workplace-related pressure' factors and 'choice' (including a desire to accumulate paid leave for later use). The next section examines how a recent decision by the Fair Work Commission may further reduce the number of workers taking a break in Australia.

3. Cashing in Your Chips: Fair Work Commission Decision on Cashing Out Annual Leave

The combination of strong trade unions with conciliation and arbitration through state and federal industrial relations commissions generated the social dividends of shorter working hours, extended weekends and paid holidays detailed in the first part of this report. But these historic gains are being challenged on several fronts. The previous section showed that large numbers of Australian workers are not using all of their annual leave entitlements. A recent decision by the Fair Work Commission on cashing out annual leave threatens to further undermine the place of paid holidays in Australian society.

The arguments against cashing out annual leave were clearly made by the industrial relations expert David Peetz in his submission to the Senate Inquiry into the Fair Work Bill in 2009. Peetz (2009: 8) wrote:

‘The purpose of a statutory annual leave entitlement is to enable employees time to recuperate each year and spend some time with families, friends or relaxing personally. It is not, traditionally, something that has been cashed out. With high levels of work intensity, long working hours, high levels of stress and ongoing tensions between work and personal lives, with consequent adverse impacts on children, it is important to maintain four weeks leave as a genuine standard, and not permit it to be eroded for the sake of a few dollars...The mere fact that cashing out of annual leave is now on the table for a national minimum standard, whereas only a short time ago it was severely admonished by members of both Houses, is an indication of how easily such standards can be eroded in a relatively short time.’

The Fair Work Commission (FWC) considered this issue as part of its first 4-year review of the modern Award system. Employer lobby groups led by the Australian Industry Group (Ai Group) and the Australian Chamber of Commerce and Industry (ACCI) argued for the insertion of ‘a standard clause relating to cashing out of annual leave into 120 modern awards, which reflects the requirements of s.93(2)’ of the Fair Work Act 2009 (FWA 2009). This move was opposed by the Australian Council of Trade Unions (ACTU) (Fair Work Commission, 2015).

In its 2015 decision the Full Bench of the FWC supported the employer groups' position, concluding that 'the considerations in favour of inserting the model term into modern awards outweigh any potential reduction in the incentive to bargain about this issue' (Fair Work Commission, 2015).

The Full Bench qualified its decision by including the safeguards set out below:

- a maximum of two weeks' paid annual leave can be cashed out in any 12 month period (in the case of part-time employees, this is based on the employee's weekly ordinary hours);
- specific requirements relating to record keeping and the content of any agreement relating to cashing out accrued annual leave;
- if the employee is under 18 years' of age the agreement to cash out a particular amount of accrued paid annual leave must be signed by the employee's parent or guardian; and
- notes are inserted at the end of the model term drawing attention to the general protections in Part 3-1 of the Act against undue employer influence and misrepresentation in relation to rights under the clause (Fair Work Commission, 2015).

The FWC's decision directly affects around 2 million Australian workers, and means that the provision on cashing out paid leave contained in Section 93 of the FWA 2009 has been inserted into 112 Awards. Before the decision the provision was only contained in one Award, while it was formally available to workers covered by Enterprise Bargaining Agreements and those workers not covered by any collective agreements (Power, 2015). Its application across all the modern awards will certainly accentuate pressure to include similar provisions in EBAs and individual employment contracts.

The decision was naturally welcomed by employer groups as a measure that would enhance flexibility for employers and further tilt the industrial relations playing field in their favour. ACCI's chief executive James Pearson viewed the FWC decision on cashing out annual leave, and other leave-related provisions, as 'sensible changes.' He further stated that: 'Employer applications to vary weekend penalty rates in the retail, pharmacy and hospitality sectors will be a further test of the system's capacity to adapt to the needs of the modern economy' (news.com.au, 2016). For employers, having more workers accept cash in lieu of annual leave will reduce their need to hire more staff, reduces the per worker cost of fixed employment costs and benefits, and may contribute to a softening of the social consensus that paid holiday leave is an essential feature of modern employment.

