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Briefing Paper

# **Give Me A Break: The Extent of Paid Holidays and Vacation**

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## INTRODUCTION

American workers hold a unique position among workers in industrialized countries: U.S. law guarantees them no holidays or vacation. While every other industrialized country has a legislated minimum number of days of paid leave, employers are not required to provide workers in the United States with any vacation. Under U.S. labor law, Labor Day, like every other holiday, is just another day. As a result, workers in the United States enjoy far fewer paid days off, 14.2 on average, than workers in any other industrialized nation. In fact, in many nations workers have more than twice as many paid days off as do workers in the United States.

Not only is the average number of paid days off far lower in the United States than in the rest of the industrial world, many workers don't get any paid days off. According to the Bureau of Labor Statistics (BLS) employer survey of benefits, 25.5 million private sector workers do not have paid holidays and 22.2 million private sector workers do not have paid vacation.<sup>2</sup> While some of these workers may be allowed to take unpaid leave, some employers do not even allow this. Similarly, many workers are required to work on the most important national and religious holidays, for the same wage they get on any other day.

This lack of paid holidays and vacation days is striking, since the United States ranks near the top of the list of industrialized nations in productivity, meaning that its workers produce more goods and services per hour than do workers in most other industrialized nations. It would be expected that workers would take a portion of the benefits of higher productivity in the form of more leisure, as they have done in every other industrialized nation. Over the last thirty years, vacation days have increased and workweeks have gotten shorter throughout the industrialized world, except in the United States. As a result American workers now work more hours per year than any other workers in the industrialized world.<sup>3</sup>

## HOLIDAYS AND VACATION: PRACTICES IN THE EUROPEAN UNION, JAPAN AND THE UNITED STATES

Across Europe, there is a serious commitment to ensuring that workers have a significant amount of paid time off. A statute of the European Union actually requires that all workers have at least four weeks of paid leave per year.<sup>4</sup> Most E.U. countries have even higher levels of mandatory paid leave (see table 1). In 2000, legally mandated paid leave in Austria, Denmark, Finland, France and Spain was 30 days, and 25 days in Luxembourg and Sweden. Furthermore, in many

<sup>2</sup> Bureau of Labor Statistics, The National Compensation Survey, 2000. The survey asks employers whether they offer various benefits, including paid holidays and paid vacation days.

<sup>3</sup> Organisation for Economic Co-operation and Development, *OECD Employment Outlook 2002*, Statistical Annex, Table F, page 320.

<sup>4</sup> Article 7 of E.U. Directive 93/104/EC.

European countries workers begin to ‘save up’ vacation days from their first day of work and therefore do not have to wait a certain period of time before they can take their first ‘saved up’ leave. By contrast, in the United States, it is standard for employers to require that a worker be employed for a certain period, such as six months or one year, before being able to take a paid vacation day.

**Table 1**  
**Legally Mandated Paid Leave in Europe and United States, 2000**

	<b>Weeks</b>	<b>Days</b>
Austria		30
Denmark		30
Finland		30
France		30
Spain		30
Luxembourg		25
Sweden		25
Germany		24
Belgium	4	
Greece	4	
Ireland	4	
Netherlands	4	
United Kingdom	4	
Italy <sup>1)</sup>	(4 weeks)	
Portugal <sup>2)</sup>		22
European Union	4	
Canada <sup>3)</sup>	2	
United States	0	0

Source: Article 7 of E.U. Directive 93/104/EC; and European Commission, Employment and Social Affairs, unpublished data, 2000.

- 1) Under the law, Italian workers have the right to paid annual leave, however, the law does not specify a minimum number of days. Since Italy is a member of the European Union, Italian workers are covered under the E.U. Directive 93/104/EC that mandates a minimum of 4 weeks of paid leave.
- 2) Does not include public holidays.
- 3) Minimum paid vacation after one year of employment. In Saskatchewan, workers are entitled to a minimum of 3 weeks of paid vacation.

In law, workers in the United States are not guaranteed any paid holidays or vacation days. According to the Department of Labor’s website: “The FLSA [Fair Labor Standards Act] does not require payment for time not worked, such as vacations, sick leave or holidays (Federal or otherwise). These benefits are matters of agreement between an employer and an employee (or the employee’s representative).”<sup>5</sup> It is also worth noting, that unlike the practice in most European countries, workers who work at undesirable times, including weekends, holidays and

<sup>5</sup> U.S. Department of Labor, Wage and Hour Division, Employment Standards Administration, “Frequently Asked Questions.” DOL web site: <http://www.dol.gov/elaws/faq/esa/flsa/006.htm>.

late hours, are not entitled to additional pay under the law. U.S. labor law only requires additional pay for overtime work, when workers work more than 40 hours in a seven-day period.

