

Free to Shop

G. R. Hogbin



THE CENTRE FOR INDEPENDENT STUDIES
1983

First published September 1983
Reprinted November 1983

by the Centre for Independent Studies

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National Library of Australia

Cataloguing-in-Publication Data

Hogbin, G.R. (Geoffrey Robert), 1938-
Free to shop

Includes bibliographical references.
ISBN 0 949769 09 6.

1. Retail trade - Australia. 2. Trade regulation - Australia. 3. Hours of labour - Australia. I. Centre for Independent Studies (Australia). II. Title. (Series: CIS policy monographs; no. 4).

381'.1'0994

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Acknowledgements

The ideas and arguments contained in this monograph are not new in economics. Many have been taken directly from a more technical paper written by R.B. Bennett of the Bureau of Industry Economics; all have their origins in fundamental economic principles. My objective has been to present these ideas and arguments in ways which readers not trained in economics can readily assimilate. I have been greatly assisted in this endeavour by helpful comments, advice and information from many people, especially Vicki Bates, Ross Parish, Ted Sieper and an anonymous referee. I wish to also thank Greg Lindsay for his forbearance during the lengthy period of sporadic writing.

I have been inspired by, amongst other long-suffering Australians, all those shoppers who have clipped my heels with supermarket trolleys, and those who have had their heels clipped by trolleys wielded by me.

Geoff Hogbin
Monash University

Foreword

Ross Parish

Economists are often accused of being preoccupied with measurable money costs and benefits to the neglect of intangibles - of 'knowing the price of everything and the value of nothing'. In my view this charge is almost totally misdirected: it is **only** economists who have developed a conceptual framework that, at least in principle, takes account of **all** the consequences, pecuniary and intangible, of policy actions. The charge is typically made by those members of the intelligentsia who **wish** to confine economics to the ghetto of monetary aggregates - the better to be able to complain of its inadequacy. The accusation would be directed far more appropriately against politicians who frequently deploy 'economic' arguments of extreme crassness - as may be illustrated from the current debate on the desirability of liberalising shopping hours.

The principal benefit from extended shopping hours is the greater convenience experienced by consumers in being able to shop at times better suited to their requirements. This benefit is largely ignored or downplayed by politicians, who do not acknowledge it to be as real or as important as the **money losses** some retailers fear they would experience. Nor is the inconvenience currently experienced by many consumers in having to shop at unsuitable times seen to outweigh the inconvenience of a few shop assistants having to work at non-preferred times - presumably because the second activity (unlike the first) is paid for **in money**, and therefore counts in politicians' 'economics'.

Politicians tell us that longer shopping hours will mean higher prices and cite as evidence the prices charged in convenience stores and milk bars. But those prices are more a testimony to the protection afforded small traders by the current restrictions on weekend trading than they are evidence of what might happen if restrictions were removed.

The postulated price rises (which may or may not occur) are said to be inflationary. Nonsense! To pay more for a service of higher quality is no more inflationary than is trading up to a better car. Again, neglect of intangible benefits leads to gross errors of logic.

Geoffrey Hogbin's monograph is a good antidote to this sort of sloppy argument. He does not slight the importance of intangibles, nor indulge in phony or irrelevant

quantification. He goes out of his way to stress the subjective nature and inherent immeasurability of many of the costs and benefits of a liberalisation of shopping hours.

Although he does not leave one long in doubt as to where his sympathies lie - his position is implicit in the book's title - his study is not a partisan tract. It is a careful analysis of the effects of relaxing shopping-hour restrictions, in which due attention is given to the costs as well as the benefits. The costs are seen as largely once-and-for-all adjustment costs, falling on some retailers and retail employees, though there is a possibility that some consumers would be harmed. This outcome would require that prices rose as a result of longer trading hours, that some consumers valued the greater convenience less than the rise in prices, and that such consumers had insufficient purchasing power to support a group of retailers offering shorter hours and lower prices.

In addition to the principal benefit for many consumers of greater convenience, Hogbin argues that significant benefits are likely to stem from a smoothing of the Saturday morning shopping peak - which benefits would extend beyond retailing to, for example, those recreational activities that are currently crowded into Saturday afternoons.

Over the last thirty to forty years, there has been a considerable freeing up of the hours of business through the relaxation of legal restrictions (for example, Sunday opening of cinemas and hotels, late closing of hotels, night shopping), by extension of trading hours by certain kinds of businesses and (especially recently) by growth and innovation in the unregulated sector (convenience stores, nurseries, bazaar-style markets). These developments reflect changing social and economic conditions, especially growing incomes and the increasing proportion of wives working in paid jobs. The demand for liberalisation can be expected to continue.

Elimination of the Saturday afternoon half-holiday is the most obvious way of extending trading hours. This half-holiday seems to be a monument to a once-dominant sabbatarianism: when Sunday was the Lord's day, the opportunity cost of working or shopping on Saturday afternoons was high. It is thus appropriate that Mr Hogbin should concentrate on Saturday afternoon trading, but his arguments and analysis are applicable to any relaxation of restrictions on shopping hours.

The Centre for Independent Studies is pleased to be able to publish this study which is a good example of the power of the economic way of thinking to illuminate contentious social issues.

Chapter 1

Why Are Shops Closed on Weekends?

I. INTRODUCTION

Shopping on Saturday mornings in most Australian cities and large towns is far from pleasant. Roads leading into shopping areas are heavily congested and it is frequently difficult to find parking space close to where one wishes to shop. Tempers, even of the patient, are tested as shopping trolleys are manoeuvred through crowded aisles in supermarkets and customers wait in long queues at check-out points. Not only supermarkets but most other stores are also congested on Saturday mornings, and impatient customers jostle for the attention of harried shop assistants who scurry behind counters wrapping purchases, ringing up transactions and processing credit card purchases.

Weekend shopping would be far more agreeable if people were free to shop on Saturday afternoons and Sundays. Congestion on roads and in shopping centres on Saturday mornings would be greatly reduced. It would be easier for families to arrange to shop together and more time could be devoted to selection of items such as household furniture, clothing, and gifts. There are other ways, perhaps more trivial, in which the quality of life would be improved for the majority if there were more time for shopping at weekends. For example, Saturday breakfasts could be consumed in a more leisurely manner and shopping excursions more easily interspersed with breaks for cups of coffee and snacks. It seems that additional time for shopping at weekends would benefit the millions of consumers in a variety of ways.

Why, then, are governments opposed to relaxation of the restrictions on weekend trading, or, more generally, why are shopping hours regulated?

II. GOVERNMENTS, THE PUBLIC INTEREST, AND VESTED INTEREST GROUPS

There are two fundamentally different approaches to explaining why Governments regulate markets, each reflecting a very different view about the role of government in society.

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The first, which might be termed the **public interest approach**, is based on the premise that governments function as benevolent guardians of the public interest, protecting citizens from undesirable effects of the unfettered functioning of markets. In regulating markets, governments are considered to have objectives such as the redistribution of income from the more wealthy to those who fare badly, the promotion of efficient functioning of markets, and the reduction of the severity of negative 'spillover effects' such as pollution and degradation of the environment. In short, according to the public interest explanation, governments intervene in markets in order to improve society. If a set of regulations is shown to be inconsistent with the public interest, the explanation offered is that somehow the government concerned has failed to evaluate its actions correctly, and to make appropriate amendments to the legislation.

On this view, shopping hour restrictions have been imposed in order to make Australia a better place to live in. More specifically, in relation to weekend trading the main arguments seem to be that retailers and shop assistants should not be asked to work on Saturday afternoons and Sundays, and that the restrictions help to preserve family unity and the general integrity of society by allowing those who work in shops to be with their families on weekends. If shops were permitted to open on weekends, those who staff them, and their families, would suffer adverse consequences which in total would outweigh the benefits to consumers. There are subsidiary arguments to reinforce the claim that it is in the public interest to have legal restrictions on weekend trading. For example, it is argued frequently that weekend trading would be 'inflationary' because retailers would be forced to raise prices to recover penalty wage rates. Also, it is often said that weekend trading will disadvantage small retailers relative to large retailers. The explanations for the existence of restrictions on **weekday** shopping hours are less frequently articulated but are probably along similar lines. However, the claim that it is necessary to restrict hours of weekend trading in order to safeguard the interests of people employed in shops and their families seem to dominate the current debate on shopping hours.

While there is no doubt the restrictions provide benefits for some people, the question of whether they promote the public interest depends on the magnitudes of such benefits **relative** to the detrimental effects on others, particularly consumers.

Why Are Shops Closed on Weekends?

There are, however, other aspects of the situation which must be examined in attempting to judge whether concern for the public interest underlies the reluctance of Governments to relax restrictions on shopping hours, especially those on weekend trading. In particular, there seem to be inconsistencies in the ways in which restrictions are applied which cannot be easily explained in terms of the desire of Governments to promote the public interest. For example, Governments apparently perceive little need to protect the families of roughly 1,000,000 employees and self-employed people (one-sixth of the workforce) who cater for what have come to be regarded as the essentials of weekend existence: meat pies at football matches, restaurant meals, services of hotels and discotheques, petrol, pornography, movies, take-away meals, airline travel, fishing tackle, weekend newspapers and much else besides (see Chapter 6). Why, one may ask, is family unity threatened by engaging in the sale of nails and timber at weekends, but not of garden fertilisers? Likewise, it seems inconsistent for the Government of Victoria to decree that an uncooked leg of lamb cannot be sold after 5.30 pm on weekdays nor after noon on Saturdays, while the mint sauce, green peas and potatoes to be consumed with it can be sold at any time. In a similar vein, if the Government is motivated solely by concern for the public interest, why is it that in Victoria uncooked poultry meat can be sold at any time, whereas the hours during which uncooked red meat can be sold are restricted explicitly by law? We might note also that pre-cooked red meat products can be sold at any time. There are numerous other similar apparent inconsistencies in the laws.

The details of laws governing shopping hours vary from State to State in ways which cannot easily be explained by appealing to the notion that Governments have formulated the legislation to promote the public interest. In Victoria, service stations are free to sell petrol at any time, whereas in Perth, only a few rostered service stations are permitted to open on weekends. In Victoria, commercial bakers can produce bread at any time, with the result that there are many small bakeries selling freshly baked bread and other bakery products on Sundays. In Western Australia, fresh bread is unavailable on Sundays because it is illegal for it to be baked. Perhaps the most widely known and least explicable discrepancies in permitted hours of trading relate to the sale of alcohol. It requires more than a little ingenuity to use the public interest explanation to account for the fact that 6 o'clock closing of hotels in Victoria and South Australia

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persisted for many more years than in New South Wales; that beer can be consumed legally in NSW in licensed clubs at any time, but not in hotels; that hotels in Victoria can sell bottled liquor until 10 pm on weekdays and Saturdays, but liquor stores must cease selling at 6 pm on weekdays and 12 noon on Saturdays; and that in the Australian Capital Territory, there are no restrictions on hours of trade in liquor. In all these cases, it is difficult to envisage a relationship between differences in permitted hours of trade and the notion that a particular restriction is necessary to protect people employed in retailing from the effects of working at particular times and to preserve the integrity of the family and society.

In addition, the public interest explanation does not fit well with the fact that weekend trading hours are far more liberal in places such as New Zealand, USA, parts of the UK, and other European countries. In places less similar to Australia, such as Singapore and Hong Kong, it is possible to shop at almost any time. Is this because the authorities in such places are oblivious of the social consequences? Is family unity and the integrity of these societies threatened because of the failure of politicians to curtail hours of weekend trading?

It could be argued, perhaps, that it is socially desirable to have **some** set of restrictions on sales of goods and services simply to **limit** the total number of people required to work during weekends, but that the precise composition of the set of restrictions is of no particular importance. On this view, although a particular constraint on trading hours may seem difficult to justify in terms of the public interest, the overall effect of a set of diverse restrictions might be judged to be socially desirable. Alternatively, one might argue that, while it is to be conceded that consumers are inconvenienced by prohibitions on the sale of furniture, clothing, hardware, electrical goods, etc. on weekends, their losses are outweighed by the benefits to the people who would be required to sell such items. The reverse is judged by politicians to be true for items such as meat pies, pornography and petrol. This is a fine line of judgement to entrust to a class of individuals which has contrived in various ways to saddle Australian consumers with an outrageously expensive two-airline system; clothing, footwear and motor vehicles at exorbitant prices; and an average of about one health-care scheme every two years over the last ten.

Although we might be of the opinion that governments **should** intervene in markets only in ways which they believe will promote the public interest, it is by no means obvious

that it is reasonable to expect that they **will**. After all, governments are comprised of individuals with private interests that, as history so frequently reveals, often conflict with the public interest.

III. GOVERNMENTS AND VESTED INTEREST GROUPS

The second approach to explaining why governments are involved in regulation of markets is diametrically opposed to the public interest approach, and may be termed the **vested interest approach**. The proponents of this view of political processes cast doubt on the key assumption which implicitly underlies the public interest explanation: that governments function as the benevolent guardians of the public interest. Whereas the public interest explanation for government regulatory activity emphasises the role of government in impartially enhancing economic efficiency and redistributing income from the wealthy to the poor, those who espouse the vested interest explanation consider the relationship between government and the community to be a more complex process motivated by the interaction of the self-interests of politicians and members of the community alike.

On the one hand, politicians have the objective of electoral success and accession to positions of power. Those who constitute a government have the power to confer benefits on selected individuals and groups, using regulatory devices such as protective tariffs, production subsidies, minimum wages, restrictive licensing of occupations, provision of government-produced services at prices below cost, security of employment for government employees, and many others. On the other hand, members of the community perceive this power of politicians to implement regulations as a source of both monetary and non-monetary benefits, to be exploited in parallel with opportunities for higher profits and wages in the market place. This creates the pre-conditions for mutually beneficial trade between politicians and those who expect to gain from economic regulations: contributions to electoral campaign funds and promises to deliver votes can be exchanged by members of the community in return for the various kinds of benefits which politicians have the power to bestow. Consequently, people devote time and invest money in pursuit of benefits provided by government in much the same way that they devote time and money to improving their respective lots by means of markets.

In pure form, the vested interest explanation for government regulatory activity has no moral overtones, although it does provide a framework for thinking about ways in which society might be improved by placing constraints of various kinds on governments. It seeks to explain the observed outcomes of political processes, rather than to specify what those outcomes should be. For example, those who espouse the vested interest explanation would be inclined to regard an instance where the management of a company failed to pursue an opportunity to increase profits by lobbying for tariff protection as *prima facie* evidence contrary to their theory and as dereliction of management's duty to shareholders. They may prefer the world to be otherwise, but fear it is not. Likewise, since governments have various ways of conferring benefits on particular groups of workers, it would be surprising if officials of a trade union did not attempt to use political processes to improve the well-being of their respective members. Bribery is an extreme form of mutually beneficial exchange between politicians and members of the community. However, proponents of the vested interest explanation for government regulatory activity view most exchanges occurring through political processes as far more subtle, multi-dimensional, and based on probable benefits rather than certainties.

The mechanics of the exchange through political processes are not yet well understood. Lobbying for benefits seems to be undertaken mostly by coalitions comprising relatively few members of the community. Usually, members of the coalition stand to make relatively large gains by inducing the government to activate some regulatory device which will transfer to them relatively small amounts from a relatively large number of individuals in the community at large. The underlying principle is simple: if one person could induce the government to implement a regulatory process which would remove a cent from every other person in Australia and transfer it to him, he would gain roughly \$150,000, while the remainder of the population would scarcely notice the loss. Clearly, the beneficiary of such a scheme would be willing to invest (exchange) a substantial proportion of the \$150,000 in attempts to persuade a government to implement it. Moreover, since individual losses are small, the losers have little incentive to form coalitions to oppose the measure. The high cost of forming a coalition embracing large numbers of individuals also greatly reduces the likelihood that effective opposition will be mounted within the community. In essence, according to the

vested interest approach, the existence of economic regulations is attributable to the fact that political processes provide a mechanism, alternative to the market, through which certain groups can obtain monetary and non-monetary benefits. However, unlike the market, where income is obtained in return for contributions to the production of goods and services, income acquired by one individual through economic regulation reflects a corresponding reduction of income for others, with no increase in availability of goods and services. Indeed, the availability of goods and services is **reduced**, because resources are dissipated by lobbying for regulations and in administering them.

The important conclusion to be drawn from the vested interest approach is that there is **no reason for believing that economic regulations will be consonant with the public interest**, even on broad interpretations of that elusive term. On the contrary, the public should be alert to the likelihood that political processes will be used by the few to exploit the many. If one accepts that self-interest is a primary motivating force in human behaviour, it follows that citizens and politicians will engage in the mutually beneficial exchanges that are offered by political processes, and that these exchanges will become manifest as economic regulations. This is not to suggest that politicians are less concerned for the public interest than others in the community; rather, both the public interest and the private interests of politicians play a part in decisions to introduce regulations and in determining the way in which they evolve. Neither do there seem to be significant differences between political parties in Australia in their strong propensities to regulate economic activity.

The vested interest approach **casts doubt on claims that restrictions on shopping hours serve the public interest**. It leads to a suspicion that various groups in the community derive benefits from the restrictions at the expense of the community at large. For this reason, in evaluating the overall effects of the restrictions, we should attempt to judge whether the benefits conferred on particular groups really do contribute to the overall welfare of the community and take care to take full account of the costs they impose on others.

IV. OBJECTIVES OF THE STUDY

Which of the two lines of explanation most plausibly explains the reluctance of politicians to accede to pressures for additional shopping time at weekends? In the remaining

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chapters an attempt is made to provide information which will help to answer this question. The approach involves systematic analysis of the form and extent of losses and gains which various groups in the community experience as a consequence of restrictions on weekend trading. The obverse of these losses and gains is, of course, the benefits and costs which would result from abolition of the restrictions. We begin in Chapter 2 by tracing the origins of restrictions on shopping hours and their evolution. In Chapter 3 the nature of costs imposed on consumers as a result of the current restrictions is examined. Subsequent chapters deal with the implications of deregulation for owners of retail stores and their employees. Finally, the likely effect of deregulation on prices paid for consumer goods is examined.

The primary objective of the analysis is to contribute to the debate on shopping hours which is now taking place in most States. A subsidiary purpose is to encourage wider consideration of the possibility that the restrictions on shopping hours are manifestations of inherent defects in political processes rather than merely the consequences of a series of unfortunate political miscalculations about where the public interest lies. Since restrictions on weekend shopping affect almost all people and the consequences can be readily identified and understood, an examination of them provides a useful starting point for thinking more generally about the social and economic consequences of other regulatory controls. Such regulations include those which have shaped our airline system, those which govern the marketing of agricultural products, rent controls, controls on the taxicab industry, controls on interest rates for housing, protection of manufacturing industry, those which impact on the building industry, and a host of others. ¹

Chapter 2

Origins and Evolution of Restrictions on Shopping Hours

I. INTRODUCTION

Regulation of hours of retail trading in Australia dates back to 1885 when the colony of Victoria legislated to oblige shopkeepers to close by 7 pm on weekdays and by 10 pm on Saturdays. Shops were also obliged to close on Sundays but, because at the time commercial activity on Sundays was effectively proscribed by widespread observance of the edicts of churches, the legal constraint on Sunday trading probably had little impact. At varying intervals, other colonies followed Victoria with similar legal restrictions. In the 1890s moves to close shops for half a day each week (apart from Sundays) were initiated in both Victoria and New South Wales. This issue engaged the attention of politicians and retailers sporadically in both colonies for about two decades, as they wrestled with the problem of finding a generally acceptable time for the half-holiday. Various arrangements were tried, including allowing shopkeepers the choice between a half-holiday on Wednesday afternoons and Saturday afternoons, and permitting shopkeepers within local government areas to designate the half-holiday by majority vote. By the 1920s most States had settled for closing shops in metropolitan areas at 6 pm Mondays to Thursdays inclusive, at 9 pm on Fridays, and either at noon or 1 pm on Saturdays. Observance of weekday half-holidays continued for much longer in country areas. Shops such as pharmacies, coffee houses, fish shops, and greengroceries were usually exempted from restrictions.

Regulations in roughly this form, including evening shopping on one day of each week, continued until 1941 when, under National Security Regulations, all shops were obliged to close by 6 pm each weekday throughout Australia. After World War II, all States arranged to maintain the war-time prohibitions on retailing in the evening, mostly by legislation. Thus, just as in many States 6 o'clock closing of hotels was a legacy of World War I, so the abolition of evening shopping was a legacy of World War II. One evening of shopping each week was reintroduced in Victoria and NSW in the late 1960s, with other States following suit in later years.