But others have argued that the right to cash out this hard-won collective right will have negative consequences for individuals, families and society. For example, ACTU Secretary Dave Oliver stated:

‘The union movement is concerned that the decision by the Fair Work Commission supports the idea that annual leave need not be taken and should be treated as a commodity rather than an entitlement designed to maintain the health and wellbeing of the workforce’ (Blatchford, 2016).

Similarly, employment lawyer Alan McDonald argued that the right to paid annual leave – including accumulated leave – should be defended because of its positive effects on ‘mental health’ and ‘work-life balance’ (Chung, 2016).

It is too early to tell how many Australian workers will take up the option to cash out part of their annual leave as a consequence of the FWC decision, but this development casts further concern over the future of the paid holiday in Australia. It is yet another demonstration of how collective rights, like paid leave, can be eroded under the banner of ‘individual choice’ and ‘flexible’ working arrangements.

The decision means that any agreement to cash out annual leave is between the individual worker and his/her employer. This clearly places many workers in a weaker bargaining position, and opens the door to explicit or implicit pressure from their employers. Formally, employers ‘must not coerce or pressure their employees to cash out their annual leave’ (Hall and Wilcox, 2016), but it is far from certain how freedom from coercion can be guaranteed in practice.

Finally, the FWC decision on cashing out annual leave could set a dangerous precedent for opting out of other important employment rights, such as occupational health and safety standards or superannuation.

4. Heads I Win, Tails You Lose: Australian Workers Without Access to Paid Annual Leave

The previous sections highlighted two ways in which the place of paid holidays in Australia is being undermined: the widespread underutilisation of leave, and the new options to cash out leave entitlements instead of taking them. A third, even more significant threat derives from the large and growing number of Australian workers without any paid annual leave entitlements at all.

The growing prevalence of casual work, independent contracting, small business operators without employees, and the general rise of the 'gig economy' has created a two-tier system of employment that divides those who have at least a formal entitlement to a set of important collective rights (including paid annual leave) from those who do not. The growth of this latter group, sometimes called the 'precariat' (Standing, 2011), undermines living standards, broadly defined, and may erode social cohesion. The rise of the precariat has been driven by various factors that have reshaped the global economy and national societies.

As Stilwell (2000: 67-8) argues, structural factors, such as globalisation and technological change, have combined with the ideology of neo-liberalism and corporate managerialism to make work less secure. He writes: 'The growth of contract, casual and part-time employment are manifestations of the push for a more 'flexible' workforce, having potential benefits for employees...but more typically serving the interests of employers and corporate profitability' (Stilwell, 2000: 68).

Casual workers in Australia are defined as those employees without access to both paid annual leave and paid sick leave (excluding owner-managers of incorporated enterprises). This definition, combined with an absence of comprehensive data, makes estimation of their exact numbers a subject of debate. The proportion of the labour force in casual work increased sharply from 15.8 percent in 1984 to 21.5 percent in 1992. It has since oscillated in a band of between 20 and 25 percent of all workers. The ABS estimates there were over 2.33 million casuals in 2015 out of 11.65 million employed persons. Nearly 40 percent of casuals are under the age of 25, and around the same proportion are concentrated in just two industries: retail and food and beverages. A further 10 percent of casuals work in healthcare and community services (Kryger, 2015: 1-3, ABS, 2016c, Howe et al, 2012: 15).

Casual work may suit some people, such as students, at different stages of their life cycle. But it is clearly a form of employment in which the power imbalance between employers and workers is exacerbated, and brings with it clear disadvantages when compared to continuous employment. Business groups have made much of the fact that casual employment has remained steady for the past 25 years (Wooden and Richardson, 2016). But even at the current level of around 20 percent of workers, the prevalence of this form of work is a concern, particularly in relation to the absence of a right to paid sick leave and paid annual leave.