**Table 2**  
**Average Paid Vacation Days and Holidays (National and Religious) in the Manufacturing Sector Covered by a Collective Bargaining Agreement, 1999**

	<b>Vacation Days</b>	<b>Holidays (Natl. and Religious)</b>	<b>Total Days of Paid Leave</b>
Italy	37	8	45
Finland	37.5	7	44.5
Netherlands	31	7.1	38.1
Germany	30	8	38
Luxembourg	28	10	38
Austria	26.5	9.5	36
Portugal	22	14	36
Spain	22	14	36
Denmark	27	7	34
France	25	9	34
Sweden	25	9	34
United Kingdom	25	9	34
Switzerland	24.3	9	33.3
Belgium	20	11	31
Greece	22	9	31
Japan	18	13	31
Ireland	21	9	30
Norway	21	7	28
United States	12	11	23

Source: The Confederation of German Employers' Associations, unpublished data, 1999.

Data on collective bargaining agreements in the manufacturing sector show that European workers often receive more paid leave (holidays and vacation) than the legally mandated number of days. Table 2 ranks countries by the total number of paid vacation and holidays (national and religious) given to workers in the manufacturing sector, who are covered by a collective bargaining agreement. Italy tops the list with a total of 45 days of paid vacation and holidays, while the United States ranks at the bottom with a total of 23 paid vacation and holidays. It is important to recognize that only a small share (15.5 percent) of manufacturing workers are covered by a union contract in the U.S.<sup>6</sup> In contrast, European national bargaining agreements cover most workers in manufacturing (and in the economy as a whole), so that the averages shown in the table refer to the bulk of workers in these nations' manufacturing sectors. As the table shows, even in Japan, a country known for its strong work ethic, manufacturing workers do considerably better than American manufacturing workers, with a total of 31 paid holidays and vacation days— 8 days more than their unionized American counterparts.

<sup>6</sup> Bureau of Labor Statistics, "Union Members in 2001," *BLS News Release*, January 17, 2002: Table 3.

## HOLIDAYS AND VACATION DAYS IN THE UNITED STATES

In the absence of any legal obligation, some employers do not offer any paid holidays or vacation to their workforce. In 2000, 23% of employed workers in the private sector did not have any paid holidays, and 20% did not have any paid vacation days.<sup>7</sup> It is worth noting that these numbers do not include workers who have been with their current employer less than one year and qualify for paid leave the following year. Therefore, at any given point in time, the share of workers without paid leave is higher than is implied by these numbers.

Table 3 presents a breakdown of the amount of paid leave by type of workers and firms. As can be seen from the table, private sector full-time workers were much more likely than part-time workers to receive paid holidays and vacation days. While 87% of full-time workers had paid holidays off, only 39% of part-time workers did. Likewise, fully 91% of full-time workers had paid vacation, compared to 39% of part-time workers. Furthermore, private sector union workers were more likely to have paid holidays and vacation than were nonunion workers. Workers in establishments with more than 100 employees were more likely to have paid holidays and vacation than were workers in smaller establishments. Finally, professional and technical workers were more likely to have paid holidays and vacation than clerical and sales workers, who in turn were more likely to have paid days off than blue-collar and service workers in the private sector.

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<sup>7</sup>Sources: Bureau of Labor Statistics, National Compensation Survey, Employee Benefits, 2000. BLS web site: <http://data.bls.gov/labjava/outside.jsp?survey=eb>.

**Table 3**  
**Percentage of Workers with Paid Holidays and Paid Vacation in the Private Sector, 2000**

	Paid Holidays In %	Paid Vacation In %
All Private Sector Workers	77	80
Full-time status	87	91
Part-time status	39	39
Union	89	93
Nonunion	76	79
Medium and large establishments <sup>1)</sup>	86	89
Small establishments <sup>1)</sup>	70	73
Professional and technical occ.	85	88
Clerical and sales occ.	80	80
Blue-collar and service occ.	73	77

Source: Bureau of Labor Statistics, National Compensation Survey, Employee Benefits, 2000, <http://data.bls.gov/labjava/outside.jsp?survey=eb>.

1) Medium and large establishments have 100 and more employees, and small establishments have less than 100 employees.