II. MOTIVES FOR THE RESTRICTIONS

It seems clear that at least part of the motive of governments for introducing restrictions on shopping hours was a desire to limit the hours of work demanded of shop assistants by their employers. Transcripts of evidence presented to Royal Commissions inquiring into shop trading hours and of parliamentary debates in the 1890s and early 1900s contain numerous references to the adverse effects of long hours of work on the health of shop assistants and on the welfare of their families.² The vision of shop assistants shackled to their jobs from early morning until late at night for six or perhaps seven days a week suggests strongly that legislative action to improve working conditions could scarcely fail to be in the public interest, and that any inconvenience suffered by consumers would be comparatively trivial.

Nevertheless, closer examination of the evidence suggests that it may not have been concern for the public interest alone that lay behind the initial legislation curtailing shopping hours. Instead of setting uniform closing times for all stores, it would have been possible to adopt the more direct measure of setting limits on the hours a shop assistant could be asked to work. Why was this not done?

The answer might be that it would have been excessively difficult to monitor and enforce restrictions of this kind. However, the Victorian Government, in addition to restricting shop trading hours, also set limits on hours of work for various categories of shop assistants: juniors, females and males. To facilitate enforcement of the measures, shopkeepers were required to keep time-sheets which had to be available for inspection at any time. Since the total time within the limits on trading hours exceeded the prescribed limits on hours of work for all categories of shop assistants, the Victorian government must have believed that it was feasible to use the more direct method. Limits on hours of work in shops exempted from trading hours restrictions (coffee houses, pharmacies, fishmongers, greengrocers, etc.) were also imposed, which again indicates that the objective of preventing shop owners from making excessive demands on their employees could have been achieved without restricting trading hours. Furthermore, in Victoria, and probably in other States, direct controls were introduced to limit working hours in manufacturing and other industries, which again shows that governments believed it possible to achieve the objective of improving working conditions by this means. We

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do not know how effective these direct controls were, but both employees and rival employers would have had incentives to inform authorities of violations.

That the legislation may not have been introduced solely to deal with the problem of excessive working hours is suggested by references in the transcripts of inquiries to the fact that at least some employers had difficulty in finding people willing to work on Saturday afternoons. Moreover, many retailers were voluntarily closing their shops for half a day each week, apart from Sundays, before they were required to do so by law. Information of this kind suggests that conditions in the labour market were such that at least some employers were not in a position to make limitless demands on their employees or, alternatively, that private concern for the welfare of their employees led them to voluntarily limit their demands. In short, we cannot be sure how serious the problem of excessive hours of work was at the time the initial steps to curtail shopping hours were taken.

More importantly, a reading of the parliamentary debates and proceedings of enquiries suggests strongly that shopkeepers were at least as interested in the way in which restrictions might affect volumes of trade in their respective businesses as in the effects of shortening their employees' working hours *per se* on profitability. They were rarely, if ever, unified in their views about the appropriate hours of trade. At the time restrictive legislation was first introduced, some shopkeepers favoured it, but others were opposed. Likewise, when the introduction of a compulsory half-holiday was debated, opinions were divided about the desirability of the measure and the way in which it should be implemented. The arguments in the debates of yesteryear have a familiar ring. Almost any proposal to introduce or change a regulation governing shopping hours was accompanied by claims that the proposed measure would be inflationary; that small businessmen would be disadvantaged relative to large businesses (or vice versa); that shops in suburban areas would lose relative to those in the inner city; or that family-run enterprises would be advantaged (or disadvantaged) relative to others. In fact, a reasonable interpretation of the recorded evidence, most of which was contributed by shopkeepers rather than employees or other citizens, would be that these debates were far more concerned with the fortunes of the former than working conditions for the latter.

While it can scarcely be denied that concern for the welfare of shop assistants might have triggered moves to

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regulate shopping hours, this certainly does not preclude the possibility that the interests of shopkeepers played a part, perhaps a major part, in the determining of the initial form of the regulations and the ways in which they were subsequently modified.

If it **were** the case that the interplay of vested interest groups contributed to determining the forms taken by the various sets of regulations governing shop trading hours, then it is clear that it was not simply a tripartite contest between consumers, shop assistants and a unified group of retailers. Consumers, or representatives of consumers, took very little active part in the debates. Shop assistants were somewhat more vocal and seem always to have favoured reductions in trading hours. The main protagonists in the debates seem to have been groups of retailers, each with differing opinions about the desirability of a particular measure. In some cases it suited a particular group of retailers to side with employees in much the same way that employers and unions today sometimes behave as a coalition in seeking tariff protection for an ailing manufacturing industry. But even so, the effects of regulations on the fortunes of various groups of retailers seem to have always been a dominant issue.

There are a number of reasons why retailers would have been divided on any specific proposal to restrict trading hours. Willingness to work at a particular time, say Saturday afternoons, varies between individuals according to their preferences and circumstances. Any retailer who was not enthusiastic about working at a particular time would have welcomed legislation which closed all stores at that time, because he could close his store without fear of loss of business. Further, the introduction of any particular restriction on trading hours is likely to divert trade from some geographical areas to others. For example, restrictions which reduce the time available for shopping outside normal working hours (by which is meant, roughly, 9 am to 5 pm Monday to Friday) are likely to shift trade to shops favourably located to capture lunch-time trade. These diversions of trade would perhaps have been more pronounced in the past when transport facilities were poorer. Naturally, those shop-owners who expected to gain trade as a consequence of the imposition of a particular restriction would have favoured it, while those who expected to lose would have been opposed. Also, ability to control and monitor the performance of managers would have played a part in determining a shopkeeper's attitude. Those less inclined to delegate responsibility would probably tend to

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favour more stringent controls. Finally, since a possible way of successfully entering the retailing industry might have been to remain open for business during hours when existing shops were voluntarily closed, imposition of restrictions on trading hours might have been perceived by those already in the industry as a mechanism for stifling competition from outsiders. In summary, there is a variety of reasons why certain groups of retailers might have expected to have benefited from measures which restricted hours of trading, and, therefore, would have supported their introduction. Equally, there are reasons why others would have been opposed. What is not clear is why the outcome of these debates favoured some groups rather than others.

III. CREATION OF VESTED INTEREST GROUPS

Regardless of whether the vested interests of retailers played a part in determining the form taken by the initial restrictions on trading hours, **the very existence of the laws must have created groups which had a vested interest in their retention.** At least some retailers and employees of retailers must have entered the industry with the expectation that they would not be required to work during hours when trading was prohibited, whereas in the absence of restrictions they would have chosen other occupations. This process of 'self-selection' into groups that benefit from the existence of constraints would, in itself, have created coalitions of vested interests which could be expected to oppose any subsequent changes in the regulations that threatened their preferred times of work. Likewise, any retailer who gained trade as a result of changes in shopping patterns produced by restrictions or who entered the industry believing that the restrictions would obviate the need to employ managerial staff would have a vested interest in keeping those restrictions intact.

More generally, to the extent that economic regulations, such as those imposed on shop trading hours, are consistent with the public interest, the creation of vested interest groups by regulatory legislation may not be a matter for concern. However, if because of changes in underlying economic and social conditions, relaxation of restrictions becomes appropriate, interest groups which expect to lose are likely to resist change. Once formed, such groups or coalitions can be expected to devote resources (time and money) to lobbying governments either to maintain the status

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quo or to modify the initial legislation in ways which will be even more advantageous to them. For this reason, the character of a particular set of regulations is likely to change over time in ways that reflect the interests of pressure-groups created by the initial regulations. This point is crucial to understanding why regulations which might reasonably be construed to have been consistent with the public interest at the time of enactment subsequently, perhaps decades later, produce socially perverse outcomes. It also explains why it is frequently so difficult to remove them.

IV. SUMMARY

Doubtless many, if not all, of the politicians who supported the various pieces of legislation which led to the current prohibitions on weekend trading believed at the time that they were acting in the public interest. I would also hazard the guess that none had the foresight to anticipate the kinds of change which have taken place over the last eighty or more years and which make it extremely doubtful whether such regulations are now necessary, if they ever were. Such changes include the growth of participation of married women in the workforce and the growth of spending power in the community since World War II. Nor, I suspect, did they comprehend how difficult it would be to remove or modify the prohibitions if they subsequently proved to be inappropriate.

In this respect, the quality of their foresight appears to be akin to that of their colleagues of the 1940s and 1950s who bequeathed us 'protected' motor vehicle and apparel industries in ignorance of future advances in technology in countries of the western Pacific. Few people today believe these industries to be appropriately structured to meet current demands within the community. Tariff protection has imposed identifiable and growing burdens on consumers, but the changes needed to reduce or eliminate these burdens will entail some unpalatable decisions involving costly adjustments for relatively small groups within the community. Yet those with the political power needed to bring about the restructuring appear to be unwilling or unable to solve the problems bequeathed by their predecessors, even though on balance the overall benefits to the community seem certain to outweigh the costs by a substantial amount.

This highlights two key defects in regulatory processes: imperfect foresight (from which all, politicians included,

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suffer) and inertia in the face of changing economic and social circumstances. In marked contrast, within a system of unfettered markets, change occurs continuously and relatively smoothly.

In what follows it will be shown that restrictions on shopping hours impose real costs on consumers and that it is extremely doubtful whether any gains which they might provide are likely to be large enough to offset these costs. Moreover, if restrictions were relaxed in order to improve the welfare of consumers, there is little doubt that we could eventually have an industry in which all retailers and their employees found weekend trading acceptable, just as we have a restaurant industry, a hotel industry, a transport industry, a milk bar industry and many other industries where people work no less willingly during weekends than their counterparts in the retailing industry work during the week. We proceed by analysing systematically the ways in which the regulations affect various groups in the community, beginning with consumers, by far the largest group affected by restrictions on shopping hours.

Chapter 3

Consumers' Demand for Weekend Trading

I. INTRODUCTION

In this and subsequent chapters, discussion is focused primarily on the consequences of restrictions on **weekend** shopping time. Consideration of restrictions on **weekday** shopping time are neglected partly because the current debate in Australia is concerned almost exclusively with weekend shopping. Doubtless this is because demand for additional weekend shopping time is far stronger than for additional evening shopping on weekdays. A second reason is that in Victoria, the State for which I have most information about the relevant legislation, there are no **general** restrictions on retail trading hours between midnight on Sundays and 1 pm on Saturdays. In States which have restrictions on weekday trading hours, the consequences will be similar to those resulting from restrictions on weekend trading but almost certainly of much less significance, both economically and socially.

II. STRENGTH OF DEMAND FOR WEEKEND TRADING

How strong is the demand from consumers for additional shopping time during weekends? For a variety of reasons there is no way of settling the matter objectively. Without having the opportunity to translate their preferences into actions, most of us could not specify precisely the amount of time we would spend shopping on weekends if shops were open. We would have even more difficulty in attempting to articulate a notion as abstract as the **intensity** of our desire for additional weekend shopping time. Nevertheless, there is abundant evidence that weekend shopping would prove to be very popular if permitted.

Before beginning the discussion of the strength of demand for weekend shopping, a few general points should be made. First, although the potential benefits for consumers from wider opportunities to shop cannot be expressed in monetary terms, it does not follow that they are trivial. Just as few would claim that the value of an aesthetic experience is

trivial simply because it cannot be assigned a monetary value, so it is a mistake to believe that the value of more convenient shopping is insignificant because it cannot be expressed in terms of money. There may also be a tendency to undervalue additional weekend shopping time, because we feel it is **trivial in relation to the financial losses which some people will suffer** if the restrictions are removed. Somehow the cost of the inconvenience of being prevented from shopping at a particular time seems less real than costs which can be measured in dollars and cents. This of course is inconsistent with the fact that many of us regularly pay dollars and cents for 'convenience'. When it suits us, we pay higher prices at 'convenience' stores³ and milk bars. We also outlay money for a host of time-saving devices which are now considered essentials of life.

Even if the benefits from wider choice of shopping hours were small for any one consumer, because the number of consumers who would benefit would be very large, total benefits for the community as a whole could also be large.

The remainder of this chapter is devoted to an examination of a range of evidence which provides some basis for assessments of the strength of demand for additional weekend shopping time. In evaluating this evidence it is important to bear in mind that other factors, apart from the desires of consumers, must be taken into account in reaching overall judgements about the desirability of extending trading hours. However, to facilitate analysis it is desirable to separate the examination of the extent of consumer demand for weekend trading from other important issues such as the effects of weekend trading on retailers and their employers. Unless this separation is clearly made, there is some danger that attention will be concentrated on other issues to the neglect of adequate consideration of the welfare of the consumers. For example, while it may be reasonable to claim that shops should not open at weekends because the community should not require more people to work on Saturday afternoons and Sundays, this is a matter which, in principle, is logically separate from the question of whether or not consumers want more weekend shopping time. Likewise the fact that some retailers may suffer financially from the introduction of weekend trading tells us nothing about the strength of demand for it. For the purposes of analysis it is therefore appropriate to begin by treating each of these issues separately, recognising, of course, that all will ultimately enter into an overall evaluation of the case for weekend trading.

III. RETAILERS' VIEWS ON WEEKEND TRADING

Although pressures for relaxation of restrictions on weekend trading have come most obviously from certain sections of the retailing industry (and may therefore seem to manifest entirely selfish interests), there must be two parties to any voluntary exchange. Thus a retailer can expect to gain from weekend trading only if consumers patronise his shop on weekends. It follows that efforts made by some retailers to persuade the authorities to extend trading hours reflect their beliefs that there is substantial underlying consumer demand for the additional shopping time. Moreover, since retailers depend for their survival on correct assessments of the desires of consumers, their opinions are likely to be well-founded. Clearly those retailers who favour the introduction of weekend shopping believe that demand is sufficiently strong to make it profitable. Otherwise they would not be prepared to devote resources to lobbying for its introduction.

Paradoxically, the protests of those opposed to weekend trading (including many retailers) imply a similar belief that weekend shopping would prove popular with consumers. If a retailer believed that consumers did not want additional shopping time, he would not be concerned about relaxation of restrictions because he would have no reason to fear loss of trade and profits to stores which chose to open on weekends. Likewise, he would not need to adjust his pattern of work, because consumers would not change the times or places at which they shopped. This holds both for shopkeepers who are currently prohibited from weekend trading and those, such as owners of milk-bars, who are not. Similarly, people employed in retailing and their union officials would not be concerned, because, if there were no demand for weekend shopping, there would be no need to change existing work schedules.

In short, if consumers did not want extra shopping time, it would not be profitable to provide it, and all arguments about the matter would be irrelevant simply because no shops would extend their trading hours, even if restrictions were removed. The protests of those opposed to weekend trading - whether they be employers, employees or union officials - indicate unambiguously that they expect a significant shift towards shopping in currently prohibited hours if weekend trading is introduced. The fact that views are expressed strongly on both sides of the argument, regardless of the grounds on which they are expressed, provides strong evidence that the volume of trade on weekends is expected to be substantial.

IV. USE OF WEEKEND SHOPPING FACILITIES IN AUSTRALIA AND ELSEWHERE

While the preceding discussion indicates clearly that retailers (and others) believe that there is substantial demand for additional shopping times at weekends, it gives no precise indication of the volumes of trade which might be expected in currently prohibited hours. Evidence from places where shopping is permitted on Saturday afternoons and, in some cases, Sundays suggests that it probably will be large. Casual observations in countries such as the UK, New Zealand, USA, Italy, West Germany, and France reveal that Saturday afternoon is one of the most popular shopping times and that, where it is permitted, there is significant trade on Sundays. This is especially so in the case of supermarkets and for goods which involve time-intensive shopping, such as furniture, electrical appliances, giftware, hardware, recorded music, and books. Sunday trading seems to be more popular outside central business districts.

Of course, because there are many factors which might influence the behaviour of shoppers, there is no certainty that patterns of weekend shopping would be the same in approximately similar economies in the absence of restrictions. Nevertheless, in assessing the strength of the demand for weekend shopping here in Australia, the fact that it is popular in other countries that appear to be similar in many respects cannot be easily disregarded.

Within Australia there is also some direct, though inconclusive, evidence which should be considered. In places where Saturday afternoon shopping is permitted, such as the Northern Territory, the Gold Coast, Tweed Heads, and some other tourist areas, it is popular. For example, special legal provisions allow retailers in Victoria's Mornington Peninsula to trade at any time during weekends. Australian Safeway Stores Pty. Ltd., in evidence presented to the Queensland Industrial Court in November 1981, claimed that approximately one-third of the week's business in their store in this area was transacted on Saturday afternoons and Sundays. (Of course, this pattern of trade may not be typical of patterns which would emerge elsewhere in Australia, because at weekends there is a heavy influx of tourists and transient residents into the Mornington Peninsula, the reason for the existence of special legal provisions.) At the time, the same company also operated a grocery supermarket in the Melbourne metropolitan area which, in addition to the usual trading hours, was open all weekend selling only items which

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are exempt from trading restrictions. The company claimed that approximately 40 per cent of the total trade for Saturdays took place between noon and 6 pm in this store. Because it was competing with numerous small retailers in the area, this can be taken as providing some indication of the demand for the services of supermarkets at weekends.⁴

Also, the rapid growth of chains of convenience food stores in Melbourne and Sydney (in excess of eighty having been opened in Melbourne since August 1977) suggests that many consumers want the opportunity to buy a wider range of food items during weekends than is available from corner shops. The value to consumers of the convenience of weekend shopping is manifested by their willingness to pay prices that are significantly higher in these stores than prices in supermarkets during the week.⁵ The popularity in Melbourne of Sunday markets in which many items such as clothing, footwear and light furnishings are sold is also indicative of demand for weekend trading, although total sales in markets represent only a very small proportion of total retail trade.

The increase in the number of retailers who trade in defiance of regulatory constraints is also suggestive of the strength of the underlying consumer demand for weekend trading. In 1982, the Shop Distributive and Allied Employees' Association summonsed in excess of thirty hardware stores in Sydney to prevent them trading on Saturday afternoons, an action which scarcely would have been necessary if consumers did not want to patronise them. Doubtless, trading during prohibited hours is profitable, but many retailers who open their stores in blatant defiance of the laws appear to be motivated at least as much by the desire to place pressure on governments to relax the restrictions on weekend shopping as by the desire to profit at the expense of their rivals.

V. WORKFORCE COMPOSITION AND THE DEMAND FOR WEEKEND TRADING

Data showing changes in the composition of the workforce provide information which might also help in assessing the strength of demand for weekend shopping. It is reasonable to assume that full-time workers who work normal hours and are therefore obliged to schedule their shopping in the limited periods available outside normal working hours are those most affected by current restrictions. This will be especially true

for families where husbands and wives both work normal hours and for single parents working normal hours, although it is not necessarily confined to these groups. Unmarried employed persons, especially those who live independently of their parents, spend much of their income on discretionary purchases and may benefit from additional weekend shopping time if they work normal hours. Also, since it is desirable for the preferences of both spouses to be included in a household's decision to purchase some types of items, for example furnishings, the current restrictions on weekend trading may also adversely affect husbands who work normal hours even if their wives do not. The extent to which shoppers are inconvenienced depends on their individual circumstances and may vary over time. For example, when moving to a new residence, a household's need for additional shopping time may be especially strong.

Some evidence in favour of these conjectures is provided by an opinion survey conducted by Frank Small and Associates in November 1980. While, overall, 50 per cent of respondents were of the opinion that shops should be open longer, the proportions were considerably higher amongst married women employed outside the home (57 per cent), those aged 16 to 24, many of whom would be unmarried (68 per cent), young married couples (62 per cent) and parents of young families (58 per cent).

Although data on the composition of the workforce are not sufficiently comprehensive to allow distinction between full-time workers who work normal hours and those who do not, there is sufficient information to provide some perspective on the numbers obliged to schedule shopping between normal trading hours and normal working hours. Table 1 shows that in April 1983 about 785,000 married females were in full-time jobs outside the home (15.2 per cent of total full-time employment) and a further 1,751,000 full-time workers (34 per cent of total full-time employment) were unmarried males and females. A survey conducted in 1976 showed that approximately a quarter of all full-time employees worked in the evening or at night which gives some indication of the proportion of full-time workers who do not work normal hours.⁶ We can deduce from this information that perhaps one-third of the workforce (about 2 million people) is comprised of married females and single people who work normal hours. It is reasonable to assume that many of these would regularly make use of shopping facilities during weekends.