Independent contractors and owner managers of enterprises without employees are two other groups likely to experience significant levels of insecurity in relation to work, and who will face great difficulty accessing paid holiday leave. In 2015 there were around 1 million independent contractors, and 1.3 million owner-managers of enterprises without employees. It must be noted that there will be some overlap between these categories (independent contractors can be classified as either employees or owner-managers of enterprises without employees, as defined by the ABS, 2016c). While working for yourself can be a rewarding experience for many, 'all too often self-employment is more of a desperate act than an opportunity: many sole proprietors can't find any other way to support themselves, and end up scraping together casual work out of their homes, with hardly any capital (other than their own savings) to back them up' (Stanford, 2016: 2). With no other staff to run the business when they are off on a holiday, these contractors and independent proprietors have no possibility for a paid leave: the income flow of the operation stops completely when the sole proprietor is not on the job.

Considering the Australian labour force as a whole, we can categorise employment statuses according to whether access to paid leave is, respectively, denied, at risk, and guaranteed (see Table 4). It should again be pointed out that independent contractors may fall into several employment categories (and hence this group cannot necessarily be added to other lines in Table 4 without the risk of double-counting). Nevertheless, by this categorisation, over 3 million Australians in the labour force have no access to paid annual leave, and millions more work in conditions in which their access to a paid holiday is highly doubtful. For example, many independent contractors and small business operators are unable to access or organise paid holidays, given the difficulty in arranging for replacement staffing. This challenge will be especially acute for owner-operators of firms with no employees. Casual employees have no entitlement to paid leave. And even for non-casual (permanent) part-time workers, the paid holiday may be more of a theoretical than a practical entitlement, due to the realities of irregular shift patterns, their constant effort to attain more hours of work, and their low income levels (which make it difficult to afford a holiday). All of these categories of precarious

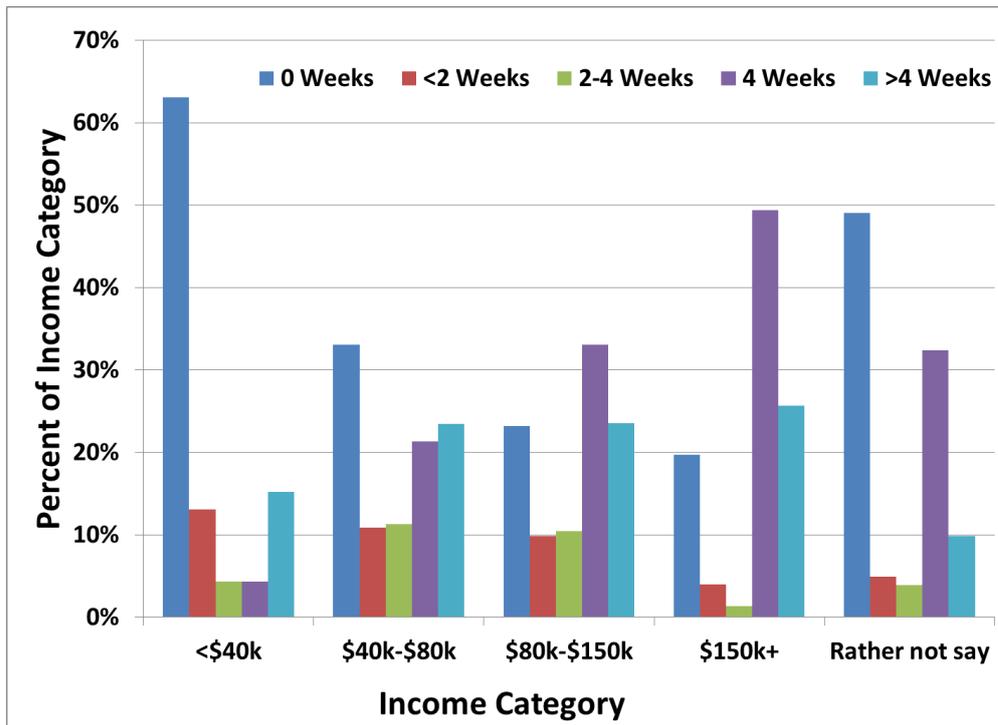
employment – casual work, contractors and self-employed, and part-time workers – have been growing in recent decades as a share of total employment. The group of permanent, full-time workers who have full entitlement to paid holiday leave, and meaningful ability to take it, is steadily shrinking relative to the overall labour force: in 2015, they accounted for less than half of Australia’s 12.5 million-strong labour force.