The BLS data on the incidence of paid holidays and vacation imply that in 2000, a total of 25.5 million workers were *without* any paid holidays, meaning that they either worked on holidays or they were not paid if they had the day off.<sup>8</sup> Moreover, 22.2 million private sector workers did not have a single day of paid vacation. Some of these workers did not take any vacation, while others did take time off but did not receive any pay. It should be noted that the data do not provide a basis for determining the overlap between these two groups. For instance, it may be the case that workers who do not receive paid holidays also do not receive paid vacation. Or it may be that employers offer only one type of paid days off, but not the other. BLS does not publish data for the public sector as a whole; however, 1998 data from state and local governments show that a smaller portion of these public sector workers had paid holidays and vacation days, than did workers in the private sector.<sup>9</sup> This is in part due to the low incidence of paid leave among teachers.<sup>10</sup>

<sup>8</sup> In 2000, the total number of wage and salary workers in the private sector was 111,078,000. *The Economic Report of the President: February 2002*, the Government Printing Office, 2002: Table B-46.

<sup>9</sup> Sources: Bureau of Labor Statistics, Employee Benefits Survey, 1998. BLS web site: <http://data.bls.gov/labjava/outside.jsp?survey=eb>;

<sup>10</sup> Bureau of Labor Statistics, *Compensation and Working Conditions*, Fall 1998, Table B-5, p. 56.

**Table 4**  
**Estimated Average Number of Paid Holidays and Vacation Days**  
**in the Private Sector, 2000 <sup>1)</sup>**

	Holidays	Vacation Days	Total Number of Paid Days Off
All Private Sector Workers	6.4	7.8	14.2
Medium and large establishments	8.0	10.7	18.7
Small establishments	5.3	7.3	12.6
Professional and technical	7.6	11.0	18.6
Clerical and sales	6.5	8.9	15.4
Blue-collar and service	5.9	7.6	13.5

Sources: Bureau of Labor Statistics, “Employee Benefits in Medium and Labor Establishments, 1997,” *BLS News Release*, January 7, 1999, Table 4; Bureau of Labor Statistics, National Compensation Survey, Employee Benefits, most recent data, BLS web site: <http://data.bls.gov/labjava/outside.jsp?survey=eb>; Bureau of Labor Statistics, “Employee Tenure in 2000.” *BLS News Release*, August 29, 2000, Table 3; and Bureau of Labor Statistics, “Employee Benefit Survey, Technical Note,” *Compensation and Working Conditions*, vol. 3, no. 3 (Fall 1998): p. 54 Table B-2.

Table 4 shows estimates of the average number of holidays and vacation days for workers in the private sector.<sup>11</sup> On average, U.S. workers in the private sector received 6.4 paid holidays and 7.8 paid vacation days— a total of 14.2 days per year -- in 2000. In general, workers with longer job tenure have more vacation days than workers who have not been with their employer for long.<sup>12</sup> As can be seen from the table, the number of days off varied by establishment size and occupation. Workers employed by large establishments (with 100 and more employees) are not only more likely to get paid days off, as shown in table 3, they are also get more days off on average than workers in small establishments (18.7 days versus 12.6 paid days off for small establishments).

Furthermore, just as they were more likely to get paid days off, employees in professional occupations receive more paid holidays and vacation days than do clerical and sales employees: 18.6 paid vacation days and holidays for professional and technical workers compared to 15.4

<sup>11</sup> The estimation of number of paid holidays and paid vacation days uses 2000 data on incidence rates and assumes that the average number of days for full-time workers participating in paid holidays and paid vacation benefit programs has remained, on average, unchanged since 1996 and 1997, the most recent years of data. Further, it is assumed that the number of vacation days is the same for part-time workers as for full-time workers. Since full-time workers generally have more vacation days than part-time workers, this assumption tend to overestimate the average number of vacation days. Finally, it is assumed that the job tenure distribution is the same across worker demographics.

<sup>12</sup> According to 1994-96 BLS data on private sector workers receiving vacation, workers who have been with their current employer for more than 1 year but less than 10 years had, on average, 8.2 vacation days; while workers who have been with their current employer between 10 and 15 years had 15.3 vacation days, on average; and workers who have been with their current employer for 20 years or more had, on average, 17.8 days of vacation. Bureau of Labor Statistics, “Employee Benefit Survey, Technical Note,” *Compensation and Working Conditions*, vol. 3, no. 3 (Fall 1998): p. 54, Table B-2.

days for clerical and sales workers. Clerical and sales workers in turn receive more vacation days, on average, than blue-collar and service workers, who receive an average of 13.5 paid days off each year. From the international data in table 2, we know that union workers in the manufacturing sector received a total of 23 days, substantially more than the 13.5 overall average for blue-collar and service workers. This implies that non-union workers in the manufacturing sector and service workers, on average, have significantly fewer paid holidays and vacation days than the average of 13.5 days per year shown in table 4.

