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**Annual leave in Australia:  
An analysis of entitlements, usage and  
preferences**

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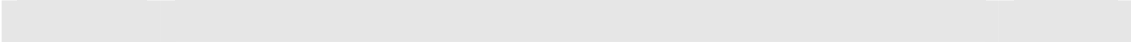
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## Summary

Paid annual holidays have been a standard feature of employment in Australia since 1941. While the amount of paid holidays grew steadily from one week a year in 1941 to four weeks in 1973, the proportion of employees in receipt of this benefit has been in steady decline since the 1980s. The main cause of this decline has been the increase in the number of employees employed on a casual or contractual basis. When compared to other industrialised countries, Australia's four weeks annual leave entitlement is relatively low, with the average in the European Union being over five weeks and German workers receiving nearly six weeks. In the case of public holidays, Australian workers are entitled to 10-11 days per year, around the European average.

In contrast to perceptions of work in Japan where there is a word for death from overwork, *karoshi*, Australians often believe that they live in the land of the long weekend. However, new data collected by Newspoll for The Australia Institute shows that only 39 per cent of full-time employees took all of their annual leave in 2002 (Table S1).

**Table S1 Whether respondents took all their annual leave in 2002 (%)**

	Total	Male	Female	25-34	35-49	50-59
Yes	39	38	41	37	36	50
No	57	60	53	59	60	48
Don't know	4	3	6	4	4	2

When asked why they did not take their leave, around two in five full-time employees said they were saving it up for later use. But an equal number (42 per cent) cited work-related reasons, including being too busy at work (29 per cent) and not being able to get time off that suited them (13 per cent).

High income earners (those earning over \$100,000 per year) were the most likely to specify work-related reasons for failing to take all their annual leave (67 per cent – see Table S2), although nearly all said it was because they were too busy. When the reasons for not taking time off are analysed by occupation, managers and administrators are the most likely to cite being too busy at work for failing to take their annual leave (55 per cent).

While much has been said about the desire of individuals to increase their incomes in order to increase consumption or save for their retirement, there is evidence that, for a portion of the community at least, other lifestyle factors are more important. Survey respondents were asked:

Bearing in mind that two weeks is about four per cent of a full year, if you had a choice between a four per cent pay rise or an additional two weeks of paid leave each year, which one would you prefer to have?

**Table S2 Reasons for not taking all paid leave entitlements, by income (%)**

	Total	Under \$25000	\$25000- \$39999	\$40000- \$54999	\$55000- \$69999	\$70000- \$99999	\$100000 or more
Saving them up for a future holiday	39	27	44	46	43	29	0
Work related difficulties	42	47	33	42	40	38	67
Enjoy work or money more	11	19	16	7	17	9	0
Other	20	8	29	12	21	26	34

Note: Some respondents gave more than one reason.

Despite the fact that the majority of full-time employees did not take all of their holidays in 2002, over half (52 per cent) would prefer to receive an additional two weeks paid leave instead of a four per cent increase in pay – see Table S3. Men have a slightly higher preference for more leave than women, and respondents aged 25-34 were more likely to express a preference for leave (57 per cent) than those aged 50-59 (48 per cent) even though their incomes are generally lower. This could reflect a generational preference for leisure over income or perhaps age-specific factors such as the higher likelihood that workers aged 25-34 have young families.

**Table S3 Preferences for a 4 per cent pay rise or an additional 2 weeks paid leave, by gender and age (%)**

	Total	Men	Women	25-34	35-49	50-59
4 per cent pay rise	45	45	44	40	47	49
Additional 2 weeks holiday leave	52	53	49	57	49	48

Holidays are an important mechanism for improving work-life balance. While much has been said about weekly hours of work, access to annual leave has been a neglected area of research. The new data reported in this paper point to two important labour market problems. First, a significant proportion of full-time employees are having difficulties using up their existing entitlement to four weeks holiday leave. Individual firms may encounter unforeseeable circumstances that inhibit the granting of holiday leave at times desired by employees but the fact that 42 per cent of employees have difficulties obtaining leave due to work pressure suggests that the problem is structural. This indicates that policy makers may need to consider mechanisms to ensure that all employees have reasonable access to their existing entitlements. It also points to the fact that leave purchasing schemes, where they exist, are either insufficiently widespread or inadequately promoted or administered.

The second problem relates to the failure of the labour market to match conditions of employment with employee preferences. More than half of full-time employees have expressed a desire for additional leave, yet this desire has not been translated into employment arrangements that provide improved work-life balance. Despite 15 years of labour market deregulation it is apparent that existing labour market outcomes do not match the preferences of employees.

The research in this paper reveals that those earning over \$100,000 per year are more likely to take fewer holidays, to cite being too busy as the reason, and to prefer more money to extra leave. It is therefore possible that to improve the work-life balance of the majority of full-time employees, senior decision makers may need education and counselling to ensure that their own work preferences are not imposed on their subordinates who desire a better balance for themselves.

Labour market deregulation in Australia has resulted in substantial changes to the operation of individual workplaces and claims that the flexibility of the labour market has been increased. However, it is apparent that the preferences of many workers are not reflected in the nature and duration of the jobs that are on offer. It appears that the majority of full-time employees would like the ability to take extra holiday leave but experience difficulties taking even present entitlements. If policy makers are sincere about improving the work-life balance of Australian workers they will need to consider new mechanisms to ensure that workers' preferences for work-life balance are recognized by employers.