Table 4. Access to paid annual leave by employment category/status, August 2015.

Employment Category/Status	Paid Leave Access	Number of Workers
Casual employees	Denied	2,326,300
Unemployed	Denied	781,100
Independent contractors	At Risk	1,012,200
Owner-managers of enterprises without employees	At Risk	1,310,200
Owner-managers of enterprises with employees	At Risk	764,700
Permanent part-time employees	At Risk	1,423,200
Permanent full-time employees	Guaranteed	5,819,800
TOTAL LABOUR FORCE		12,556,800
<i>Source: Author’s compilation from ABS 2016a, 2016c. Totals do not add due to overlapping categorisation.</i>		

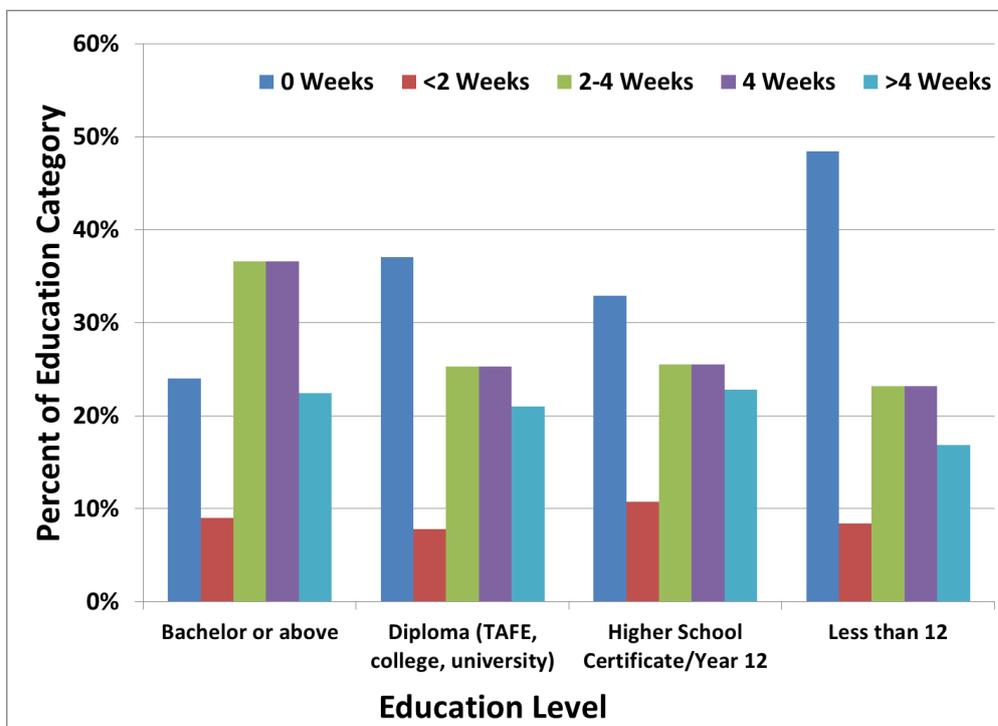
The growing proportion of workers without meaningful access to the paid holiday is confirmed by the Australia Institute’s own polling research. Our survey found that 32% of employed workers in the sample – almost one in three workers – had no paid annual leave entitlement in 2015. There was a clear relationship between income levels and access to paid holiday leave. Shockingly, some 63% of those on incomes under \$40,000 (almost two in three) had no paid holiday leave entitlements in 2015. This reflects the preponderance of casual and part-time workers in that low-income grouping. In contrast, only 20% of those earning over \$150,000 had no leave entitlements (see Figure 2). A similar pattern is visible regarding the relationship between educational attainment and paid holiday entitlements. Around a quarter of respondents with at least a Bachelor’s Degree reported having no paid holiday entitlement in 2015, compared to a third of those who completed Year 12, and nearly half of those with less than Year 12 (Figure 3).