TABLE I
FULL-TIME AND PART-TIME EMPLOYMENT, AUSTRALIA, APRIL 1983

	Full-time workers ('000)	Percentage of total employed full-time	Part-time workers ('000)	Percentage of total employed part-time
Married males	2,626.2	50.9		
Unmarried males	1,057.1	20.5	251.1	23.2
Married females	784.6	15.2	641.7	59.3
Unmarried females	693.8	13.4	188.8	17.5
Total	5,161.6	100.0	1081.5	100.0

Source: ABS, *The Labour Force, Australia, April 1983* Cat. No. 6203.0, Tables 2 and 17.

It might also be noted that almost 60 per cent of all part-time workers are married females, some of whom might choose full-time employment if they had more time in which to schedule their shopping. Single parents who wish to work full-time are also likely to be disadvantaged by the current restrictions on trading hours. In July 1982, there were approximately 125,000 heads of families with dependent children (other than married couple families) employed outside the home. Most of these were single parents, and about 87,000 were employed full-time.⁷

Doubtless, shorter hours of work and more widespread adoption of 'flexitime' weaken demand for additional shopping time at weekends, but it is also possible that moves in these directions are motivated partly by the desire of people employed outside the home for more time in which to shop.

In an expanding economy it is likely that growth of consumer spending power over time will lead to an increase in the number of items purchased per consumer and therefore to an increase in the amount of time consumers wish to spend shopping. In particular, increases over time in the spending power of people who work normal hours might be expected to strengthen the demand for shopping time at weekends. Table 2 shows that, since the introduction of a weekly shopping evening in the early 1970s in Melbourne and Sydney, aggregate final private consumption expenditure has risen in real terms by about 40 per cent, and final consumption expenditure per person employed by a little more than 20 per cent.

TABLE 2
AUSTRALIA: GROWTH OF CONSUMER EXPENDITURE

Fiscal Year	Final private consumption expenditure, 1974-75 prices (\$ million)	Total persons employed*, Number of fiscal year (thousands)	Final private consumption expenditure per person employed (\$)	Percentage increase over preceding period
1965-66	23,175	4,672	4,960	-
1970-71	30,521	5,451	5,599	12.9
1975-76	38,368	5,945	6,454	15.3
1980-81	42,623	6,309	6,756	4.7

* Includes employees and self-employed persons.

Sources: ABS, *Australian National Accounts: National Income and Expenditure*, Cat. No. 5204.0; and ABS, *The Labour Force Australia*, Cat. No. 6203.0

The emergence of groups of retailers pressing for extension of trading hours in the early 1980s may be explained partly by expectations that economic growth would strongly boost demand for weekend shopping. In 1980 and early 1981 there were indications that the Australian economy was entering a period of rapid expansion. Unfortunately, these expectations were disappointed, but at the time many retailers would have been planning to meet the anticipated demand.

VI. EVIDENCE FROM PUBLIC-OPINION POLLS

Surveys of public opinion provide further evidence that the demand for weekend shopping is substantial, though it is impossible to use these as a basis for assessing the volume of trade which would occur. An Australia-wide opinion survey, covering 2,001 people aged 14 and over was conducted in May and June 1983 by the Roy Morgan Research Centre and published in *The Bulletin* (29 June 1983). Their estimates indicate that, at the time, 62 per cent of Australians favoured allowing shops to open all day on Saturday while only 26 per cent were opposed, with 12 per cent undecided. In capital cities a higher proportion (66 per cent) said they wanted shops to open on Saturday afternoons, with strongest support in Sydney (76 per cent). The proportions favouring Saturday afternoon shopping varied by States from 45 per cent in Tasmania to 71 per cent in NSW. Significantly, 78 per

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cent of people belonging to 'white collar' unions favoured all-day Saturday shopping. The bulk of these people would work normal hours, and it is likely that they have above-average incomes. Opinion in favour was slightly stronger amongst ALP voters compared with Liberal-National Country Party voters. Comparison with similar polls conducted in earlier years by the same organisation indicates a sharp decline of opinion against Saturday afternoon shopping from 40 per cent in June 1978 to 26 per cent in May-June 1983. Opinion in favour has increased steadily over the same period. The results of most other public opinion surveys conducted in recent years indicate broadly similar proportions of the population in favour of additional shopping time.

The results of an interview survey conducted by Beacon Research Co. Ltd. in June 1981 on behalf of the Shop Distributive and Allied Employees Association have been touted as evidence of thin support for weekend trading. Questioned whether they were in favour of 'extending trading hours on Saturday if it will mean inconveniences such as increased prices and poorer customer service', 70.1 per cent of 500 housewives interviewed in the Sydney metropolitan area replied in the negative, while only 17.1 per cent were in favour. Since the approach was akin to attempting to discover whether people want apple pie by asking whether they are in favour of apple pie if it has salt in it, without specifying how much salt, the results provide little useful information. The same survey found that 75 per cent of housewives were of the opinion that current shopping hours were either 'very good' (27 per cent) or 'good' (48 per cent) while only 25 per cent considered them 'fair' (15 per cent) 'poor' (6 per cent) or 'very poor' (2 per cent). As will be discussed in the text below, even if only 25 per cent of housewives wished to shop on Saturday afternoons, there can be no presumption that extending trading hours would be inconsistent with the public interest.

The survey conducted by Frank Small and Associates in November 1980 provides added perspective on consumers' attitudes to the need for additional shopping time. The results of this survey suggested that while 67 per cent of the population thought that present shopping hours were 'good' or 'very good', 32 per cent were of the opinion that they were 'average', 'poor' or 'very poor'. Those in the latter category included 45 per cent of wives in the sample employed full-time outside the home, 40 per cent of unmarried people, and 37 per cent of males. In the same survey, 82 per cent of respondents agreed with the proposition that increased

shopping hours would greatly benefit working people. These results support conjectures made in the previous section that full-time workers are likely to be the principal beneficiaries of extended trading hours.

VII. PUBLIC OPINION AND THE PUBLIC INTEREST

Caution should be exercised in using the results of opinion polls to assess where the public interest lies in issues such as the regulation of shopping hours. There may be a temptation to believe that, if a majority of the community is opposed to weekend trading or claim that they would not shop during weekends, then relaxation of restrictions is against the public interest. No such conclusion can be drawn. If a minority has intense preferences for weekend shopping while the majority is only weakly opposed, the benefits to the minority may outweigh the perceived detrimental effects on the majority, so that on balance the public interest lies in the direction of relaxation of restrictions. This is not to say that public opinion polls are of no value in assessing where the public interest lies, but rather that their value is limited. They may be of more value in providing politicians with information on which to base decisions about the attitude to be taken to an issue if their objective is to maximise the likelihood of election or re-election. To the extent that this is so, efforts made by lobbyists to provide information from opinion surveys on peoples' attitudes to weekend trading, or any other issue, may be seen as rational more because they serve to convince the authorities that it will be in their interests to pursue a particular policy, rather than because they demonstrate that the policy will enhance the public interest.

Since it is not necessary that a majority of the population be in favour of a regulatory proposal for it to be in the public interest, the question arises as to whether a critical minimum proportion is required - and the answer is that there is not. Suppose only 10 per cent of the population were in favour of the proposition that petrol retailers should be permitted to sell petrol between 12 midnight and 6 am on Mondays, and only 1 per cent actually purchased petrol during these hours. Those making transactions during these hours can be presumed to be better off because they freely choose to do so, and provided the sum of the benefits to them is not exceeded by negative effects on others (e.g. traffic noise), the freedom to trade at such times will still be in the public interest.⁶ In the case of weekend trading, while it is true

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that the stronger the demand for it the greater the benefits, it is also almost certainly the case that the aggregate of the detrimental effects will be positively related to the volume of that trade so that, on balance, it is not obvious whether the case for deregulation can be demonstrated to be stronger merely by showing that demand is strong.

In relation to popular support for weekend trading, it is of interest to speculate why retailers in the 'Iron Triangle' of South Australia, which embraces Whyalla, Port Augusta and Port Pirie, are free to trade at any time while their counterparts elsewhere in South Australia are not. Presumably the exemption from regulation for the Iron Triangle reflects in some way the desire of shift-workers in the main industries in the area to shop outside times prescribed for the rest of the State, including weekends. It seems plausible that there would be at least as many people in Adelaide with equally strong (or stronger) desires to shop at weekends as there are in the Iron Triangle. If this is so, it is difficult to see why it is in the public interest to allow the small minority of South Australians inside the Iron Triangle the freedom to choose their hours of trade, but not their counterparts outside, even if they too constitute only a small minority of the State's population.

This apparent inconsistency again provides evidence that the notion that regulatory institutions function in a way which enhances the public interest may have to be modified, perhaps drastically, to take account of other objectives which determine the behaviour of those responsible for framing regulations. For example, one hypothesis which might account for this possible inconsistency is that the desires of the minority of South Australians inside the Iron Triangle have been accommodated because they are concentrated into a small number of electorates, while those elsewhere with strong preferences for weekend shopping are dispersed across many electorates. The implication is that the form taken by regulations may be determined more by political factors than by consideration of the public interest. This may not be a surprising conclusion, but it is one that infrequently enters the debate on extended trading hours.

VIII. SUMMARY

Regardless of how many official inquiries or surveys of public opinion are conducted, nobody can know in advance the extent to which people would shop on Saturday afternoons or

Sundays if they were free to do so. Even if the regulatory authorities act in accordance with their perceptions of the public interest, it should be recognised that their judgements must inevitably be made substantially on the basis of guesswork. Are they guessing correctly about where the public interest lies with respect to weekend trading? What is meant by that widely-used but ill-defined term the 'public interest'? Do the authorities give more weight to the interests of some groups than to others? Precisely why is it not in the interests of the public to be able to sell and buy when it suits them? When one contemplates the complexity of questions such as these, one begins to suspect that the regulatory authorities, even those with the best of good will, are scantily-clad emperors.

Chapter 4

Weekend Trading and the Time-Cost of Shopping

I. THE COST OF CONSUMERS' TIME

In attempting to assess the extent to which the interests of consumers are adversely affected by regulation of trading hours, it is necessary to examine in some detail the nature of the costs imposed on those consumers who wish to shop during weekends but are prevented from doing so. The most important of these costs cannot easily be measured in terms of money, because they are related to the value of leisure time to consumers. Economists now widely accept that to understand the behaviour of shoppers it is necessary for many purposes to take into account explicitly the cost of their time and other indirect costs, notably the cost of transport, involved in shopping. A simple way of doing this is to regard the 'full purchase price' of a good or service as comprising its money price plus the cost of the time and transport used in making the purchase. The time involved includes travel time, time spent acquiring information about prices and quality attributes of prospective purchases, and the time required to effect purchases.

Central to an understanding of what is meant by 'the cost of time' is the notion that the cost of any item is the highest-valued alternative which must be sacrificed to acquire it. Consider first the meaning of cost in terms of money. The cost of a particular item purchased by an individual is the satisfaction which could have been derived from the next best alternative purchase (or purchases) of equivalent money value - the presumption being that the individual will choose to purchase those items from which most satisfaction is derived. The money price of an item is not itself a cost, but rather merely measures its cost by indicating to the individual what must be sacrificed to obtain it. The money transferred in exchange for an item is in itself no more than a piece of paper. However, because each individual has a limited amount of money, in using it to make a transaction the possibility of acquiring some other good or service is precluded. It is this latter aspect of the transaction which constitutes the cost of the item. For example, if by taking a holiday on the Gold Coast a woman precludes the purchase of

a dishwasher - her second most preferred use of the money - then the cost of the holiday is the satisfaction she would derive from the dishwasher.

Once cost is perceived as putative satisfaction from foregone alternatives, it becomes obvious that there are costs associated with the use of time and, that in principle at least, they can be measured in terms of money, in much the same way as money measures the costs of goods and services. Each consumer necessarily has a strictly limited number of hours in any given time period, and these must be allocated between work and a variety of non-work activities. The opportunity to choose the way in which time is allocated necessarily implies that, when an individual decides, either consciously or subconsciously, to spend time shopping, some other activity must be curtailed. The cost of shopping time is the value to the shopper of these curtailed activities. More precisely, the satisfaction that would be derived from the best alternative use of shopping time represents its cost.

Needless to say, this cost is difficult to quantify because it differs for the same individual at different times, and varies from individual to individual. The cost to an individual of three hours' shopping on a Friday evening might be the enjoyment that would have otherwise been derived from an evening at the cinema or at a hotel with workmates. The cost of a similar period of time on a Saturday morning might be the enjoyment of playing a game of tennis, tending a garden, or studying the form guide for the afternoon's races. Alternatively it might be the value of the 'production' which would have occurred in the household if the shopping expedition had not been undertaken - for example, the value added to the ingredients in the process of baking a cake. Obligations to devote time to caring for other members of one's family similarly contribute to the cost of time.

Beyond this, it is also useful to recognise, perhaps contrary to popular belief, that, since many people have discretion over the hours that they work, an alternative to the use of time spent shopping is work. Here the cost of time is, roughly speaking, the money income gained less the value of the net dissatisfaction (or plus the net satisfaction) associated with an extra hour on the job.⁹ A decision to curtail non-work time, part of which may be shopping time, by taking a part-time job on Saturday mornings is just one example of the choice between work and non-work activities. We do not know how many housewives choose not to work, or choose to work shorter hours, because of anticipated difficulties in scheduling their time within the current constraints on shopping time.

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Thinking about the cost of time spent shopping in these ways heightens awareness that it is not a trivial cost, but it should also be recognised that, even when the alternative use of shopping time is some leisure activity, the cost is just as real. Although evaluation is necessarily subjective, we might conjecture that the cost of leisure time will rise for an individual as the wage rate rises, if only because the range of leisure activities open to that individual expands as more income becomes available to pursue them. The increasing demands on the time of parents to take offspring to and from the expanding range of activities which they can afford to provide for their children is a familiar example.

It is also important to recognise that the cost of time to an individual will depend on a wide variety of circumstances. If there is a serial on television on Friday nights which appeals strongly to an individual, then the cost to that individual of shopping time on Friday nights will be higher than otherwise would be the case. If a daughter's netball games are scheduled on Saturday mornings and the parents wish to watch her play, the cost of time on Saturday mornings to them may be higher during the netball season than at other times. 'Sleeping in' on Saturday mornings represents a very valuable use of time for many, but one which the 'thou shalt not shop on Saturday afternoons' edict severely curtails.

Only the individual can know the value of time to him at any given moment. Few, if any, would be able to value their time in money terms, although the activity to which they attach the highest value can be inferred from what they choose to do. In principle it is possible to deduce the value an individual places on a particular period of time by discovering the minimum bribe which would induce him to desist from what he planned to do during that period and do nothing instead, but the practicality of such experiments is extremely limited. However, if inclined to believe that the value of time, measured in terms of money, is trivial, the reader is invited to contemplate for how many individuals and over what period of time he would be willing to finance such an experiment. The expression 'I wouldn't miss it for quids', may be firmly based in reality.

There is plenty of evidence that we place high values on our leisure time. We pay for parking space in cities partly to save time walking; we pay higher prices for reserved seats partly to save time queuing for good seats; and, of course, we outlay large amounts of money for household and garden equipment which saves leisure time. We pay more to travel in aircraft to save time travelling in trains, cars and buses.

Differences between penalty wage rates for weekend and evening work, and ordinary wage rates also signify, not only that the value of time varies over the course of a week as trade unions vigorously assert, but also that the variations are not trivial in money terms, as employees will readily testify. Indeed, as will be seen subsequently, some of the most common arguments against weekend trading are based on claims that the time at weekends of those required to staff retailing outlets is too valuable to be spent working. Again, it is to be stressed that the value of time, including time at weekends, depends on the circumstances faced by an individual, can be known only to him, and could only with extreme difficulty be communicated to others, except implicitly through the choices made in allocating it.

II. RESTRICTED TRADING HOURS AND THE COST OF SHOPPING TIME

The value of time bears on the analysis of the costs imposed on consumers by restrictions on weekend trading in several ways. First, the restrictions tend to raise the average cost of shopping time, especially for individuals who are obliged to cram their shopping time between normal trading hours and normal working hours. It makes sense for a shopper to schedule excursions at times which have the lowest-valued alternative uses within the total shopping time available. Typically, if a person wants to go to a party on a Friday evening, shopping will be postponed until Saturday morning; or if he wants to spend a weekend camping, shopping will be rescheduled for the following week, or perhaps brought forward by making several short excursions during the week. Clearly, if the period of time available to an individual for shopping is shortened, the time eliminated may include low-cost time. If this is so, the **average cost** of shopping time for the individual **must rise** because he is precluded from using that low-cost time. In general, the shorter the time available for shopping the higher the cost of shopping time, and consequently the 'full purchase price' of items bought will also be higher. (Recall that the 'full purchase price' of an item is its money price plus other costs associated with making the purchase, primarily the cost of time.)

In the case of housewives who do not work outside the home, the current restrictions on hours of trading probably have little effect on the average cost of shopping time because, even without weekend trading, they are likely to

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have a wide range of choice of times. However, they too may be obliged to use high-cost time if they wish to shop jointly with their husbands. The restrictions are likely to be far more significant for people who work normal hours, especially those who are single parents, wives in two-income households or unmarrieds living independently of their parents. Either by tradition or of necessity, such people are primarily responsible for the household shopping and their choice of shopping times is at present severely constrained. It is true that, under existing laws in some States, their choices could be widened if shops were opened on more than one evening each week. In fact, at least in Melbourne, more and more supermarkets and stores selling furniture and other household goods are remaining open on weekday evenings. However, for people who work normal hours, the cost of evening time during the week is also likely to be high because of the desire to relax before the next day's work and, in many cases, the need to care for children. For this reason, extension of weekday trading hours is not a good solution to the problem, especially as the interval of time available in the evening is necessarily relatively short for people who work normal hours.

This brings us to another way in which the cost of time contributes to the demand for weekend trading. Since the travel time and other costs of transport involved in a shopping excursion do not depend on the number of transactions made, the more transactions made per excursion the lower the time-cost component of the 'full purchase price' of items purchased: the 'fixed cost' of the excursion is spread over more items. The implication is that for each consumer, depending on his circumstances, there will be an optimal combination of number of shopping excursions and duration of shopping excursions. In general, if the cost of a consumer's time rises, it will become optimal to make fewer excursions of longer duration, buying more items per excursion. The growing popularity of deep-freeze refrigerators is consistent with this proposition, since they allow households to hold larger inventories of perishables.

For people who work normal hours, the largest blocks of shopping time available are on Friday evenings and Saturday mornings. However, for many such people, larger blocks would be preferred. If shops were open until say 5 pm on Saturdays, they would be able to reduce the time-cost of items purchased by arranging shopping excursions of longer duration. The non-working housewife's 'day in town' is a time-luxury which regulations place beyond the reach of a significant proportion of our population.

III. EFFECTS OF EXCESSIVE COSTS OF TIME ON CONSUMERS

By considering each of three extreme cases, we can investigate the ways in which consumers might respond to the increase in the cost of their shopping time engendered by restrictions on weekend trading. First, they may continue to spend the same amount of time shopping as they would in the absence of restrictions and **bear the cost in terms of reduced enjoyment of leisure time**. The reduction in enjoyment of leisure time is the logical obverse of the increased cost of shopping time: shopping time tends to conflict with uses of leisure time which have higher values than would be the case in the absence of restrictions. One example would be a couple who decide not to attend a party on a Friday night in order to shop for furniture, and spend Saturday afternoon watching television, when in the absence of restrictions on weekend trading, they would have gone to the party on Friday night and spent Saturday afternoon shopping. It may be tempting to regard such costs as frivolous, but they are no less real than those faced by an individual who, by working on Saturday afternoons, precludes the possibility of attending football games. The possibility that, if weekend shopping is permitted, some people in the retailing industry may incur costs of this latter type underlies much of the opposition to weekend trading, but it should be understood that maintenance of restrictions on weekend trading imposes similar types of costs on consumers.

While many may believe that an increase in the cost of time would not affect the amount of time devoted to shopping, as discussed in the case above, most economists accept that an increase in the price of an item - in this case shopping time - will curtail use of it. Consideration of ways in which consumers might reduce shopping times leads to discussion of the remaining two extreme responses to an increase in its cost.