Figure 2. Paid Leave Entitlements by Income Category.



(Source: Survey results as described in text.)

Figure 3. Paid Leave Entitlements by Education Level.



(Source: Survey results as described in text.)

The rise of the so-called 'gig economy' is another development that poses a threat to paid leave access in Australia. Also sometimes termed the 'sharing economy' or 'peer to peer' economy, the gig economy has generated numerous glowing op-eds and consultant's reports trumpeting its virtues of innovation, flexibility, and self-reliance. For example, a recent Grattan Institute report claimed: 'The rise of the sharing economy can save Australians more than \$500 million on taxi bills, help them to put underused property and other assets to work, and increase employment and income for people on the fringe of the job market' (Minifie, 2016). While there is no doubting the ingenuity of the computer software that makes platforms like Uber, Airbnb and Airtasker possible, concerns over the impacts of the gig economy on the quality and security of work are legitimate and must be considered by policy-makers and regulators.

While it is far too early to judge the extent of the effect the gig economy will have on Australian workers, it will almost certainly increase the size of the 'contingent' workforce – and further reduce the share of Australian workers with access to a regular paid holiday. Lewis (2015) defines contingent workers as follows: 'Contingent workers differ from casual employees who also work "on demand" and are not entitled to sick and recreation leave but whose employment is governed by a traditional employer/employee relationship. Contingent workers are self employed often working with one or more partners who do not hire on a continuous basis any employees to work for them.'

Uber, for example, has around 20,000 Australian drivers and has grown rapidly to account for 6% of the taxi market (Potter, 2016), yet it does not consider itself a major employer 'because its drivers are not employees' (Lewis, 2016). Uber drivers, and others working in similar arrangements, have no paid holiday or other basic workplace entitlements: those workers only get paid when they work. If the profits of leading corporations in the gig economy depend more on their capacity to undermine the pay and conditions of their workers than on technological innovation, this can hardly be considered a social advance.

Indeed, if the gig economy erodes important workplace rights and benefits (like paid holidays) it will contribute further to a bifurcated labour force. It will increase the number of what Gorz (1999: 50) called 'jobbers' who make 'insecurity into a way of life' and 'free-lancers' who are 'the boss of a one-person enterprise', while, on the other hand, secure employment as a share of total employment will contract. There are many examples of how the negative aspects of work in the gig economy are being challenged: through legal initiatives (such as court challenges confirming that gig workers are indeed employees, and hence entitled to minimum wage and other basic protections), and efforts to organise gig workers into associations or unions to better

negotiate with the owners of their respective digital platforms (such as the recent strike of Deliveroo drivers in the UK) (Walker and Kaine, 2016).

Taken together, the growing prevalence of these various forms of precarious work can be seen as elements of ‘a business model that shifts the risks associated with work from the employer to the employee’ (Howe et al, 2012: 19). This risk-shift reduces access to collective rights, such as paid annual leave, and ultimately threaten our individual, social and economic wellbeing. The potential negative effects of reduced entitlement to paid holidays – and of the underutilisation of those holidays – are now explored in the next section.

5. Don't Kick the Holiday Habit: Consequences of the Decline in Paid Annual Leave

The potential consequences of undermining the place of paid holidays in Australia are similar to those related to the general problems of overwork and insecure employment. These potential consequences include negative effects on: personal health and occupational safety, work/life balance, family relationships, economic productivity, and participation in civic and cultural life.

This report has already documented the substantial proportion of Australian workers in insecure employment, such as casual work, who due to their employment status have no access to normal provisions such as paid leave, sick leave, carer's leave and public holidays. Not having access to these forms of paid leave, combined with the job and income insecurity that characterises casual work, puts these workers at a significant disadvantage in relation to permanent employees. For example, they are more likely to work when sick due to workplace pressures and/or a need for income. According to McNamara (2006: 26), this 'presenteeism' 'represents an untold cost, for the individual worker, their long-term health and that of their co-workers.' These health-related consequences are only likely to be exacerbated by a lack of access to paid annual leave, especially to take a long break when needed.