A second extreme response, might be for the consumer to purchase the same number of items, but to **shop more hastily**, thereby reducing the total amount of time spent shopping. In this case, the cost to consumers is in the form of reduced satisfaction per dollar spent. Shopping is essentially a process of discovering information about the quality characteristics and prices of available goods and services, and of making selections on the basis of this information. More hasty shopping is tantamount to less complete information on which to base selection. The smaller the amount of time

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spent searching for low prices, the higher the average price paid. Similarly, the smaller the amount of time spent searching for information about the characteristics of goods and services the less satisfactory are purchases likely to be. In short, more hasty shopping leads to more numerous and more serious 'mistakes' and therefore to reductions in satisfaction derived from expenditure. One may get some appreciation of the costs associated with 'mistakes' by considering the choice between 'putting up with' an unsatisfactory purchase and the bother involved in returning it for a refund or exchanging it for a more satisfactory item. If a hastily purchased lounge suite proves not to match the decor of the room in which it is placed, either the household must bear the irritation for many years to come or suffer a financial loss by selling it in the second-hand market. In a similar vein, the cost of a mistake is easily recognised when one sees a shirt priced, say, three dollars lower than an identical shirt already purchased. In summary, more hasty shopping can be expected to be costly to consumers, because they will tend to pay higher prices for the goods which they purchase and because they are likely to purchase a less satisfactory assortment of products.

The third extreme response would be for a consumer to **shop equally carefully for fewer items**, again reducing the time devoted to shopping. This response would reduce the total volume of trade in those sectors of the retail industry subject to constraints on hours of trading. Correspondingly, other sectors would probably be larger than otherwise. One might be inclined to discount the importance of this type of response, and indeed I know of no research which gives clear assistance in estimating its magnitude. It is frequently asserted that because each consumer has only a given amount of money to spend in retail stores, extension of shopping hours will not affect the volume of retail trade. However, there is a good deal of evidence which suggests that, when the full purchase price of time-intensive goods rises, demand for them falls. Examples include the reading of books, maintenance of English-style gardens, and the raising of large families. Who knows how much easier saving for a holiday trip becomes when restrictions on weekend trading reduce spending on retail goods, or how much of the money spent in hotels and restaurants during evenings might be spent on clothing or furniture if people had more time to shop. To the extent that restrictions on trading hours change expenditure patterns, they impose costs on consumers because the combination of goods and services purchased must necessarily

yield less satisfaction than the combination which would have been freely chosen in the absence of constraints, since clearly the latter combination must be the preferred one. Loss of satisfaction from this source constitutes a third type of cost for consumers subjected to constraints on shopping hours. The implication of this discussion is that, if consumers have responded to the increased cost of shopping time by purchasing fewer items, the growth of the hours-restricted retailing sector is likely to have been inhibited relative to other sectors in the economy.

In summary, the overall effect on a consumer of restrictions on weekend trading is more likely to correspond to some combination of the three extreme effects discussed above rather than to any single one of them. Similarly, the overall **cost to an individual consumer** is likely to be a combination of the three types of costs described above.

Opponents of weekend trading frequently argue that, with careful organisation of time, anyone can arrange to do their shopping within the times available under the existing laws. For example, the Queensland Industrial Conciliation Commission, in determining whether retail trading hours should include Saturday afternoons, said that it found '... no tangible evidence . . . which would enable us to reach a conclusion that there is any appreciable proportion of the population which could not reasonably find time to shop within the existing trading hours'.¹⁰ However, this almost entirely misses the key point about the effects of restrictions on consumers. If they wished, most people could manage to dispose of an entire week's income on a Saturday morning. The reason why many people prefer to spend more than the absolute minimum amount of time to dispose of their income is to attempt to get maximum satisfaction from their outlays. Restrictions on weekend trading simply reduce the satisfaction that consumers derive from spending their incomes, especially those consumers who work normal hours and find that their choice of shopping times is severely limited.

IV. THE PEAK TRADING PROBLEM

Consumption of electricity peaks about 7.30 am, when people are preparing to leave for work, and in the early evening, when they return to their homes. For the remainder of the day, much of the plant required to meet these peaks in demand lies idle. If consumption of electricity could be

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distributed more evenly over the day, the community could manage with much less capital invested in power stations and average prices for electricity could be reduced. This would mean that consumers would have more money to spend on other goods and services, thereby creating jobs elsewhere in the economy. Recognition of this peak-load problem is leading governmental authorities to consider pricing strategies which will induce households and business enterprises to use less electricity at peak periods, thereby shifting some of the peak demand to other times of the day. Such strategies could significantly reduce capital requirements in the electricity industry.¹¹

A similar problem besets our retailing industry, but instead of acting to reduce its severity, our governments exacerbate it by restricting weekend trading hours. Currently, retailing activity in most shops peaks strongly on Saturday mornings and during the designated shopping evening. A survey conducted by the Retail Traders' Association of NSW, covering 22 retail outlets in Sydney, showed that, on average, the rate of sales per hour on Saturday mornings is about six times higher than on Mondays, Tuesdays and Wednesdays, more than twice as high as on Fridays and 50 per cent higher than during Thursday evenings.¹² Data submitted as evidence to the Queensland Industrial Commission in 1981 by the Myer retail group showed that the severity of the Saturday peaks in shopping varied between their stores. In some cases the rate of sales was almost as intense during the designated evening shopping period as on Saturday mornings. If retailers were permitted to trade on Saturday afternoons and perhaps Sundays, **the severity of the Saturday morning peak would be reduced**, since at least some people would reschedule their shopping to these times, either because of preferences for these times or to avoid the congestion encountered during the current peaks. In short, restrictions on weekend trading make the Saturday morning peak more pronounced than it otherwise would be.

Retailers expand capacity to cope with the peaks in demand, but for much of the time the extra capacity lies idle, as anyone who has entered a supermarket on weekday mornings and afternoons will have observed. Because the return to the investment in this extra capacity tends to be lowered by the relatively small proportion of the time for which it is required, retailers allow some of the peak demand to be absorbed by congestion. In general, the more pronounced the difference between peak activity and average

activity for a typical week, the greater will be the degree of congestion at the peak.

Excessive congestion imposes on consumers costs which are similar to those resulting from an increase in the cost of time. Depending on how consumers react, the costs take the form of more time spent shopping, or less careful comparison between a selection of items, or fewer items purchased, or some combination of these responses.

Since congestion may be considered to reduce unnecessarily the **quality** of shopping time during peak trading hours, Governments can be held directly responsible for forcing shoddy service on consumers. One wonders to what extent the dissatisfaction with levels of staffing in department stores revealed in the opinion-survey conducted by Beacon Research Pty. Ltd. (cited above) reflected congestion in shopping areas on Saturday mornings. Seventy-six per cent of the Sydney housewives interviewed felt that department stores did not employ enough staff to cater for their customers. Fewer (49.5 per cent) were dissatisfied with staffing in supermarkets, but dissatisfaction was greater amongst those housewives who worked (52.2 per cent) compared with those who did not (46.0 per cent). These results may reflect the fact that many working wives are obliged to shop on Saturday mornings when congestion is greatest.

V. SMOOTHING THE SATURDAY PEAK AND RETAIL PRICES

If the severity of the peak in shopping activity on Saturday mornings could be reduced, the current volume of trade could be conducted with less capacity, in the same way that reducing peak demand for electricity reduces the amount of generating capacity needed. The point can be illustrated with a simple example. At present, on Saturday mornings there are frequently lengthy queues at supermarket check-outs even when all are in use. To avoid costs caused by congestion and time spent waiting in queues, some people would reschedule their shopping away from Saturday mornings. Not only would this reduce congestion and time-costs of shopping for others, but it may also reduce the number of check-outs required. For example, in a supermarket where there are currently twelve check-outs, perhaps a maximum of only eight would be needed at the peak shopping period as the level of shopping activity was distributed more evenly across

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the week. Future increases in demand could be accommodated by bringing the resultant redundant check-outs into operation, instead of extending existing supermarkets or building new ones, so that ultimately the total number of check-outs required in supermarkets throughout the country would be reduced.¹³ The resultant reduction in capital equipment required in retailing would ultimately be passed on to consumers in the form of lower prices.

Of course, there are many other ways in which smoothing the Saturday morning peak would lead to economies in the use of capital. Amongst the more obvious are reductions in the amount of parking space required to accommodate customer parking at shopping centres, and in the number of shopping trolleys needed in supermarkets. Less obviously perhaps, since congestion would be less severe, it might be possible to reduce the space between display shelves, thereby reducing total floor-space in shops. In many cases, possibilities for economies will be perceived only by those responsible for management of individual shops, because they alone have the detailed knowledge to identify ways of reducing the need for floor-space and equipment. For this reason, no single person or group can be aware of all the possibilities for economising on the use of capital, and neither can the extent to which this would place downward pressures on prices for retailed goods be ascertained.

Following extension of trading hours, competition amongst retailers would ensure that these economies in the use of capital would be passed on to consumers in the form of reduced mark-ups over direct costs on goods sold. This is not to say that retail prices would fall if weekend trading were introduced: merely that there would be downward pressure on prices as a consequence of the reduction in the total amount of capital used in the retailing sector relative to that now required. Other factors, for example, the obligation to pay penalty wage rates for weekend work, would increase direct retailing costs and produce upward pressure on prices. The relative strengths of these upward and downward pressures on prices would determine the outcome. A more complete discussion of the effect of weekend trading on prices is given in Chapter 7.

The tendency for mark-ups to fall would be brought about by competition amongst retailers in the following ways. Consider an individual who wishes to establish a new shop, and assume for simplicity that wage rates for weekend work are no higher than those for the remainder of the week.

Because of the extra capacity required to deal with the Saturday morning peak, for the **same weekly volume of trade** he would need a shop with greater capacity under current regulations than if weekend trading was permitted. It follows that the profit - net of direct costs - required to return the individual a specified rate of return on the investment in the larger shop would be greater than that required to earn the same rate of return on the smaller shop. Consequently, for the retailer to receive the same rate of return on his investment from equal volumes of trade, he would need to set higher mark-ups on goods sold with restrictions on weekend trading in force than without. We can conclude that a businessman entering the industry after abolition of restrictions on weekend trading could expect to earn a specified rate of return on his investment with lower mark-ups over direct costs than are required currently. To attract customers, such a businessman would be willing to set correspondingly lower prices. This in turn would oblige existing retailers to reduce their prices to minimise losses of trade to the new retailer. In this way, the surplus capacity produced by removal of restrictions would be translated into downward pressure on prices for retailed goods.

Even in the unlikely event that there were no entrepreneurs willing to enter the retailing industry, competition between existing retailers would be sufficient to produce downward pressure on mark-ups over direct costs. A retailer with surplus capacity created by a smoothing of the Saturday peak would attempt to expand his trade to utilise his facilities more fully. One way of doing this would be to reduce his margins and prices relative to those of his competitors. This strategy would be adopted only if it was expected to be profitable, and this would depend in turn on whether the cut in margins generated a sufficiently large increase in the volume of trade. For example, if, as a result of a 10 per cent cut in margins over direct selling costs, a retailer experienced a 20 per cent increase in volume of sales, his total profits over direct retailing costs would rise, and the rate of return on his fixed assets would also rise.

There is, of course, a serious flaw in this strategy when viewed from the perspective of the retailing sector as a whole. If one retailer in isolation adopted the strategy, it might well prove to be successful in raising profits because it would attract customers from other stores. However, other retailers, fearing loss of trade, would almost certainly retaliate to defend their positions by also reducing their margins and prices. In other words, while each retailer

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separately might believe that his profits could be increased by cutting margins, if all retailers adopted the strategy simultaneously, it is most unlikely that all would experience sufficiently large increases in trade to make the exercise profitable. The reduction of time-related shopping costs would lead to **some** increase in the total volume of trade. Some additional increase would result from the general lowering of net profit margins, **provided** that other factors such as penalty wages for weekend work did not lead to net price increases. However, it is difficult to believe that either of these two sources of increase in total trade would be sufficiently potent to produce an industry-wide increase in profits, but it would place downward pressure on retail prices.

In short, simultaneous attempts by all retailers to eliminate surplus capacity by cutting net profit margins to increase their trade would almost certainly result in a decline in profits for the industry as a whole. However, the decline would be temporary. Profits would be restored to the industry as the total volume of retail trade increased over time with growth of population and per capita incomes. This increase would, of course, be accommodated by using the temporary excess capacity created by reduction of the severity of the current Saturday morning peak, the existence of which initiated the competitive erosion of margins and retail prices.

Some may be skeptical of the power of competition to erode margins in the ways described above. After all, why would not retailers perceive that attempts to increase profits by cutting margins would be self-defeating if pursued throughout the industry? One might perhaps argue that they would recognise that they would all be better off if they agreed to maintain margins. In principle this argument is correct, but in practice the temptation to profit by cheating on agreements of this kind, and fears that others might be cheating, are so great that they invariably break down. Past experience shows that pricing agreements are effective only if governments facilitate the policing of them, and that, if government support is withdrawn, they rapidly collapse. The Victorian Government's recent move to abolish legal minimum prices for packaged beer makes this abundantly clear. It would not be an exaggeration to say that no retailer of packaged beer in Victoria believes that the current minimum price set and policed by the government could be maintained by voluntary agreement. Industry representatives are absolutely convinced that as soon as the Victorian Government's support for the minimum prices is withdrawn,

prices will be ruthlessly cut, as liquor retailers strive to gain or maintain trade in packaged beer. Their convictions are well founded in past experience. Following the introduction of new Commonwealth legislation in the early 1970s which outlawed the industry pricing agreements that had been supported by Victoria's licensing authorities, a 'price war' very quickly broke out in the liquor trade, cutting gross mark-ups on packaged beer from about 37 per cent to as low as 5 per cent. Also, it is well known that at about the same time, one firm in Canberra - Farmer Bros. - forced substantial and widespread reductions in mark-ups on packaged beer, again as a result of removal of government regulations supporting existing pricing agreements. We might note that in both these cases firms which led the field in cutting prices prospered, and that it is the expectation of increased profits which motivates retailers to compete by lowering prices. Similarly, it is the prospect of profits which would translate the surplus capacity in retailing into lower mark-ups if weekend trading hours were to be extended.

There is plenty of other evidence of the fact that it requires very few firms - perhaps only a single firm - to trigger a general cut in profit margins. Prices of international airline travel were profoundly affected by the actions of Sir Freddy Laker and Icelandic Airways, and few can doubt that, if competition were permitted in our domestic air travel industry, fares would quickly fall. In the retailing industry, even large and well-established firms cannot escape the exigencies of competitive pricing. In the late 1970s, Myer was forced to revise its traditional pricing policies to compete with a new breed of discount stores relying on low mark-ups on high volumes of sales for profits.¹⁴

It should be stressed that the preceding discussion is not intended to imply that prices **will** fall if weekend trading is introduced. As noted above, other factors such as the need to pay penalty wage rates for weekend work will exert upward pressure on prices. Moreover, in a period of inflation such as Australia has experienced over the last decade, downward pressure on prices may merely reduce the amount by which they increase, rather than lower them in terms of dollars and cents.

The excessive investment in retailing facilities needed to cope with the Saturday peak is reflected in the prices consumers pay for retailed goods. The cost to the community must be reckoned in terms of the other goods and services which could have been produced with the excess capital and

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land resources now devoted to retailing. It is worth noting in this respect that the upsurge in pressures for weekend trading in 1980 and 1981 may have been more than mere coincidence. At the time, there were plans for high levels of investment in other sectors of the economy. Because real interest rates were high, the cost of expanding retail facilities was high both to firms and to the community in general. This may at least partly explain why retailers were inclined to look for additional trading time as an alternative way of meeting expected growth in demand for their services.

VI. OTHER COSTS OF THE SATURDAY PEAK

Excessive congestion impedes consumers in their search for lower prices. There is some presumption that this will tend to raise the average of prices asked for goods. The reason for this is that some retailers may be better able to survive with high mark-ups and a low volume of sales to shoppers whose search activities are restricted by congestion, or by being forced to shop at sub-optimal times. The rapid expansion in the number of convenience stores in Melbourne in recent years may be adduced as evidence for this. Prices in these stores are substantially higher than those in supermarkets. If supermarkets were allowed to trade throughout weekends, the increase in competition would lower prices paid for goods bought on weekends.

Beyond this, excessive congestion increases the difficulty of detection and apprehension of shoplifters and consequently may encourage pilfering. This in turn raises prices paid by the majority - though of course it reduces them for a minority. In addition, confinement of weekend shopping to Saturday mornings amplifies peaks in demand for other community amenities on Saturday afternoons and Sundays. Just as the need to accommodate the Saturday morning shopping peaks leads to wasteful investment in shops, so the amplified peaks in demand for recreational facilities leads to unduly high investment in theatres, cinemas, tennis courts, swimming pools, playing fields, etc. This again imposes costs on the community similar to those resulting from congestion in shops on Saturday mornings.

Finally, it should be noted that, although over time a range of factors is likely to raise the costs to consumers of prohibitions on weekend trading, other developments may reduce their severity. For example, improvements in techniques for preserving food may permit households to

carry larger stocks thereby reducing the frequency of shopping excursions and consequently the time-costs of shopping. Likewise, shorter hours of work and more widespread adoption of flexitime are likely to alleviate congestion on Saturday mornings. Again, it is worth asking to what extent demands for shorter hours of work and flexitime are motivated by a desire for additional shopping time within the current restraints on trading hours.

VII. SUMMARY

Extension of trading hours into weekends would benefit consumers by reducing the cost of their shopping time and by easing congestion on Saturday mornings. Although these benefits cannot easily be reckoned in money terms, they are nevertheless real. Those who would gain include not only those consumers who wish to shop on Saturday afternoons and Sundays, but also those who would continue to shop during the current peak trading hours, since they too will experience less congestion. In total, these benefits are likely to be large because they would be spread so widely through the community. Reductions in capital requirements in the retailing sector and in provision of recreational amenities would lead to more production in other sectors of the economy.

Since the overall benefits to consumers from extending weekend trading hours appear to be large, it may seem surprising that they are not translated more effectively into pressure on politicians for reform of the law. There are two factors which might account for this. First and most importantly, since the benefits for any individual are not likely to be large, individual consumers have little incentive to devote time or money to persuading politicians to relax the current restrictions. Second, because the number of consumers is large, it is difficult to organize an effective political lobby. This is so because each consumer hopes that he can free-ride on the efforts of others, or is reluctant to devote effort to a cause which will benefit large numbers of people other than himself. Furthermore, since it is difficult to predict the effect of the introduction of weekend trading on individual retailers and their employees, consumers may adopt a conservative view on the issue, fearing widespread disruptions to the lives of those in the industry. Whether such misgivings are well founded will be discussed in the next two chapters.

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Although various consumer organisations have pressed publicly for weekend trading, representation of the interests of consumers has been left mainly to the group of retailers who believe that they will profit from its introduction. 'The market' is converting consumer interests into political action in a situation where, for the reasons discussed above, consumers have little incentive to do so themselves. This may seem paradoxical, but, in fact, is not. Managers of business enterprises are searching continually for new ways to satisfy the needs of consumers, because their profits depend on the willingness of consumers to exchange dollars for the goods and services they sell. An inevitable consequence of competition for the consumer's dollar is that those firms whose products are least attractive to consumers are forced either to improve them or cease operations - unless they can use the government to suppress the activities of their more successful rivals. Retailers who are pressing for the introduction of weekend trading are prepared to offer a service that they believe consumers want. Those opposed are prepared to offer only service of a lower quality, and fear loss of custom. Their efforts to resist the change may be thought of as somewhat akin to attempts by corner grocers to convince governments that the introduction of supermarkets should be suppressed by political action. Society survived that event and seems the better for it, even though it must have been traumatic for some at the time.

Chapter 5

Retailers and Weekend Trading

I. INTRODUCTION

The retailing industry is divided over the issue of weekend trading. In what will be termed the main sector of the industry, which comprises those enterprises now subject to constraints on trading hours, there are substantial numbers of retailers who favour Saturday afternoon shopping, and some (notably supermarket chains) who also wish to trade on Sundays. However, it is clear from public discussion and evidence presented to official inquiries that many others in the main sector strongly oppose extension of trading hours. In addition, there is much opposition from owners of shops currently free to trade on weekends. Although most of the discussion in this chapter will be focused on the main retailing sector, we consider first those who already trade on weekends.

II. SHOPS NOW TRADING ON WEEKENDS

One obvious and important reason why many of those who now have the right to trade on weekends oppose extension of that right to others is that they fear that, as a result of increased competition at weekends, they would lose custom, their profit margins would fall and the values of their businesses would decline. Clearly, the fact that they already trade on weekends would make it difficult for them to argue that weekend trading would be detrimental to family life and the integrity of society, although (slightly adapting the old adage) perhaps 'the family that trades together, stays together'.