McNamara (2006: 27) states that 'In 2003 – 2004, Australian Government claims for psychological injuries accounted for 7% of total workers' compensation claims, though nearly 27% of total claim costs.' She cites research findings indicating that 'the nature of casual employment is conducive to the manifestation of psychosocial outcomes such as stress, insecurity and lack of control' (McNamara, 2006: 27). Cameron and Denniss (2012: 27) found a 'strong correlation between work-related stress and anxiety and not taking leave breaks,' and 'higher levels of stress, anxiety, worry, feeling of being overwhelmed among those who did not take all leave.' It seems logical therefore to conclude that forms of employment that deny access to paid holiday leave can only contribute to the high cost of workplace injuries and illness.

These arguments regarding the potential harms caused by insecure work are further supported by research regarding the social determinants of health. This literature posits a strong link between stress and lack of control at work and poor health outcomes. The evidence suggests that, 'Continuing anxiety, insecurity, low self-esteem,

social isolation and lack of control over work and home life, have powerful effects on health' and, that 'such psychosocial risks accumulate during life and increase the chances of poor mental health and premature death' (Wilkinson and Marmot, 2003: 12). Wilkinson and Marmot (2003: 18) contend that 'having little control over one's work is particularly strongly related to an increased risk of low back pain, sickness absence and cardiovascular disease.'

Overwork is another issue with potential for negative outcomes for individuals, families and society. A 2010 report found that 50% of workers surveyed wanted to work fewer hours (including 81% of those working over 40 hours a week), with those working over 50 hours wanting to work an average 13.5 hours less per week (Fear, Rogers and Denniss, 2010: 13-15). The 2010 Australian Work and Life Index (AWALI) survey found that one-third of all workers wanted to work fewer hours, with full-timers wanting to reduce their hours by an average 5.6 hours per week (Pocock et al, 2010: 35). For those working very long hours (over 48 hours), 72.8% wanted to reduce their hours at work (Pocock et al, 2010: 38). The Australia Institute's most recent research found that 42% of full-time workers wanted to work fewer hours (Swann and Stanford, 2016: 5).

The AWALI survey in 2012 found that: 'Full-time women's dissatisfaction with their work-life balance has risen (from 15.9 per cent in 2008 to 27.5 per cent in 2012) while men's has showed no change.' In addition, '68.6 per cent of full-time women often or almost always feeling rushed and pressed for time, up from 63.4 per cent in 2008 (with no change amongst full-time men).' Overall, the report found that 'Around one quarter of the Australians surveyed report that work frequently (often or almost always) interferes with other life activities' (Skinner, Hutchinson, Pocock, 2012: 6-7). Increased paid holiday leave access and utilisation by both working mothers and their partners could reduce this dissatisfaction.

There is no doubt some overlap between the negative effects outlined above in relation to insecure work, such as increased stress and anxiety. Here again, paid leave underutilisation and a lack of access to paid leave are factors likely to amplify these negative effects, while increased use of paid holidays may partly mitigate these negative effects.

Australia also has a major problem with underemployment. According to Rafferty and Yu (2010: 45-46), the rate of underemployment quadrupled from 2% in 1978 to just under 8% in 2009. The underemployment rate remains at 8.4% today giving Australia a labour market underutilisation rate of over 14% (Scutt, 2016). ABS data indicates that close to one-third of all part-time workers would prefer to work more hours (ABS, 2016a). Underemployment is a complex issue for which there is no single solution. But

reducing overwork and increasing paid holiday leave utilisation may have a positive effect in terms of the distribution of paid work throughout the labour force over time.

As a simple illustration of the potential benefits of a better distribution of paid work time across Australians, consider our estimate that there were almost 10 million unutilised weeks of holiday leave entitlements last year. If those weeks unutilised leave were indeed taken, and employment increased accordingly (on the assumption that employers would need additional staff to fill in while others were utilising their leave), the result would be 185,000 new jobs – enough to reduce Australia’s official unemployment by over one-quarter. Of course, the relationship between paid leave and new hiring is not as direct as that in practice, but there is no denying that the greater utilisation of holiday leave (and other paid time off) would enhance the pressure on Australian employers to hire new staff, reinvigorating the economy’s lacklustre record of job-creation.