While one can readily sympathise with owners of milk bars, delicatessens and other small stores which might lose trade to supermarkets, the situation needs to be examined more closely. First, it is not necessarily true that all would experience losses if weekend trading were to be introduced. The management of one chain of convenience stores expressed the view that, with more people out of their homes on weekends, it was conceivable that these stores might gain

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trade if weekend trading were introduced. Other stores which now trade on weekends might similarly benefit from increased commercial activity on weekends.

Second, many such stores have lost business in recent years (and are likely to continue to lose business even if trading laws are not changed) because of marketing innovations which have greatly intensified competition for the type of weekend custom they traditionally attracted. Confectionery, snacks, and soft drinks can now be purchased at convenience stores and petrol stations. Families wanting to prepare an easy meal now buy hamburgers and pizzas from fast-food outlets rather than pressed ham and a loaf of bread from the corner store. Since they are likely to lose trade in any event (if not to supermarkets, then to newer types of shops), the fortunes of those who own the traditional stores are likely to decline whether or not weekend trading is permitted.

Beyond this, many of the people who now run stores which trade outside normal hours are clearly not averse to working on weekends. Many would have the skills to trade in a far wider range of goods than is currently permitted, and might welcome opportunities to expand their existing businesses or move into the mainstream of the retail trade. One way in which they could do this would be to buy the businesses of those now in the main sector who would want to leave the industry if weekend trading were introduced. At present, small businessmen who are willing to trade at weekends must confine themselves to selling only relatively trivial items.

III. THE MAIN RETAILING SECTOR

Whilst the reason that some retailers in the main sector favour extension of weekend trading hours is that they expect to profit from it, it must be emphasised that their profits would reflect the desires of consumers to patronise their stores. Some of the larger retailing firms have spent considerable sums of money lobbying at official inquiries and in other ways to change the laws. This they would not do unless they expected it to be profitable.

Although not all the major retailing firms are in favour, the fact that most are might be suggestive of a contest between big business and small business. However, this does not correctly characterise the debate. Many small businessmen favour weekend trading and some have risked heavy penalties by trading illegally on weekends. Even if it is

true that in most cases small retailers would suffer while large retailers gained, this would happen only if consumers freely voted with their dollars in favour of the large. Moreover, voting with dollars in the marketplace is an extremely sensitive and effective means for communicating preferences - far more so than voting in political contests. If, as a result of weekend trading, the small business sector declined, the conclusion which should be drawn would be that consumers tend to prefer the combination of prices and services big businesses are able to offer. Consumers have demonstrated this tendency in the past in industries such as the food retailing industry and the automobile industry, and there seems to be little evidence of a reversal of their preferences. In this respect it is worth pointing out that large firms cannot 'put small businessmen out of business', but consumers can and do - by withholding dollars from small businessmen who do not provide them with what they want at the right prices.

However, there is no doubt that many retailers, especially owners of small shops, are very strongly opposed to weekend trading. How should this opposition be interpreted? It is too easy to dismiss it by arguing glibly that those retailers who do not wish to trade on weekends will not be obliged by law to keep their stores open, or that they can hire managers to supervise their businesses on weekends, or that they sell their businesses to people who **are** willing to work on weekends. To appreciate the reasons for opposition amongst retailers and to judge the extent to which it should be taken into account in evaluating the case for weekend trading, a more complete understanding is required.

It is possible that some retailers favour current trading hours because they believe that they promote family unity and the common good, in accordance with the public interest explanation for the economic regulation. Some apparent weaknesses in this argument have already been noted. First, consistency seems to demand that retailers who oppose weekend trading should also object to pursuit of other commercial activities on weekends, but it is by no means clear that most do. Indeed, as noted in the previous section, some of the more vocal opposition to the extension of weekend trading hours comes from those who currently have the **right** to trade at weekends. Second, the integrity of other societies in which weekend trading is permitted seems neither more nor less under threat than Australian society.

IV. WHY RETAILERS OBJECT

A far more compelling explanation for the opposition of some retailers to weekend trading is that they expect to incur losses: whether financial, in terms of job satisfaction, or some combination of the two. Those who expect to lose have vested interests in preservation of the status quo, and can be expected to act to attempt to persuade government authorities of the virtue of preserving the existing trading hours.

We can begin an investigation of the sources of these losses by noting that even if willing to work on weekends, some retailers may oppose the introduction of weekend trading because they expect that they will lose financially as a consequence of **changes in locational patterns of trade**. For reasons outlined in Chapter 2, it cannot be denied that, in many cases, these expectations will prove to be correct. Opposition on these grounds can be readily understood. Who amongst us would not react in the same way to a threatened loss of income? However, it is important to recognise that these changes in locational patterns of trade would reflect the benefits to consumers of the opportunity to shop where they want to at convenient times. The situation is akin to that which prevailed earlier in this century when consumers benefited from the introduction of motor transport while shopkeepers in the smaller rural villages suffered financial losses.

Expectations of financial losses from changes in locational patterns of trade are by no means the sole reason for opposition amongst retailers to extension of trading hours. Those retailers who are averse to working on weekends would suffer losses of somewhat different kinds. It is, of course, entirely reasonable for a businessman to be unwilling to work on weekends. They, like many others in the community, may value weekend leisure time highly for all sorts of reasons such as the desire to participate in weekend sporting competitions or to spend weekends with their school-age children. Personal preferences and circumstances determine an individual's attitude to working on weekends, and expressions of disapproval towards those who are reluctant to do so are pointless. All that can be concluded is that, for whatever reason, they place high values on weekend leisure time. By considering in more detail the options available to retailers who are reluctant to work on weekends, the kinds of losses they might experience can be identified.

One option would be to **cease trading while other retailers remained open** for business. A retailer choosing this option would be almost certain to lose trade, relative to his current volume, because many of his former customers would shop at times during the weekend when his shop was closed. The cost of this option is obvious.

A second option would be to **hire a manager** to supervise operations on weekends. This option might be costly not only financially, but also in other ways. Many businesses are small for the very reason that their owner's capacity to delegate responsibility and to monitor and control the performance of managers is limited. To the extent that this is true of a retailer averse to working on weekends, he would expect that relaxation of restrictions would make the task of running his business more onerous or that it would result in loss of custom from deterioration of the quality of service provided, or that he would incur losses stemming from inefficient or careless management.

A third option would be to **sell his business and to move to another occupation**. Again, this entails costs. Although he might be able to find a buyer willing to pay an adequate price for the premises and other physical assets, and to reward him for customer goodwill, it is likely that a change of occupation would reduce the return to his labour and other skills. The reason for this is that he would have acquired specialised experience and skills which were valuable in his own particular business, but less useful and therefore less valuable in other occupations. Furthermore, there might be emotional costs in relinquishing a business which had been developed over time with a good deal of personal effort.

If the retailer judged the costs of pursuing one or other of these alternatives to be too high, he would keep his shop open during weekends, but this too would be costly because it would require a sacrifice of high-value leisure time. Whilst he might be able to maintain his total leisure time by closing his store at times when the volume of trade was low, for example on Mondays or Tuesdays, the sacrifice of high-value weekend leisure time for lower-valued weekday leisure time would result in a net loss of satisfaction. This again points to the significance of the value of leisure time in the debate on shopping hours. On the one hand consumers would gain from weekend trading because the time-costs of shopping would be reduced but on the other, some retailers will lose because the hours they work would be more costly in terms of the **value** of leisure time sacrificed.

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In summary, it is clear that there is a variety of ways in which the introduction of weekend trading might impose costs on at least some retailers. It is therefore scarcely surprising that those who expect to incur losses, of whatever kind, campaign for retention of the existing trading hours. Nobody relishes a financial loss, whether it be ten or ten thousand dollars. Equally, loss of high-valued leisure time is not a matter which people take lightly.

The essence of the problem facing society in relation to retailing is that relaxation of trading hours restrictions will entail some adjustments in the structure of ownership and the workforce in the retailing industry. Few can doubt that if restrictions on weekend trading hours are relaxed, enough businessmen with appropriate managerial and supervisory skills will make themselves available to allow the retailing sector to function on Saturday afternoons and even on Sundays. The businesses of those retailers who would prefer to leave the industry rather than trade on weekends will be taken over by other people already in the industry or by outsiders who are prepared to arrange to run them on weekends. Not all businessmen have strong preferences for weekend leisure time. Many owners of restaurants, take-away food outlets, motor service stations, motels, milk bars, newsagencies and hotels, for example, work long hours on Saturdays and Sundays by choice. We also know that it is feasible to run many businesses including airlines, trucking companies, mines, cinemas, television stations, newspapers and hospitals on weekends without the direct participation of their owners or top executives. In short, there are many businessmen and potential businessmen who would welcome the opportunity to fill any gaps in provision of retailing services at weekends created by those wishing to leave the industry rather than trade at weekends.

V. INFLEXIBILITY OF REGULATIONS AND CHANGING ECONOMIC CIRCUMSTANCES.

This draws attention to one of the ways in which economic regulation creates rigidities in the economy which make it inflexible in the face of changing economic circumstances. Although there are undoubtedly enough businessmen and managers ready and able to run shops on weekends, the problem is that some currently in the industry were drawn into it because they believed that the regulations governing trading laws would protect them from the need to work on

weekends. Because of the regulations, we now have an inappropriate group of people in the industry who, given the existing desires of the community, should be replaced. However, the once-off reshuffling of occupations and ownership of property which is required will be costly. Parallel situations exist as a result of economic regulation of the motor industry and the airline industry. Most people recognise that the structures of both these industries are inappropriate for current circumstances, the one having developed under tariff protection and the other under the two-airline policy. However, in spite of the fact that there are large net potential gains from restructuring these industries, the associated adjustment costs inhibit their realisation.

In other industries where trading hours have been determined by markets rather than by economic regulation, no comparable problems exist. Businessmen who are unwilling to trade on weekends have for the most part chosen to stay out of the restaurant industry or have hired people to run their restaurants on weekends. If as a result of changing economic circumstances they experience difficulty in running their businesses on weekends, they leave the industry and are smoothly replaced by others. Consequently, we always have a group of restaurateurs in the industry that closely approximates the group which is 'right' for the current economic and social circumstances. The contrast between the restaurant industry and the retailing, airline and motor industries is most instructive in this respect.

VI. JUDGING THE SEVERITY OF COSTS FOR RETAILERS

The choice faced by the community is clear. Either consumers must continue to bear the costs which restrictions on shopping hours impose on them or some retailers must suffer losses following the introduction of weekend trading. It is impossible for anybody, including retailers themselves, to know precisely the ways in which a particular shop and its owners will be affected by weekend trading. The factors which influence patterns of trade and retail margins are far too complex to be analysed in detail. However, in making assessments of the severity of losses likely to be experienced by retailers, several points must be kept in mind.

To begin with, there is widespread tacit acceptance within the community that those businessmen who cannot or are unwilling to match or better the services provided by

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their rivals must expect to suffer the consequences. These consequences may include the demise of their enterprises. Clearly, many retailers who are opposed to weekend trading are simply less willing than others to provide one kind of service, namely service at weekends. Why should they be protected from the competition of those who are ready and able to provide what consumers want? After all, there is no comparable protection for restaurateurs or milk bar proprietors or hotel owners who have strong preferences for weekend leisure, just as there is no protection for retailers who fail to provide attractive surroundings for customers.

In many ways the prospective losses associated with a change in trading hours might be considered to be not unlike other prospective losses inherent in the retailing industry. The industry is highly competitive. Firms in it continually face a variety of threats to their existence. The establishment of a supermarket may impose severe costs on nearby small food stores, though others may enjoy 'spin-off' gains. For example, a newsagent or butcher may enjoy an increase in volume of trade following the opening of a supermarket adjacent to his shop. Unpredictable losses and gains of this kind are accepted as normal within the retailing industry and are taken into account in decisions to establish businesses. Those who experience chance losses of these kinds do not expect to be compensated, any more than those who get unexpected benefits are likely to offer to reward their unwitting benefactors.

The introduction of improved management techniques by one firm obliges others to follow suit. The costs of adjusting to the new situation may be high in terms of equipment and retraining of staff, and may place unanticipated burdens on owner-managers. Those retailers who are unwilling or unable to adjust and accept the associated costs either become insolvent or are taken over. If a business fails, people employed in it (including owner-managers) are forced to make radical readjustments in their working lives - and there is a high rate of failure in the retailing industry. No firm, however large, is immune to failure as the recent takeovers of Waltons and David Jones testify. In normal circumstances, no special efforts are made (not by governments, the media, trade unions, nor the public) to shield retailers from the costs of adjusting (or of failing to adjust) to meet the desires of consumers. It therefore seems somewhat inconsistent to want to protect them from the costs of adjusting to satisfy consumers' preferences for more shopping time at weekends.

In addition, it is worth bearing in mind that there are many other actions of government which may impose severe and unanticipated costs on both retailers and their employees and which are beyond their control. Examples include the effects on a service station bypassed by a re-routed highway, or the installation of a traffic island which inhibits access to a particular commercial site.

Unforeseen events are part and parcel of the risk associated with a decision to enter the retail trade. Of course, individuals use whatever means they can, especially political influence, to shield themselves from the effects of unforeseen misfortunes, but usually to no avail. From the community's point of view this is fortunate, because successes and failures are part of the process by which market-based societies make economic progress.

If all economic changes which adversely affect individuals were prohibited by governments, there would be practically no economic progress. To put the point in the extreme, the implication of blanket protection is that the only store in town would be the first! It is not at all clear that a decision to permit weekend trading will produce negative effects which are either qualitatively or quantitatively different from the range of occurrences which make retailing - or any other business venture - risky. However, in the case of extension of shopping hours, there is one important difference: since substantial numbers of retailers will be affected simultaneously by this single event, it is easier for them to organise: to use political influence and the media in an attempt to avoid having to adjust their activities to suit the preferences of consumers.

Some may argue that unexpected losses resulting from the actions of governments are qualitatively different from those arising from market dynamics. It is by no means clear that this is so. Businessmen typically are quick to exploit opportunities to profit from changes in laws and regulations (the recently introduced investment allowance for film producers provides an obvious example), so why should they not accept corresponding losses? Moreover, in the case of relaxation of restrictions on weekend trading, it can be argued that many retailers would have made some assessment of the likelihood of changes in the law when deciding to enter the industry. There must be widespread awareness that trading hours are more liberal in other countries and that there has been a tendency towards liberalisation rather than restriction in Australia.

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At the time they entered the industry, few could have believed that the laws governing trading hours in Australia were immutable, because there were widely-known precedents, including changes during World War II and changes made to permit evening shopping. To the extent that a retailer took (or should have taken) account of the likelihood of freedom to trade during weekends in making decisions to enter and to remain in the retailing industry, claims that he will be injured by its introduction should be discounted. However, nobody except the retailer concerned can know the weight to be assigned to this discounting factor. Of course even if, at the time he entered the industry, a retailer considered the risk of a change of trading hours, if he expects to lose business now his attempts to lobby to maintain the status quo will be no less intensive: he will want to minimise the likelihood that what he feared might happen does happen.

It should also be noted that even if **all** restrictions were to be removed, a retailer would not be obliged to be open for business at all times. Most would be free to choose their trading hours, although some in shopping centres might be obliged to observe trading hours prescribed by their contracts with the owners of the premises. However, those in this position should have been well aware of the conditions of their leases at the time they opened their businesses. In the foreseeable future, it is unlikely that more than a few would find it profitable to trade after 5 pm on Saturdays, at least for some years hence. It is also possible that some would choose to close on Friday evenings, opening on Saturday afternoons instead. The type of merchandise traded would influence these decisions. Even though free to do so, not all retailers of petrol in Victoria remain open continuously and not all supermarkets trade into the evenings of weekdays. On the other hand, almost all vendors of garden supplies trade on both Saturdays and Sundays. Patterns of consumer demand determine optimal trading hours for service stations and plant nurseries, and the same would be true for their counterparts in the main retailing sector. In short, retailers choosing not to open on Sundays would be unlikely to face financial ruin, which means that they would not be under pressure to sacrifice all their weekend leisure time.

In conclusion, in evaluating the case for extension of trading hours, especially weekend trading hours, the losses which will be imposed on a relatively few retailers must be compared with the benefits for the many consumers. **Whereas the losses experienced by retailers will be once-off**

losses, the gains to consumers will be realised not only by the current generation, but all future generations. It is also necessary to ask to what extent there are ways in which retailers can mitigate these losses, whether the losses are significantly different from those faced by other businesses in the normal course of commercial activities, and the extent to which retailers might have taken them into account in their decisions to enter the industry.

VII. CREATION OF ANOMALIES AND GRIEVANCES BY REGULATIONS

Most people recognise an element of absurdity in regulations which permit petrol retailers to sell tools for motor repairs, but prevent hardware stores from doing the same, as is the situation now on weekends in Victoria. Likewise in Victoria, the sale of garden hoses is permitted during weekends from garden nurseries but not from hardware stores, and clothes from market stalls but not from clothing shops. Because these kinds of anomalies must be a source of some embarrassment, the authorities would doubtless like to eliminate them, but this is difficult. If they permit hardware stores to open, department stores will complain, and what about shops which sell bathroom fittings or fireplaces or wallpaper? Decisions about what can and cannot be sold during weekends are clearly arbitrary.

Strictly, retailers should have no cause for complaint about anomalies created by regulations governing trading hours. Each retailer, when entering the industry, takes account of the existence of the regulations and has expectations about the probability of changes to them. If his expectations prove to be incorrect, he will incur either an unexpected loss or greater than expected gain. For example, if the regulations permit shirts to be sold on Sundays in markets but not elsewhere, this fact will be reflected positively in values of market stalls and negatively in values of menswear shops. Moreover, even if the legislation is changed to allow, say, more Sunday markets, other retailers of menswear strictly have no grounds for complaint because the possibility of the change of legislation should have been taken into account in assessing the risk of entering the industry. In this respect, complaints made by retailers about the effects of the law are no more justified than complaints from individuals who back losing horses. The important lesson is that the existence of the legislation and the

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possibility of changing it simply adds to the risk of investing in retailing.

The problem is that most retailers do not see the situation in quite this way. Understandably, the owner of a hardware store will be more inclined to focus his attention on the sales of tools and garden hoses he is losing to neighbouring petrol retailers and nurserymen, than to reflect that he paid less for his store because it is not permitted to open during weekends.

Consideration of anomalies in the regulations covering the retailing sector suggests that an unfortunate side-effect of government intervention in markets is the creation of hostilities and grievances in the community. By comparison with the retailing industry, the relatively unregulated restaurant industry appears to function more harmoniously. We do not observe disputes amongst restaurateurs about hours of trade; or between restaurateurs and those who provide take-away foods about what kinds of food can be sold from the various types of outlets; or hostility between restaurateurs and companies which sell frozen prepared meals through supermarkets. On the other hand, if we examine another closely regulated industry - the airline industry, we observe that it is riddled with overt conflict. There are disputes between the major domestic airlines and small air transport companies over access to routes, and disputes between the major airlines and other companies about how the market for air freight should be shared. Western Australians expect to pay more to travel to Melbourne than residents of Sydney, but there are disputes about how large the fare differential should be. Disputes between international airlines servicing Australia are equally prevalent and centre on bureaucratic decisions about frequency of flights, fares, and ancilliary services offered. Why is this so?

It is difficult to escape the conclusion that government intervention in markets is a direct cause of disharmony and conflict in society, and that one of the advantages of relying on free markets for co-ordination of economic affairs is that they play an important role in the resolution of potential conflicts between competing commercial interests. This conclusion is perhaps at variance with popular belief, but deserves careful consideration. The issue cannot be discussed in detail here, but we might speculate that many of the disputes arise because government intervention in markets has the effect of creating uncertainty about the precise status of individuals' rights to productive property including

human resources, thereby rendering those rights less valuable.¹⁵ There appears to be a tendency to believe that the benefits which a community derives from government sponsorship of dispute-settling procedures under common law also extend to government activities in the realm of economic regulation. However, examination of evidence from a range of industries suggests that this belief is mistaken, and that in their role as regulators, governments should be seen less as mediators of disputes and more as creators of disputes.

VIII. SUMMARY

It is worth reflecting on the numbers of businessmen who voluntarily pursue their occupations on weekends, including proprietors of milk bars, restaurants, dairy farms, hotels, newsagencies, cinemas, taxicabs, motels, garden nurseries and motor service stations. The skills of many such people could have been directed to running shops selling goods in which weekend trading is currently prohibited. It is not at all clear why they should be able to enter the main retailing sector only if they suppress their demonstrated willingness to cater for consumers who wish to shop on weekends. Were it not for the long-standing regulations governing trading hours in the main retailing sector, there is no reason for believing that there would be any more disputes between retailers about trading hours than there currently are between restaurateurs or other businessmen with the freedom to trade at any time - virtually none. In the restaurant trade, some owners open for business at 7.00 am, some for dinner only, and some continuously. Some trade on five days each week, others for six or seven. Some work almost continuously for several years and then take an extended holiday. If a person contemplating starting a business finds the hours or work associated with operating a restaurant or a petrol station distasteful, an alternative occupation with working hours more to his liking will be chosen.

It is clear that reaching a judgement about the severity of the costs which retailers would suffer if weekend trading were to be introduced is extremely difficult. In most cases even the owner's assessment of the financial effects on his enterprise will be little more than a rough guess. An outsider cannot hope to perceive in detail the courses of action that an owner might take to mitigate any costs which might be imposed on him if restrictions are relaxed. However wise or

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well-informed, the authorities responsible for deciding whether or not to extend trading hours must act largely in ignorance of the consequences for retailers. They have no way of knowing whether retailers opposed to weekend trading are 'crying wolf' or will actually suffer severe losses. They may have reason to reflect ruefully that if there had never been restrictions on trading hours they would have been spared the choice between either irritating millions of consumers who desire longer hours or leaving unhappy many retailers who do not. There is simply no sense in which any decision they make can be judged by appealing to the criterion of 'fairness'.

Retailers who will suffer losses if trading hours are deregulated cannot be blamed for resisting the change. Like most others in the community, they will attempt to preserve or advance their interests, as they perceive them, by whatever means are legitimate. If blame is to be assigned, it rests squarely with regulatory processes which are inevitably insufficiently sensitive and flexible to adapt to the needs of the community. Where a regulation exists, it can be changed. It is difficult to predict whether in fact it will be changed, and if so, how and when. This means that businessmen in the regulated industries not only have to contend with the risk inherent in their trade, but also with uncertainty about the outcome of political processes. What governments give they can also take away. Businessmen in the hotel industry, the airline industry, the television industry, the motor car industry, to mention just a few in our highly regulated economy, must be acutely aware of this unfortunate and unnecessary source of uncertainty.

To the extent that economic regulations, including restrictions on shopping hours, are a source of anomalies which create disputes and animosities, they are costly to society - both materially and psychologically. Ministers of the Crown, other politicians, lobbyists, lawyers, bureaucrats, teams of research consultants, as well as the protagonists to disputes must devote time to settling them. Instead of nursing society's self-inflicted wounds, they could be employed in other activities which contribute positively to community welfare.

Chapter 6

Employees and Weekend Trading

I. INTRODUCTION

The remaining important group which would be affected by relaxation of restrictions on trading hours is that of the employees of retailers. If weekend trading is introduced, some restructuring of the labour force in retailing will be necessary, and this will entail once-off adjustment costs for many people. There might also be some continuing costs for employees of retailers, but this is not certain. Most of this chapter will be devoted to an examination of these costs, and an attempt to place them in perspective.

However, at the outset, it is worth making the obvious point that employees in all sectors of the economy (and their dependents) are also consumers. Therefore, for the reasons discussed in Chapter 3, the vast majority of men and women in paid employment outside the home will gain from relaxation of restrictions on trading hours. This draws attention to the fact that the main issue in the weekend trading debate is whether the benefits it will impart to working people in other sectors of the economy justify the imposition of costs on another much smaller group - namely these retailers and employees of retailers who will be adversely affected by weekend trading.

II. EFFECT ON EMPLOYMENT IN RETAILING AND THE ECONOMY

To clear the way for a more detailed discussion of the impact of weekend trading on those currently employed in retailing, we first consider how it might affect total employment in retailing and total employment in the economy.

Apart from the obvious fact that the number of people working (and total hours of employment) in shops on weekends would increase, it is extremely difficult to predict the effect on employment of removal of restrictions on shopping hours. If the full purchase price (that is, the money price plus the time-cost) of retailled goods were to decline, the total volume of retail trade would increase. As a result, total hours of

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employment in retailing might also increase, but this is by no means assured, because there could be a net movement of trade away from labour-intensive shops to capital-intensive, self-service shops. Another factor which might lead to an increase in total hours of employment is that most shops would trade for more hours per week. However, with turnover spread more evenly over the week and with less congestion, the average amount of labour employed per hour in a store would probably fall, offsetting to some extent the effect of the increase in trading hours. Moreover, the effect on total employment of an increase in trading hours would be weakened by the fact that, if total employment increased, total labour costs in retailing would rise, exerting upward pressure on the full purchase prices of goods, thereby dampening any tendency for the volume of trade to increase. Moreover, any increase in the volume of trade and employment would be further dampened to the extent that wages for weekend work were higher than those of normal hours.

If the volume of trade did increase as a result of extension of trading hours, employment in the manufacturing sector would probably increase. Even if the additional goods sold were imported, because there would have to be a comparable increase in exports or an increased capital inflow, employment in other sectors would tend to rise. However, we cannot conclude that these secondary effects would produce an increase in total employment in the economy. The reason is that, if more money were spent on retailed goods, less might be spent on other goods and services (for example, restaurant meals, holiday travel within Australia) provision of which might be more labour-intensive than the manufacture and sale of retailed goods. In short, even if the volume of retail trade increased as a consequence of weekend shopping, we cannot be sure either that total employment in retailing would rise or that total employment in the economy would rise. Equally, there are no definite reasons for believing that total employment either in retailing or the economy as a whole would fall. In either event, there is little reason for believing the effects would be large.

III. EFFECTS ON EMPLOYEES

Nevertheless, we can make some important general points about the ways in which retailing employees would be affected. In most cases, the number of hours worked weekly

by employees would not increase, because the days when employers could prescribe the length of an employee's working week have long since passed - if they ever existed.

It has already been noted that, although there would be more weekend jobs in retailing, employment during the week would probably decline. It might be argued that this shift of employment to weekends would make employees worse off than at present. The reasoning behind this argument would be that, because employees value weekend leisure time more highly than leisure time during the week, the shift of employment to weekends would lead to a net loss in the value of leisure time for employees as a group. The implication of this argument is that weekend trading will impose **continuing costs** on the many employees who, forever afterwards, would be forced to sacrifice high-value weekend leisure time, even if their total weekly hours of leisure were not affected.

There are a number of reasons for doubting this argument. Preferences for time of work and circumstances vary greatly from individual to individual. Consequently, different people place different values on leisure at a particular time of the week, and indeed, some may prefer weekend work to an equivalent amount of work on weekdays. An important aspect of the functioning of unfettered labour markets is that they provide individuals with opportunities to choose the jobs that they prefer most (or dislike least). Those who fill weekend jobs ultimately tend to be those who feel least disadvantaged by working during weekends. A labour market is by far the best available mechanism for discovering just who these individuals are, because only the individual can know what his preferences and circumstances are, and choose his job in accordance with them. Thus, those of us who consider the prospect of working on a Saturday afternoon or a Sunday disagreeable should not assume that the people who would ultimately staff shops on weekends would necessarily feel equally unhappy or, for that matter, that they would prefer to work during the week. By self-selection, those employees most favourably disposed to weekend work would be discovered within the labour market as the retailing industry adjusted to accommodate weekend trading.

Within the group of **additional people** staffing shops on weekends **after all adjustments had been made**, those who previously worked during the week but who preferred weekend work would be clear beneficiaries of the change. They would gain not only from the move to a preferred job, but also because their wage rates would almost certainly be

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higher. The most likely reason why rates of pay for weekend work would be higher than weekday wage rates is that Federal or State wage-fixing authorities would continue to set wage premiums for weekend work. Although some retailers have announced that, if weekend trading is permitted, they intend to press for reductions in the relevant penalty rates, it seems unlikely that they would succeed in having them eliminated. People in the retailing industry are of the opinion that weekend wage rates would be at least 25 per cent higher than wages for comparable work during the week. Even in the absence of wage-fixing authorities, the increased demand for weekend labour resulting from the introduction of weekend trading would place upward pressure on wages for weekend work.

Now consider those people who, after the restructuring of the workforce, would be employed in shops on weekends but who, other things equal, would prefer to work during the week. Can we conclude that such people would have been made worse off by the introduction of weekend trading? The answer is that we cannot because it is possible, even highly likely, that money wage rates for their weekend work would be high enough to compensate, or more than compensate, for the loss of well-being attributable to the substitution of weekday leisure for weekend leisure. Indeed, those for whom the wage premium over-compensated would be **continuing net beneficiaries** of the change. There could be some weekend employees for whom the wage premiums failed to compensate for the loss of high-valued weekend leisure time, but it is difficult to believe that the number would be significant, because those with a strong distaste for weekend work would find weekday jobs, either in retailing or elsewhere in the economy.

In summary, the introduction of weekend trading will be clearly beneficial for those people in the community who either prefer to work on weekends or are indifferent to weekend or weekday work, since there will be more weekend jobs carrying premium wage rates available for them. For many (probably almost all) others, the higher wage rates will compensate or more than compensate for the net loss of value of leisure time, so that they too will benefit from the change.

The increase in demand for labour to staff stores on weekends might also cause wage rates for people employed on weekends in other sectors of the economy to rise. If so, the introduction of weekend trading would confer **continuing benefits** on them. However, it is not certain that this will

happen. With wages fixed independently of labour market conditions, weekend trading might simply absorb people who are currently unsuccessfully seeking weekend jobs. The reason for this is that the wage-fixing authorities have converted the weekend labour market into something like a lottery. There are some winners of the prize of a highly-paid weekend job, but, as research conducted in connection with the hospitality industry has shown, many losers - those who unsuccessfully seek weekend jobs. The introduction of weekend trading may simply increase the number of prizes and therefore the probability of winning the 'lottery' without forcing rises in weekend wages.

Weekend trading also offers employees further benefits attributable to the widening of the range of choice of work schedules. Because of differences in circumstances and preferences, if given complete freedom, people would choose not only to work at different times, but also working weeks of varying lengths. A wider array of work schedules carries with it the possibility that individuals may be better able to adjust the length of their working week, and the times at which they work, to suit their preferences. Adoption of flexitime is one way of allowing wider choice of work schedules, but in many industries it inhibits efficient co-ordination of production. In retailing however, job-sharing in many tasks can be easily arranged with little sacrifice of efficiency. Since arrangements for reorganising staff are likely to vary among retailers, the range of work schedules in the community should increase significantly. The benefits potentially available from this source are in part identical with those ascribed to the greater availability of weekend work, but they are more extensive. This is so because they include potential gains for other people who would benefit by adjusting either the length or timing of their weekday work schedules. The arbitrary designation of a standard working week of forty hours (or any other length) benefits those who prefer to work the prescribed hours. However, just as some people prefer Holdens while others prefer Fords, so preferences for hours of work vary between individuals. A wider range of choice of hours of work can therefore be expected to be generally beneficial for employees.

We have reached the conclusion that **after the restructuring of the workforce** required to accommodate weekend trading, most of those with weekend jobs would be better off than they would be under current conditions. In other words, they and future generations of weekend workers will reap continuing benefits, rather than incur continuing costs, if weekend trading is introduced.

IV. COSTS OF ADJUSTMENT

Why then are many shop assistants' and all shop employees' unions opposed to weekend trading? A major reason is that the restructuring of the labour force to accommodate weekend trading will impose once-off adjustment costs of varying degrees of severity on many employees. In many cases these costs will be far from trivial, aggravated by the need for simultaneous and sudden adjustments across all firms in the industry. One cannot but be sympathetic towards those employees who would lose their jobs if their employer's business failed, or who might for other reasons related to weekend trading be obliged to change jobs. In most cases the process of searching for a new job is far from pleasant, is time-consuming, and in many cases involves loss of income. Experience gained in retailing may not be valued as highly in other industries, so that those whose best alternative is to leave the industry may have to accept jobs with lower wage rates.

The community faces a clear choice. Either consumers will have to bear the costs of restrictions on their freedom to shop for all time to come, or **at some time a particular group of employees will have to bear the once-off costs of adjusting to weekend trading.** The costs of adjustment are unlikely to diminish in the future, but for the reasons outlined in Chapter 4, the costs to consumers of maintaining the restrictions are likely to become increasingly severe.

The situation is somewhat similar to that which Australia faced prior to the introduction of decimal currency. If we had decided to continue to use pounds, shillings and pence, we would have had to bear forever the cost of the relatively complicated mathematical calculations the system entailed, and the cost of manufacturing machines to handle a currency used in few other countries. The alternative was to bear the once-off costs of re-educating people to use decimal currency, converting machines to handle the new system, and printing new notes and coins. As would probably be the case with weekend trading, the benefits were widely spread throughout the community, and will continue to be reaped by future generations. The costs, however, were concentrated mainly on business enterprises that had to convert machines and accounting systems and retrain staff to deal with the new currency.

Union officials may have other reasons for opposing weekend trading. For example, it may be easier to recruit full-time employees than part-time employees into unions,

and to ensure that membership fees are paid. Also, it might be more difficult to formulate and negotiate agreements covering wages and conditions of work with wider diversity in shop trading hours. On the other hand, if employment in retailing increased, union officials might be expected to benefit. Nevertheless, there are reasons why it is possible that opposition from shop employees' unions emanates more from officials than from members. What might perhaps be more surprising is that there is not more pressure from other unions whose members stand to gain as consumers.

V. ASSESSING THE SEVERITY OF ADJUSTMENT COSTS

Although one might accept the arguments that the continuing costs for employees would be small and that the end result of weekend trading would be socially beneficial, the objection that the costs of adjustment would be severe may be raised. It is not feasible to quantify these costs, but several factors should be taken into account in judging how severe they would be.

Since hiring and training new employees is costly, employers would have incentives to devise work rosters for weekend trading which would suit their existing employees. In this respect, some large retailers, including the Myer group of companies and Australian Safeway Ltd., have assured their full-time employees that they will not be forced to work on weekends under threat of dismissal if Saturday afternoon shopping is introduced. However, smaller firms are probably not so well placed to accommodate the preferences of their employees. Of course the possibility that an employee will quit will ensure that employers cannot respond to the introduction of weekend trading simply by asking existing employees to extend their hours of work.

To place the magnitude of adjustment costs in perspective, it is also useful to consider the number of people likely to be affected by the restructuring of the retailing workforce. Tables 3 and 4 show that of the 1,004,150 employees and working proprietors in enterprises included in the *1979-80 Census of Retail Establishments and Selected Service Establishments*, approximately 580,000 worked in enterprises predominantly subject to restrictions on weekend trading, while approximately 395,000 were in enterprises which were mainly free of restrictions. Employment in enterprises subject to restrictions represented a little over 9 per cent of the total workforce in June 1980. However, if

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restrictions were removed, less than half of this number would be needed to staff enterprises during weekends.

TABLE 3
AUSTRALIA: EMPLOYMENT IN RETAIL ESTABLISHMENTS
PREDOMINANTLY SUBJECT TO RESTRICTIONS ON WEEKEND TRADING (a)
JUNE 30, 1980

Sector of retail trade	Number of establishments	Persons employed (b)
Department stores	408	91,958
General stores	449	7,611
Clothing, footwear, shoe repairers, fabrics and household textile stores	15,069	66,849
Floor coverings and furniture stores	2,839	14,948
Household appliance, hardware, music stores and watchmakers and jewellers (including electrical appliance repairers)	8,196	43,542
Food stores, including grocers, confectioners, tobacconists, butchers, greengrocers, liquor stores, bread and cake shops	30,395	211,350
New motor vehicle dealers	8,681	81,984
Used motor vehicle dealers	2,761	12,665
Motorcycle dealers	690	3,341
Tyre and batter retailers	1,531	8,995
Sports and toy stores	2,701	9,021
Laundries and drycleaners	1,365	12,106
Hairdressers, beauty salons	2,265	12,282
Total (a)	77,350	576,652

- (a) Excluding pharmacies, photographic equipment stores, newsagents, stationers and booksellers, secondhand goods dealers, nurserymen and florists, fish shops, take-away food and milk bars.
(b) Includes working proprietors.

Source: ABS *Census of Retail Establishments and Selected Service Establishments: Details of Operations by Industry Class, Australia, 1979-80*, Tables 1 and 6.

There are two main reasons for this. First, many stores currently employ the equivalent of two shifts of sales staff, one to work normal hours and one to work during the weekly evening trading period and on Saturday mornings. The implication of this is that perhaps only about half of the current total sales staff would be required at any period of the weekend. Second, employees covered by the census include office staff, buying staff, shelvers, and other support staff, and many of these would not be asked to work during weekends, if only because of the penalty wage rates which would have to be paid. This suggests that a maximum of roughly 250,000 additional people or about 4 per cent of the total workforce would be required to work on Saturday afternoons to keep shops open. Overseas experience suggests that, where there are no restrictions on trading hours, many

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retailers choose to close their shops on Sundays, so that the number of people needed to man shops on Sundays would be much smaller than 250,000 if Sunday trading were to be permitted.

To gain added perspective on this estimate of 250,000 additional people needed to staff shops on Saturday afternoons (and the possibility of a smaller number for some hours on Sundays), it is **useful to compare it with an estimate of the number of people who currently work during weekends.**

TABLE 4
AUSTRALIA: EMPLOYMENT IN RETAIL ESTABLISHMENTS
AND SELECTED SERVICE ESTABLISHMENTS PREDOMINANTLY PERMITTED
TO TRADE DURING WEEKENDS
JUNE 20, 1980

Sector of retail trade	Number of establishments	Persons employed
Boat and caravan dealers	945	4,091
Pharmacies	5,323	28,840
Service stations	8,469	43,935
Fish shops, take-away foods and milk bars	9,021	48,916
Nurserymen and florists	1,568	6,456
Newsagents, stationers and booksellers	4,362	20,840
Motion picture theatres	577	6,777
Cafes and restaurants	6,081	60,455
Hotels etc. (mainly drinking places)	5,932	78,955
Accommodation	5,689	43,900
Licensed clubs	3,243	52,297
Total	51,210	395,462

(a) Includes working proprietors.

Source: ABS, *Census of Retail Establishments and Selected Service Establishments: Australia 1979-80*, Tables 1 and 6.

Table 4 shows that when the most recent census was conducted, in June 1980, just under 400,000 people were employed in retailing and certain service industries (such as milk bars, take-away food outlets, cafes, restaurants, hotels, clubs, and motels) which conduct a major part of their trade during weekends. Even if only half of these work during weekends - which is probably a conservative estimate - it would be roughly equivalent to the number who would be involved in weekend retailing.

Although there are no comprehensive data showing the total number of employees in the community who work on weekends (excluding Saturday mornings), some rough estimates can be made from two surveys conducted by the

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Australian Bureau of Statistics. The first of these surveys, conducted in November 1976, indicated that at least 678,000 out of 3,652,000 **employees** who worked more than 35 hours in their main job in the survey week, worked for between half a day and a day and a half during the weekend after noon on Saturday.¹⁶ In other words, at least 18.6 per cent of those employed for more than 35 hours per week in their main job worked on weekends after noon on Saturday. These numbers are underestimates because they exclude an indeterminate number of employees who worked a half day after noon on Saturday. The ABS estimates show 249,000 employees as having worked a half day on Saturday, but no distinction was made between those who worked before noon and those who worked after noon. Consequently, some fraction of this number should be added to the 678,000 identified as definitely engaged in weekend work after noon on Saturdays.

There are still others to be added to the total of those who in 1976 worked on weekends after noon on Saturday. There were 45,000 part-time employees who worked both days on the weekend, and some of the 172,000 part-time employees counted as having worked for some hours on weekends would have done so after noon on Saturday.¹⁷ In all, in 1976 there were probably in excess of 800,000 weekend employees who worked after noon on Saturdays.

The second survey providing information on weekend work was conducted by the Australian Bureau of Statistics in 1981.¹⁸ The data are less satisfactory because it is even more difficult to distinguish between people working only on Saturday mornings and those working at other times on weekends. Nevertheless, they confirm that a substantial proportion of the workforce works on weekends. According to this survey, about three-quarters of a million employees, or more than 16 per cent of all employees (excluding shiftworkers), worked at some time on weekends including Saturday mornings. In addition, most of the estimated 427,000 shiftworkers would also have been required to do weekend work from time to time. This again suggests that well over 15 per cent of employees in Australia regularly engage in weekend work at some time after noon on Saturdays. Bearing in mind that official statistics probably understate weekend employment in the underground economy, the proportion could be as high as 20 per cent.