Taken together this evidence suggests that any reduction in access to paid annual leave – and leave taking – is likely to compound the effects of overwork, underemployment and work/life interference.

6. Evening the Odds: Conclusion & Recommendations

This report, released in conjunction with the 8th annual *Go Home on Time Day*, has analysed the threat to the practice of paid annual leave in Australia. It began with a reminder that many of the social standards we take for granted today, including access to paid holidays, exist only as a consequence of the arduous historical struggles for progressive reform.

The report then reviewed three ways in which both formal access to paid leave, and meaningful access to that leave, are being undermined for large segments of Australia's working population. The report cited evidence showing a large number of Australians with access to paid leave are not using all of their entitlement. This underutilisation reflects a combination of workplace pressure factors and personal choices regarding the timing of leave. Further, it highlighted the risks of the precedent set by the Fair Work Commission by permitting Award workers to cash out some of their paid annual leave. It went on to describe the growing prevalence of forms of employment that deny – or severely limit – access to paid annual leave for millions of Australian workers.

We have also reviewed several negative consequences that could flow from reduced access to – and use of – paid holidays. These negative effects could be mitigated by measures aimed at defending and extending the right to access – and use – paid annual leave in Australia. This report concludes with a list of recommendations aimed at contributing to the achievement of this progressive outcome.

Recommendations:

1. The trade union movement should prioritise the development of public education campaigns highlighting the importance of the history of struggles for shorter working hours and paid annual leave in Australia.
2. Federal, state and local governments should develop public campaigns aimed at encouraging Australian workers to use their accumulated annual leave for the personal, family and society-wide benefits it could generate.
3. The Fair Work Act 2009 should be amended to permit workers with excess annual leave balances (i.e. leave that was not used in the previous 12 months) to use –all or part of their excess balance at a time of their choosing after giving their employer 6 months' notice of their intention to do so.

4. The Fair Work Act 2009 should be amended to remove the right to cash out paid annual leave.
5. Adopt the recommendation of *The Report of the Independent Inquiry into Insecure Work In Australia* for ‘a “gradual deeming” mechanism that would allow casuals, and other insecure workers, to accumulate entitlements like annual leave over time’ (Howe et al, 2012: 10).
6. Gradual deeming should be combined with “portable leave banks” that enhance the capacity for all workers to accumulate paid annual leave, even those who work for multiple employers.
7. Adopt the recommendation of *The Report of the Independent Inquiry into Insecure Work In Australia* that the Fair Work Act 2009 be amended to ‘Provide a default deeming provision for determining that labour hire agencies and businesses that engage workers as dependent contractors are in fact employers’ (Howe et al, 2012: 30).
8. Adopt the recommendation of *The Report of the Independent Inquiry into Insecure Work In Australia* recommendation that the Fair Work Act 2009 be amended to ‘Introduce a statutory presumption that a dependent worker is an employee for the purposes of the Act’ (Howe et al, 2012: 30).
9. Providing the Fair Work Commission with a stronger mandate and additional resources to ensure compliance with the National Employment Standards by enterprises operating in the gig economy.
10. The statutory entitlement to paid annual leave for full-time workers should be increased from 20 days (4 weeks) to 25 days (5 weeks) to ensure Australia’s paid holiday provisions keep pace with other advanced countries. This recommendation is supported by Australia Institute polling research showing that 31% of all workers, and 42% of full-time workers, said they would prefer to work fewer hours over the course of the year. And even among those workers who did not use their full paid holiday leave entitlement in 2015, over 40% indicated they would prefer being granted more paid annual leave rather than a wage increase (Australia Institute, 2016).
11. You should take a holiday! If you can...

Paid holidays are an important cultural practice in Australia that delivers significant economic, social and cultural benefits to Australian workers, families and society. Entitlement to paid annual leave is the great democratic achievement that underpins this practice. Yet its effectiveness is being eroded in Australia, in many ways. It is an achievement that we can and should defend.

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