The conclusion is that removal of restrictions on weekend trading is likely to raise the number of employees involved in weekend work by perhaps 250,000 or, equivalently, by five percentage points to something over 20 per cent. While an

increase of this magnitude is not trivial, it is not without precedent. Over the last two or three decades, a far greater number of people would have voluntarily moved into weekend jobs.

To place further perspective on these numbers, it is worth examining data pertaining to mobility between jobs within the labour market under ordinary circumstances. Because people's incomes change over time, and new goods and services are continually introduced into the economy while others become obsolete, the pattern of consumers' demands changes continually, and with it the pattern of demand for labour. Thus new jobs are continually created while others are terminated. Also, employees constantly use the labour market to adjust their work activity to suit their preferences and changing personal circumstances. Ordinarily, the proportion of employees actively in the process of changing jobs in any given week is small relative to the total workforce, and the process of adjustment of the structure and geographical distribution of the labour force relatively smooth.

For these reasons, there is a perhaps surprising degree of mobility between jobs. According to a survey conducted in February 1981, out of a total of 6,406,000 persons then employed or self-employed, 1,035,000 (or about one in six) changed jobs during the preceding twelve months, and 418,000 of these changed their occupation.¹⁹ It is worth noting that somewhat less than 30 per cent of these left a job because they were laid off, while about half changed jobs to obtain a better position, for reasons related to their health, or because of a change in personal or family circumstances.²⁰ Relating these numbers to the hardships entailed by the labour force adjustments needed to accommodate weekend trading, more people than would be required to staff stores during weekends were laid off in 1981 and about twice as many changed jobs voluntarily.

However, this does not reveal fully the extent of mobility in the workforce. In a typical month in 1980, well over half a million people changed their status within the workforce: that is, entered the workforce, changed from part-time to full-time employment or vice versa, became unemployed, or left the workforce.²¹ Employee mobility in the retailing and wholesaling industry in particular is relatively great. More than 46 per cent of the 1,282,400 with jobs in this sector of the economy in February 1981 had remained in their current job for less than two years, while the comparable statistic for the economy as a whole was 39 per cent.²² In a similar vein,

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52.6 per cent of the 558,500 in the occupation group 'sales' at the end of 1979 had held their current job for less than two years.²³ When viewed in the context of normal changes in the structure of the workforce, the costs of adjusting employment to cope with weekend trading may, perhaps, seem more reasonable than might be imagined. What must be emphasised is that, whereas the costs of restructuring the retailing industry have been given great publicity, the costs associated with normal restructuring within the labour force are rarely discussed publicly. Many small businesses fail or contract in any given year, while others expand. Yet the community pays little attention to the hardships which this places on employees, even though it is clear that it involves some hundreds of thousands of people in any given year. It is also clear that it is an essential part of economic progress. Unless the community had been prepared to accept reduced employment in shoeing horses and driving bullock teams, we could not have had motor cars. Why, then, is it that whenever there is a need for restructuring a government-regulated industry the issue of changing jobs becomes so important?

VI. AVAILABILITY OF WEEKEND LABOUR

Work on a prawn trawler in the Gulf of Carpentaria involves long hours, is physically demanding, sometimes dangerous, and living conditions are often far from comfortable. Days in port are rare. In ordinary circumstances most of us would never consider looking for a job as a deckhand on a prawn trawler. Yet somehow, even when unemployment is low, there are almost always enough people willing to crew the boats, with the result that prawns are always available for consumers in fish shops and restaurants. Implicitly, we recognise that not only is this beneficial for consumers, but also that the deckhands must be better off than in alternative occupations open to them.

Of course, the reason that sufficient deckhands are available is that expected rates of pay are high - high enough in the view of those who work on the boats to compensate for the unsavoury characteristics of the job. If this were not so, they would take jobs elsewhere in Australia, because no authority compels them to man prawn trawlers.

This example highlights certain key features of the functioning of unfettered labour markets. First, if a particular type of job is unpleasant, wage rates must rise

sufficiently to make enough people feel that they are better off doing that job than they would be in the best available alternative. Otherwise, the job simply would not be done. Second, freely functioning labour markets discover those people in the community most willing (or least unwilling) to do the various types of job available in the economy at the going rates of pay. This is an extremely important function. There is no conceivable way that a central authority could discover this information which is essential for effective co-ordination of economic activity. If 1,000 individuals were chosen arbitrarily from the community by the government and packed off to crew prawning boats in the Gulf of Carpentaria, the community would be outraged. As it is, for reasons that can be known only to themselves, people voluntarily man the boats, and whatever disharmony there is in the labour force is apparently tolerable for society. Who knows, or who could know, why people choose to work on the boats? It could be a sense of adventure, the desire to earn money quickly, even a strong proclivity for eating prawns, or any of a dozen other individual characteristics and personal circumstances which only the individual can know and reveal through the freely functioning labour market.

This example is instructive in relation to the staffing of stores during weekends. Although many people - perhaps the vast majority - may abhor the idea of working on Saturdays and Sundays, there is no doubt that enough would offer themselves voluntarily to provide the service that consumers want. Moreover, wage rates for weekend work would be sufficiently high to make the people who would ultimately staff stores over the weekend feel better off than in available alternative occupations. Nobody could know in advance who these people would be, because only they know the circumstances and preferences which would lead them to choose to work during the weekend.

Although some may doubt that there would be sufficient people willing to work during weekends to staff retail outlets, the normal functioning of the labour market would resolve this problem in some sense automatically. If a retailer were unable to hire enough labour at the going wage rate, he would be obliged either to keep his store closed during weekends or to offer higher wages in order to induce more people to supply their services. The option chosen would depend on the circumstances faced by the retailer. If wage rates paid for weekend work rose, retailers would be forced to raise their margins which would reduce demand for their goods. In such a sequence of events, some retailers would discover that it

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was more profitable **not** to open their stores at weekends and to specialise in selling at lower margins during the week, while others would specialise in catering for weekend trade with higher margins and prices. In short, only those most willing (or least unwilling) would ultimately choose weekend work in the main retailing sector. There is no reason to believe that there would not be enough labour available to make weekend trading feasible, any more than there is insufficient labour to operate prawn trawlers or coal mines.

VII. ETHICS OF WEEKEND WORK

That there is a consensus within the community that trading and working during weekends is not unethical is evidenced by the fact that about a million people (including self-employed persons), or one-sixth of the workforce, regularly work on weekends after 12 noon on Saturday while millions more show no compunction in making use of their services. Moreover, concern about the effects of this on family life and the fabric of society does not seem to be a major issue. This suggests that those who oppose the introduction of weekend trading on these grounds are being unduly selective about the objects of their concern. Indeed, it can be argued plausibly that weekend trading could have favourable effects on family life. With more jobs available during weekends it is conceivable that there would be fewer 'latch-key children', because parents would be more able to stagger their working times. Additionally, an expansion of the number of jobs at weekends might make it easier for low-income families to supplement their finances with part-time work. While this issue is complex and probably cannot be resolved to the satisfaction of all, it is by no means obvious that an expansion of the number of jobs available during weekends would be socially deleterious. There does not appear to be an obvious correlation across countries between prohibitions on weekend trading and the 'health' of societies. Perhaps more lively commercial centres at weekends would enhance the quality of life, for our cities and towns seem to suffer in this respect compared with those in many countries overseas.

Preferences and circumstances, including wage rates offered, determine whether or not it is in the interests of a person to work on weekends. Governmental authorities cannot possibly know the preferences and circumstances of all people in society, and consequently cannot know how many people are willing to work on weekends. It follows that they

simply cannot know whether by imposing restrictions which reduce the number of weekend jobs they are making employees as a group better off. Indeed, as outlined earlier in this chapter, there are good reasons for believing that weekend trading would benefit those who ultimately obtained the associated jobs. Of course individuals may err in choosing jobs, making decisions which in retrospect turn out not to be in the best interests either of themselves or their families. But in view of the inevitable ignorance of governmental authorities, there is scant reason for believing that the net effect of placing constraints on weekend work will be an improvement in social welfare. In any case, it seems inconsistent to constrain hours of work for some occupations but not others. Why should people who want a weekend job be free to sell beer but not paint? If people who sell petrol and pizzas do not need to be protected from themselves, wherein lies the need to protect those who sell furniture and refrigerators?

Unfortunately, there is no way for many of those who would ultimately benefit from additional opportunities for weekend employment to express their preferences to authorities. The reason for this is that until an individual knows what the employment opportunities available to him are, he cannot know whether a weekend job would be preferable to his current situation. In this respect, attempts to use constraints on hours of trading to improve the welfare of workers suffer from a defect somewhat similar to attempts to improve the welfare of workers by setting legal minimum wages: it is difficult for those who are harmed by them to bring this to the attention of the authorities. There is more than a suspicion that the activities of the Arbitration Commission in setting wage rates produce a social outcome biased in favour of those with jobs and against those without. Just as the unemployed and those who will be priced out of jobs by an Arbitration Commission decision to grant a wage increase get scant representation at hearings, so the views of those who would benefit from an expansion in the number of weekend jobs are unlikely to be accorded much weight in the deliberations of those responsible for regulating retail trading hours.

VIII. SUMMARY

It is by no means clear that employees as a group would suffer **continuing disadvantages** if weekend trading were to be

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introduced. It is by no means clear that those airline hostesses, taxi-drivers, nurses and policemen who work on weekends are less happy than their counterparts who work during the week. Likewise, waitresses, hamburger bar attendants, hotel staff and those who staff service stations on weekends are not obviously more surly than sales staff in department stores. If weekend trading were to be introduced, it is true that some employees in retailing would be obliged to make costly once-for-all adjustments to their work schedules. However, comparable costly adjustments are continually made within the workforce and are inevitable concomitants of economic progress. Nor should we ignore the possibility that other employees, not necessarily those currently in retailing, would benefit from a wider range of choice of working hours. Even more important, it should be recognised that, in their role of consumers, the great majority of employees would derive benefits from more convenient access to shops.

There is an important lesson to be drawn by employees from experience in the retailing industry: beware of governments. Is it likely that the politicians, who in early post-war years enshrined in law the restrictions on shopping hours initially adopted as a war-time measure, accurately foresaw the remarkable growth of spending power of households and of participation of women in employment outside the home? If they did not, they could not have foreseen a future need to remove those restrictions. Nor could they have taken into consideration the likely costs that removal of those restrictions would impose on a future generation of retailing employees. They probably meant well, but it is only now, almost four decades later, that the consequences of their decisions are becoming apparent. Had there never been restrictions on weekend trading, there would now be no more debate about weekend work than there is in the restaurant industry or the taxi industry. In a similar vein, are Perth people employed outside the home better off as a result of restrictions on the sale of petrol at weekends than their counterparts in Melbourne and Sydney?

Employees in other industries subject to regulations which have been allowed to grow with little recognition of the interests of consumers are in situations paralleling that in the retailing industry. For example, either the airline and motor car industries must be restructured, which will impose adjustment costs on many employees, or consumers must forever tolerate absurdly high prices (by world standards) for motor cars and airline travel. The jobs of employees must

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therefore be continually under threat. Who knows when a government might decide that it is politically advantageous to remove the crutches on which industries such as these depend for their survival.

Chapter 7

Weekend Trading and Prices

I. ARE HIGHER PRICES BAD?

The contention that removal of restrictions on trading hours would cause prices of retailed goods and services to rise is by no means obviously correct, and even if it is correct, it is not clearly socially undesirable.

Taking the latter point first, consumers continually face opportunities to trade off quality of service against price, and generally expect to pay higher prices for better quality service, including service characteristics which are in short supply. They expect to pay higher prices in fancy supermarkets than in austere supermarkets. Similarly, they expect to pay higher prices in milk bars, which trade during evenings and weekends, than in supermarkets, and are willing to do so whenever it suits them. Milk bars provide a particular type of service for which consumers are willing to pay a premium - exaggerated by the artificial scarcity created by constraints on hours of trading in supermarkets. By legislating to prevent supermarkets from air-conditioning their premises or to prevent milk bars from trading at weekends, governments doubtless could bring about a once-for-all reduction in prices paid by the consumers, but would people perceive themselves to be better off in consequence? Likewise, if shopping trolleys, which are costly inputs in the provision of supermarket services, were outlawed, competition between supermarkets would force prices down, but consumers would be unlikely to thank the government for this 'deflationary' action taken on their behalf. It can be safely said that the added convenience of shopping trolleys outweighs the additional cost of the goods. If this were not so, supermarkets would not have found it profitable to provide trolleys in the first place. The conclusion is that **higher money prices cannot always be against the public interest.** It follows that even if prices were to rise as a result of the introduction of weekend trading, the fact that sufficient demand existed to make such trading profitable would be evidence that for the community as a whole, the benefits of additional convenience outweighed the costs to consumers.

It is true that those who find the current shopping times satisfactory and would not choose to shop at weekends even if they had the opportunity to do so would be disadvantaged if prices rose as a result of the introduction of weekend shopping. However, if there are sufficient people in this category, the functioning of the market should ameliorate this effect. Some shops would find it profitable to cater for this group by restricting hours of trade voluntarily and setting prices lower than competitors who open during weekends. If there were too few consumers in this category, or if they were too widely dispersed, the market might not provide for them, just as it makes scant provision now for the few who still regret the passing of the traditional grocery store, or for shoppers in supermarkets who prefer not to use shopping trolleys. While one of the outstanding features of a market system of economic organisation is its capacity to adapt to the demands of even quite small minorities, sometimes this proves too costly so that the minority must accept the best available alternative. The conclusion is that if prices were to rise as a result of the introduction of weekend trading, it would reflect consumers' preference and willingness to pay for what they perceive to be an improvement in service.

II. WILL PRICES RISE?

However, despite the many claims that weekend trading would be 'inflationary', **it is by no means obvious that the average level of retail prices would rise if it were to be introduced.** While the need for retailers to pay premium wage rates for weekend work would exert **upward pressure** on prices, other factors would produce **downward pressures**, so that the outcome is uncertain. The strength of the upward pressure would depend on several factors including the extent to which wages for weekend work exceeded the average of wage rates paid currently (including penalty wage rates for evening and Saturday morning work), the number of hours a retailer traded after noon on Saturdays, and the amount of labour involved in selling goods. If only because the last of these varies widely according to the type of goods sold and method of merchandising, little more can be done to indicate the strength of the upward pressure than to make some simple illustrative calculations.

Currently the cost of labour directly involved in selling goods varies from a low of perhaps 4 per cent of retail price in the case of white goods sold from discount stores up to

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about 20 per cent of retail price in the case of apparel sold from stores providing full customer service. This information can be used to calculate **upper limits** on price changes which might be expected if weekend trading were to be introduced. We begin with a worst case calculation, emphasising that, **because of the extreme assumptions that will be made, actual price changes would almost certainly be much smaller.**

Suppose that a labour-intensive fashion shop extended its trading hours from 50 to 55 per week by opening on Saturday afternoons until 5 pm. Suppose further that the volume of sales achieved on Saturday afternoons was exactly matched by a decline in the volume of sales in the earlier part of the week, so that the retailer experienced no change in the volume of sales per week, and that he did **not** reduce the amount of labour employed between Monday and noon on Saturday. If the retailer employed the same number of sales people on Saturday afternoons as the average number employed during the earlier part of the week, the amount of labour hired would rise by 10 per cent. Further, if he paid a premium of 100 per cent for work on Saturday afternoons, his weekly wage bill would rise by a little less than 20 per cent.²⁴ Making a small allowance for additional lighting and air-conditioning costs, if labour costs currently represent 20 per cent of the retail price of the goods he sells, other things being equal the retailer would have to raise his prices by about 4 per cent to maintain his current rate of profit. In other words, under these extreme assumptions, prices could be expected to rise by, at most, 4 per cent. The rise would be smaller if he reduced his weekday sales staff, very much smaller if the wage premium for work on Saturday afternoons were 25 per cent rather than 100 per cent, and still smaller for less labour-intensive retailing operations.

For example, under the same assumptions of a constant volume of trade and a 10 per cent increase in staffing, the wage bill would rise by 12.5 per cent if the wage premium of Saturday afternoon work were 25 per cent. If total wage payments are now equal to 5 per cent of the value of retail sales (indicating a very low labour-intensity of operations), prices would have to rise by only a little over 0.6 per cent to maintain current rates of profit. With no increase in volume of sales it is unlikely that the total amount of labour hired would rise by as much as 10 per cent, so that the calculated price increase is again an overestimate.

Furthermore, in neither of the calculations above has allowance been made for two important factors which would

place **downward** pressure on prices. First, the reductions in total capital invested in the retailing industry which were discussed in Chapter 4 in relation to the Saturday morning peak in trade would reduce the size of the mark-up required to earn a given rate of return on investment. Second, many consumers would choose to make their weekend purchases of food, tobacco products, packaged liquor, etc. from supermarkets rather than from corner stores and hotels which often charge relatively high prices. To the extent that this happened, average prices paid by consumers would tend to fall. Concomitantly, more intense competition at weekends would exert downward pressure on prices in corner stores and other enterprises trading during weekends, notably the new convenience stores. Since it is extremely difficult to estimate in advance the strength of this downward pressure, it is likewise difficult to judge whether the introduction of weekend trading would result in an increase in the level of prices paid for retailed goods. In summary, it is by no means clear that fears that prices for retailed goods would rise if weekend trading were introduced are justified.

III. EVIDENCE ON EFFECT OF EXTENDED HOURS ON PRICES

An examination of changes in prices following the introduction of late night shopping may provide some indication of the likely effects of weekend trading on prices. Admittedly, premiums for evening work may be smaller than those likely to be set for weekend work, and evening trading involves a shorter period of time, so that the effects of evening trading on prices would be weaker than those likely to be experienced following the introduction of weekend trading. Nevertheless, failure to detect an upward shift in prices as a result of the introduction of evening trading would suggest that the effect of weekend trading on prices would be weak at worst, and perhaps negligible.

To this end an attempt has been made to discover whether there were discernible effects on prices in Adelaide and Brisbane following the introduction of late night shopping at the end of 1977 and 1978 respectively. The reasoning underlying the test is as follows. Normally it would be expected that prices of retailed manufactured goods would follow parallel paths over time in any two cities, so that the **ratios** of prices for similar items should remain constant over time. However, if some event occurred which increased the

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cost of retailing in, say, city A but not in city B, the ratio of retail prices in A to comparable prices in B should jump and remain persistently higher thereafter. If the ratio jumped following the introduction of the late night shopping, it would be evidence (though not necessarily conclusive evidence) that late night shopping had caused a once-for-all increase in prices. (It would not be conclusive evidence because some unrelated factor may have produced the change. For example, an increase in transport costs following an increase in the prices of petroleum products.) There is no reason to believe that the effects of late night shopping on prices would be delayed. They should be fully reflected in price indexes either for the quarter in which late night shopping was introduced or in the following quarter. Accordingly, ratios of the Brisbane price index to the Sydney price index and of the Adelaide price index to the Melbourne price index have been calculated at quarterly intervals from March 1971 to June 1981 inclusive for several categories of retailed goods: men's and boys' clothing, women's and girls' clothing, footwear, cereal products, processed fruit and vegetables, furniture and floor coverings, appliances, drapery, and household utensils and tools. Most of these items are sold predominantly by retailers subject to restrictions on trading hours. Few categories of food were included because it was judged that regional variations in seasonal conditions and therefore prices, and various price controls would render them unsuitable for the test.

By and large these calculations provide little support for the proposition that the introduction of weekend trading caused increases in the prices of goods in the categories tested. The ratios are rather unstable over time, and this gives rise to difficulties in drawing general conclusions. For example, the Adelaide-Melbourne ratio for furniture rose by about 5 per cent in the two years following the introduction of weekend shopping, whereas the comparable Brisbane-Sydney ratio fell by a similar percentage over the comparable period. In the case of household appliances, there was a slight upward movement over the two years in the test ratio in the case of Brisbane, but a decline of about 6 per cent for Adelaide. There was a dramatic increase over three years (8 per cent) in the Adelaide-Melbourne ratio for footwear, but it subsequently declined by a greater percentage, whereas for Brisbane the corresponding test ratio had jumped by about 2 per cent by the first quarter of 1979, but subsequently there was an even greater fall. Comparing the September quarter preceding the introduction of evening shopping with the

corresponding quarter a year later, nine of the eighteen ratios were **lower** and only five were more than 1 per cent higher. By the June quarter 1981 ten of the ratios were lower and six higher than at the time of introduction of evening shopping. Two were at the same level as at the time evening shopping was introduced, although they had fluctuated in the intervening period.

IV. SUMMARY

The argument that weekend trading would be 'inflationary' is not well supported either by reasoning or by experience from the introduction of evening shopping. Even if it could be demonstrated that weekend trading would produce a once-for-all increase in prices, it would not provide a strong argument against its introduction. Rather, it would indicate that consumers were willing to pay higher prices in return for the opportunity to shop at more convenient times, and to escape the congestion on Saturday mornings which the existing restrictions force upon them. If it were true that trading on weekends would cause prices to rise and would therefore be detrimental to consumers, why do we not insist that petrol retailers, milk bars, fast-food outlets, hotels, restaurants and airlines also close down on Saturday afternoons and Sundays?

Chapter 8

Why We Should Be Free to Shop

I. THE CASE FOR DEREGULATION

The case for deregulation of shopping hours is strong. All the evidence, including the vehemence of the protests of those opposed, suggests that weekend shopping would be popular amongst consumers. We have seen that if consumers had a wider choice of times in which to shop, especially at weekends, their time-costs of shopping would be reduced and the benefits derived from their leisure time raised. This is so because they would be better able to avoid scheduling shopping excursions during time which could be used for activities which they value more highly, and because congestion would be reduced, especially on Saturday mornings. Consequently, they would be able to shop more carefully and gain more satisfaction from the limited quantities of goods and services their incomes allow them to purchase. Workers with nine-to-five jobs would be the ones most likely to gain because, at present, the time available for shopping is severely curtailed.

Since they are unquantifiable, it may be tempting to dismiss reductions in the time-cost of shopping as trivial. But contemplation of the amount of money we spend to save time and the high wages that employers pay to induce people to work at night and during weekends, suggests otherwise. Even if the benefits for consumers were individually small, because almost everyone is a consumer, the aggregate gain for society would be large.

Some existing retailers and businessmen willing to establish enterprises to capture weekend trade would gain. Likewise, people willing to work during weekends would benefit from wider opportunities and from upward pressure on wages for weekend work. Since consumers would not be **compelled** to shop during weekends, the benefits accruing to those businessmen and workers would be rewards for providing consumers with what they demonstrably wanted.

Regrettably, a minority of the community would lose if weekend trading were introduced. These could include a small number of consumers who would derive little or no benefit from being able to shop at weekends, but who **might**

have to pay higher prices were weekend shopping to be introduced. Retailers who would be obliged to trade during weekends when they would prefer not to, or, alternatively, to suffer financial losses would also lose. Others, because of changes in geographical patterns of trade, might suffer financial losses even if they chose to trade during weekends. While the former group might be able to mitigate their losses by selling their businesses or by employing weekend managers, those in the latter category would have no way of avoiding or ameliorating their losses. Some employees might also lose, including those facing the alternatives of either working on weekends against their will or moving to jobs in other industries and some in enterprises which would be badly affected by extensions of trading hours.

One can readily sympathise with those who would lose, and easily understand why they protest so strongly against weekend trading. Nobody likes to experience financial losses, small or large, and nobody satisfied with their current occupation and working conditions could look forward to an event which might force them to change jobs. Unfortunately, they, like everyone else in regulated industries, are potential victims of the regulatory process. Not only do they have to contend with the vagaries of the market, but their livelihood also depends critically on continued political patronage of these industries.

Although it may seem to be callous in the extreme to advocate a course of action which will seriously disrupt the lives of a good many people, there are compelling reasons for immediate and complete removal of all restrictions on trading hours throughout Australia. First, because of growth of female participation in the workforce and of spending power in the community, I believe that the benefits to consumers now outweigh the adjustment costs by a wide margin. Second, despite the current recession, there is little doubt that both the proportion of females in the workforce and incomes will continue to rise in the longer term. Thus, there will be growing demand for additional shopping time at weekends. Eventually, governments will find it in their interests to respond to the political pressures this growing demand will create. There is no reason for believing that postponement of deregulation will reduce the severity of the adjustment cost. Consequently, there is nothing to be gained from delay. On the other hand, there is a good deal to lose. Consumers will suffer continuing inconveniences for as long as restrictions on weekend trade exist. In short, there is much to lose and little to gain from postponement. Married

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women who find that shopping is grossly inconvenient if they have a full-time job, or feel that they can take only a part-time job in the current circumstances are likely to be the principal beneficiaries.

Third, for as long as the restrictions exist, resources will be wasted on lobbying for their removal and deciding whether or not they should be removed. The associated costs are not trivial. Premiers and ministers must make many decisions which affect the well-being of our society. The more they make, the more hasty and less satisfactory those decisions are likely to be, so that it makes sense for them to restrict the range of issues they attempt to deal with, concentrating on those that are most important, and that the private sector might not be well-suited to handle. For example, those in government might devote more effort to designing more efficient ways of alleviating distress amongst the genuinely needy in the community. There is plenty of evidence which suggests that by trying to do too much, governments do many things poorly. In this respect they generate discord and dissatisfaction in the community, which in turn results in disrespect for political institutions. Of course, dealing with issues like regulation of trading hours involves many people other than Premiers and other politicians. Official inquiries involve teams of expensive bureaucrats and lawyers, and the time of many other people. Removal of restrictions would free such people to devote themselves to more productive activities. The restaurant industry seems none the worse, and indeed much the better, without the involvement of an array of politicians and bureaucrats in determination of the hours at which they trade.

Fourth, there is the ethical question of whether it is the business of governments to interfere in trade between individuals which inflicts no harm on others. Moral indignation is raised when governments interfere with people's desire to terminate pregnancies or to watch motion pictures of their choice; why should we not be even more outraged to have our shopping time censored?

Finally, why advocate complete deregulation rather than partial deregulation, say, to permit shopping on Saturday afternoons? The answer is twofold. First, if there is partial deregulation now, at some time in the future (perhaps several decades hence) the same set of problems will recur as pressures mount for further deregulation and the community will again face the same sorts of disruptions. We have seen this happen in the liquor retailing industry where State governments have made piecemeal adjustments to hours of

trading. On the other hand, the Commonwealth Government completely deregulated hours of trading for the liquor retailing industry and made liquor licenses freely available in the Australian Capital Territory, thereby eliminating all future wastage of resources on lobbying. Proprietors of the multitude of new taverns which were established, their employees and consumers seem delighted with the outcome, although some people undoubtedly incurred costs in the process of adapting the industry to the new situation. The significance of this event is that the Government which made the decision to deregulate faced a maximum loss of only two seats in Parliament in consequence, whereas a State Government contemplating deregulation of shopping hours might believe all of its seats to be at risk. In this latter situation, the public interest might readily be sacrificed to the private interests of those in government.

The second argument for complete deregulation is again an ethical one. Not only is it not the business of the government to determine when people should shop, any more than it is its business to determine when they should buy a meal, but, as I have attempted to demonstrate, the logical outcome of government interference in economic affairs is severe disruption to the lives of people and bitterness in the community at some time in the future.

In the case of restrictions on shopping hours we can see why this happened. The politicians who were responsible for their introduction and subsequent modification did not foresee the economic and social changes which have taken place since, and which have generated demand for weekend shopping. This demand cannot be legislated away. It has simply remained unsatisfied and increased in intensity. Imperfect foresight is just one of a number of reasons why continued growth of government intervention in markets is to be feared by ordinary citizens.

II. DEFECTS IN REGULATORY PROCESSES

As incomes grow and more women choose to work outside the home, pressures for extension of shop trading hours into weekends will mount. Eventually, in my opinion, governments will yield to these pressures, just as they yielded to pressures for extension of hotel trading hours. But until this happens, consumers will continue to bear the costs of being forced to shop at inconvenient times and of congestion in shopping areas on Saturday mornings.

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Claims that retailers and their employees should not be required to suffer disruptions to their working lives merely to satisfy the whims of consumers are suggestive of failure to appreciate the way in which market economies function, and why they have been so successful in raising living standards whenever governments have allowed them to flourish. When motorised transport became available earlier in this century, the 'whims' of consumers in switching from old modes of transport to the new imposed adjustment costs on many thousands of teamsters, farriers, carriagemakers, feed merchants and saddlers. Clearly we would not now be enjoying the consumption benefits of modern means of transport unless some people had borne the necessary adjustment costs in the past. Likewise, grocers and their employees suffered when supermarketing techniques were introduced to satisfy the 'whims' of consumers, crews of passenger liners suffered when modern aircraft were developed, and sack-makers were put out of business by the introduction of bulk-handling equipment for grains. Unless the adjustment costs associated with changes of these kinds had been accepted, consumers simply could not have reaped the benefit of new products and new technologies. We would still have had scrubbing-boards, hand-wringers, mangles and clotheslines and props in homes instead of electronically-controlled automatic washers, rotary clotheslines and tumble-dryers.

Even in industries not subject to **radical** changes in technology, such as the retailing of fashion-apparel, many businesses fail and their owners are forced to dismiss staff who must then find other jobs. This is an essential component of the maintenance of economic efficiency and economic growth. An inadequate flow of dollars into a business indicates unambiguously to an owner that other enterprises are better able to provide consumers with what they want, and that he and his employees must either do better or bear the costs of finding alternative occupations. The discipline of the market may seem harsh, but we enjoy the fruits of that discipline in places like our restaurants and fast-food outlets, and in the many labour-saving appliances which are to be found in our homes. Cushioning from that discipline gives us inefficient industries (by standards achieved elsewhere in the world) such as our automobile and domestic airline industries, which, under the protective umbrella of government, in many cases are able to set excessive prices for their products.

Many consumers want to shop on weekends and there are many businessmen and employees who are willing to satisfy

their desires. Regulatory protection for people now in the retailing industry who are not willing to trade on weekends provides an example of a mutually beneficial arrangement between a vested interest group and government at the expense of the public interest. By restricting shopping time, Governments are 'taxing' the leisure time of consumers in order to keep a small minority of the population in the manner to which it has become accustomed, just as they are 'taxing' consumers to provide protection for the airline and motor industries. They are also reducing job-opportunities for workers and businessmen who would be happy to provide a service that the vast majority wants.

III. THE OSSIFICATION OF AUSTRALIA'S ECONOMY

The purpose of making a detailed examination of the economic and social effects of restrictions on weekend trading has been only partly to attempt to demonstrate that, on balance, they are almost certainly inimical to the public interest. A broader objective has been to use the prohibitions on weekend trading to illustrate some apparently inevitable defects in political processes that explain why so much of the regulatory activity of governments results in waste of resources and creates conflict and dissension in the community.

Ideally, it is the balance of the expected **benefits and costs to society** that should determine whether or not it is desirable for shopping hours to be extended. Unfortunately, when decisions of this kind are made within the political arena, it seems inevitable that the **private benefits and costs to politicians** will distort the outcomes. In making a particular regulatory decision, those in government have strong private incentives to attempt to maximise the votes received by their party in swinging seats in the next election. Since the effects of a decision on those in the vested interest groups created by a particular set of regulations are likely to be strong enough in many cases to determine party allegiance, but not strong enough to determine party allegiance for the vast majority in the community, the interests of those in the former groups are likely to be disproportionately weighted in political deliberations on any particular regulatory issue. As a result, regulatory decisions are likely to be biased in favour of vested interest groups and the status quo, and against the public interest. For example, if the vast majority of consumers found restrictions on trading hours irksome, but not sufficiently irksome to

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override other voting considerations and induce them to switch allegiance to a political party which advocated change, their preferences would tend to be underweighted in political deliberations on the issue.

From the point of view of the vast majority in the community, there are some important advantages in relying on markets, rather than political processes, to determine what economic activities are to be undertaken, and when and where they are to be undertaken. Each time a consumer spends a dollar he is voting in favour of having the particular good or service he or she purchases available at a particular time and place. It is true that that vote may not be very powerful, but neither should it be, for each of us constitutes only one fifteen-millionth of the community. It is also true, that an individual's contribution to collective decisions by means of markets is proportional to his or her income, so that voting strength is not equally distributed. However, the distribution of voting power in the political arena is inevitably far less equal. The votes of those in 'safe' electorates have little or no influence on political decisions and the fortunes of society, while those in 'swinging' seats can have profound effects. Furthermore, as discussed above, on any particular issue, those with vested interests are accorded disproportionate voting power in the political process.

In relation to shopping hours, the questions to be asked are whether or not consumers are more likely to have their views taken into consideration by the market or by political processes, and whether, through free choice of jobs and investments, employees and investors will provide more satisfactory retailing services than the politicians have imposed on us.

More generally, over the last few decades in Australia there has been a pronounced shift of economic decision-making from the market to the political arena. This is reflected in the proliferation of economic regulations and in the increasing sophistication of lobbying processes. The result is that, increasingly, our economic system serves vested interest groups rather than the interests of society as a whole. Our economy is increasingly unable to adapt to new technologies and to discoveries of new resources that offer us all the prospect of higher incomes. We have become akin to a society in which the vested interests of farriers, carriage-makers and teamsters would have the power to prevent the introduction of the motor car by skilful lobbying of governments. Many are convinced that this explains why

income per person has grown far more slowly in Australia than most other advanced economies. We have sacrificed the steady economic progress that markets facilitate for the ephemeral gains offered by political processes.

IV. THE LESSONS FROM REGULATION OF SHOPPING HOURS

Characteristically, over time, interventions by governments in economic affairs seem to systematically confer benefits on a few at the expense of the many. Furthermore, these gains and losses appear to bear little relationship either to need or to willingness and ability to contribute to the economic well-being of a society. The problem confronting our society in relation to weekend trading is similar to problems which have built up gradually, often over several decades, in almost all regulated industries, notably in the UK. Even when it becomes clear that regulations are socially undesirable (as in the cases of the automobile industry and the domestic airline industry), the functioning of the political system makes their removal extremely difficult. Abolishing benefits bestowed on people by decisions made in the past carries with it the threat of loss of political office. The implication is that maintenance of inappropriate regulations is more likely to be both financially and psychologically beneficial, rather than costly, for legislators. **Whereas businessmen suffer financially if they neglect to remedy past mistakes, legislators are likely to benefit from failure to take corrective action.**

Few people relish making decisions which will put industrious and conscientious people out of their jobs or their businesses. But correction of regulatory failures almost inevitably entails doing just that. The discipline of the market forces businessmen to make these unpalatable decisions. But there is no comparable pressure on legislators, partly because the costs of their mistakes are frequently not readily identifiable by the people who bear them. For example, how many of us know the extent to which the high cost of airline travel for businessmen is passed on to us (as consumers) in the form of higher prices for retail goods and services. Moreover, since the costs are often widely dispersed across the community and quite small for individuals, signals of dissatisfaction to politicians from those who suffer from regulations are often weak. This means that, although in aggregate the costs of an inappropriate regulatory measure may be high, their impact on the political process

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may be small. Again, this contrasts with the market process where the community can quickly and effectively inform businessmen of their failures by reducing the flow of dollars to them.

There may be some virtue in judging the performance of governments by some of the same criteria as are frequently used to evaluate the performance of free markets: for example, by asking how much control the community has over what governments 'produce' and 'sell' to us in return for, on average, more than a third of our incomes; by querying whether the products of government are shoddy and defective, and what people can do about it if they are; and by asking whether those who advocate more intervention in markets and 'bigger government' might not be engaged in dangerously misleading advertising.

After decades of propaganda decrying the failures and iniquities of the market from possibly well-meaning sources in the political sphere, academia, the media, the school system, and, more recently, the churches, there is now a growing awareness that these shortcomings may fade into insignificance by comparison with those of political processes. It should be understood that people who question the efficacy of governmental regulatory activity consider the defects to be inherent in the political process, rather than a consequence of unforgivable inadequacies of past and present legislators. Rather, the logical outcome of many government interferences in economic affairs, however well-intentioned, is an economy which performs poorly in providing rising living standards, and severe disruption in the lives of people and bitterness in the community at some time in the future - perhaps many decades later - when the defects became apparent. Wider recognition of this, both by politicians and businessmen especially, and the community generally, is long overdue in Australia. It is essential if we are to reverse the strong tendency towards ossification of our economic system, which explains much of our steady decline in per capita income relative to the rest of the world.

Notes

1. A number of these are dealt with in publications of the Centre for Independent Studies listed at the end of this volume.
2. See for example, Victoria, Royal Commission on Employees in Shops, *Reports and Minutes of Evidence*, Parliamentary Papers 1883, Second Session, No. 16 and No. 16*, vol. 2; and Victoria, Royal Commission re Saturday Half-Holiday, *Report and Appendices*, Parliamentary Papers 1909, vol. 5.
3. The term 'convenience store' will be used to describe a new type of shop which sells a much wider range of groceries and related items than the traditional Australian corner store, milk bar or delicatessen, and which remains open late into the evening and at weekends. They include the '7-11' chain of stores in Melbourne and Sydney and the 'Food-Plus' chain in Melbourne. The number of these stores has expanded rapidly over the last three years in Melbourne and Sydney.
4. Queensland Conciliation and Arbitration Commission, Application by Housewives Association of Queensland for an extension of trading hours to include Saturday afternoon. Decision handed down, May 1982.
5. Australian Safeway Stores Pty. Ltd. claim that a survey which they conducted on 1 September 1981 showed that the prices of 170 items examined were, on average, 25 per cent higher than prices for identical items in their stores. (Evidence presented to the Queensland Conciliation and Arbitration Commission, 2 December 1981.) It is well known that corner grocer stores charge higher prices than supermarkets for comparable items.
6. ABS, *Evening and Night Work*, Cat. No. 6329.0, November 1976.
7. ABS, *Labour Force Status and Other Characteristics of Families: Australia: July 1982*, Cat. No. 6224.0 Canberra, June 1983, Table 30.
8. In Victoria and New South Wales there are no restrictions on hours for retailing petrol, while sale of petrol in Western Australia and Tasmania in cities is on a roster system, so the example is more likely to strike a chord for people in the former States.

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9. Income gained from working an extra hour has to compensate the worker for the dissatisfaction associated with work, as well as for the lost satisfactions of other activities (leisure) given up. The value of leisure time is therefore usually less than the wage rate. But for a person who derived positive satisfaction (at the margin) from working, the value of leisure time would exceed the wage rate.
10. Cited in Australia, Parliament, Joint Committee on the Australian Capital Territory, *Retail Trading Hours in the A.C.T.*, AGPS, 1982.
11. Informal estimates suggest that, over a twenty year period in Australia, capital savings of perhaps \$20 billion to \$30 billion could be achieved with 'peak-load' pricing of electricity.
12. Reproduced in R.B. Bennett, *Regulation of Services: Retail Trading Hours*, Bureau of Industry Economics Working Paper No. 21, Canberra, 1981, p. 49.
13. I am indebted to The Hon. J.D.M. Dobie, MP, for suggesting the example of check-outs to illustrate the way in which reducing the shopping peak will reduce capital requirements. In evidence presented to the Queensland Industrial Commission's hearings into the introduction of Saturday afternoon shopping, Australian Safeway Stores Pty. Ltd. claimed that their company's supermarkets in North America needed 30 to 40 per cent fewer check-outs than comparable stores in Australia.
14. See 'Inside the Bargain Business', *The Bulletin*, 25 September 1976, pp. 70-71; and 'The Shake-up at Myer', *The Australian Financial Review*, 14 February 1979, p. 2.
15. The connection between poorly defined or insecure property rights and disputes can be illustrated by reference to the fishing industry. Where fish are harvested from the ocean, there is frequently overt hostility among local commercial fishermen, sport fishermen and international fishermen. This is because the ocean is common property and rights to the fish therein cannot be clearly defined. Fish taken by one individual reduce the amount available for others. Consequently, fishing by one person is seen by other fishermen as an actual or potential source of loss for them. Since the source of loss is readily identifiable, there is a possibility that those suffering injury, real or imagined, can gain by hostile acts towards the perpetrator.

16. ABS, *Work Patterns of Employees*, November 1976, Table 10.
17. *ibid.*, Table 12.
18. ABS, *Working Hours Arrangements, Australia, February to May 1981*, Cat. No. 6339.0, July 1983, Tables 19 and 24.
19. ABS, *Labour Mobility: During the Period February 1980 to February 1981: Australia*, Table 25.
20. *ibid.*, Table 26.
21. ABS, *The Labour Force: Australia, 1980*, Table 50.
22. ABS, *Labour Mobility*, Table 14.
23. *ibid.*, Table 16.
24. Although there would be a 10 per cent increase in the number of person-hours of sales labour hired at 'double time', the wage bill would rise by less than 20 per cent because the retailer currently is obliged to pay premium wages during the late evening shopping period and on Saturday mornings.

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