With an average of 14.2 days of paid holidays and vacation per year, American workers have much less paid leave than workers do in other industrialized countries. (For instance if the United States were to join the European Union, the average U.S. worker would see a substantial increase in paid holidays and vacation, to a total of four weeks per year. As noted earlier, this is the legally mandated minimum paid leave established by the European Commission.) The following section examines several policy proposals that could close the gap in paid leave, by mandating a minimum number of paid holidays and vacation days, along with requiring extra pay for work performed on holidays.

## **MAKING TIME OFF PAY**

Under current law, workers who work on national holidays, such as Labor Day, are not entitled to extra pay. While many employers choose to pay their employees a premium on Independence Day, Christmas Day and other holidays, they are not required to do so under the law. A first step toward ensuring some minimum paid leave would be to amend the Fair Labor Standards Act (FLSA) to require that all employees working on national holidays (e.g. Memorial Day, Independence Day, Labor Day, and Thanksgiving Day) be paid at least one-and-a-half times their standard pay, as defined under the FLSA. This is equivalent to the legally mandated overtime pay of non-exempt workers (workers covered by the law).

Mandatory holiday pay premiums would acknowledge the hardship of working on national and religious holidays by giving workers extra money in their pockets when working on such days. Moreover, by requiring that all employers pay a certain premium, it would remove some of the competitive disadvantage faced by employers who want to give their workers a day off on holidays, or those who want to pay them a premium wage to compensate them for being away from their families on these days. Of course, employers who wish to pay more than one-and-a-half time premium would maintain the right to do so.

A second step would be to legally mandate a minimum number of days of paid annual leave. For instance, 18 legally mandated days of paid leave (accrued at a rate of 1.5 days per month), would close most of the gap in paid leave between American workers and those in other industrial countries. To discourage discrimination based on employment status, mandatory paid leave should cover all employees as defined under the FLSA, including employees in management and



professional jobs, employees with low work hours, new employees, and workers in nonstandard work arrangements. Specifically:

- New employees would begin to accrue paid leave from the first day of employment.
- Employees, who are terminated and have unused vacation, would be entitled to cash out their vacation.
- Part-time employees, working less than 40-hour workweeks, would accrue paid leave by the same formula as full-time workers. (Since they work fewer hours, this would translate into fewer hours of paid leave).
- Workers in contingent employment, short-term employment and sporadic employment would accrue paid leave by the same formula. If the duration of employment were less than a month, paid leave would be accrued on a pro-rated basis, and paid (the amount equivalent to the wage times the number of days accrued, minus any paid leave days they may have taken) at the termination of their employment.

While this proposal would substantially increase the amount of paid time off for tens of millions of workers in the United States, it is still very modest by international standards. Specifically, eighteen days of paid leave translates into 3.6 weeks of leave for a five-day workweek. This is still somewhat less than the paid leave required by the European Union, which mandates a minimum 4 weeks of paid leave, and significantly below the level of some European countries, such as Austria, Denmark, France, Spain and Sweden. Nevertheless, legally mandated paid leave of 18 days would mean a substantial increase in paid days off for the 25.5 million workers who do not have any paid holidays and the 22.2 million workers who have no paid vacation, as well as millions of other workers with few days of paid leave.

One likely outcome of mandating a holiday pay premium together with paid leave is that more workers would have the national holidays off. Under the proposed legislation, hourly pay on holidays is higher than the standard pay rate. This raises the cost of doing business on holidays. In addition, employers would be required to pay for a certain number of leave days in any case, so they may choose to shut down on national holidays, thereby saving themselves the premium pay required on these days. This might make for somewhat less convenience for shoppers, but it would mean that more workers would be able to enjoy holidays with their families.

## CONCLUSION

The United States is the only industrialized country that does not have a legislated minimum number of days of paid leave. The European Union, by comparison, mandates a total of four weeks of paid leave per year. The result has been that American workers generally have fewer days of paid holidays and paid vacation, and work more hours per year, than workers do in Europe and even Japan. In 2000, 25.5 million private sector workers in the United States did not get any paid holidays, and 22.2 million workers did not have any paid vacation.

A first step towards closing this gap with the rest of industrialized world would be to amend the Fair Labor Standards Act to require employers to pay workers, who are working on national holidays, one-and-a-half times their standard pay. A modest (by international standards) mandate of 18 days of paid leave (defined as holidays and vacation days) would substantially increase the number of paid days off for tens of millions of workers, although still leave the United States far behind most other industrialized nations. It is important that any such mandate be comprehensive in its coverage. This means that workers in small establishments, part-time workers, contingent workers and workers in other non-traditional work arrangements, along with full-time workers would be entitled to paid leave, or an equivalent payment at the termination of employment.

Premium pay on holidays and mandatory paid leave would increase the number of vacation days for most workers. In addition, these measures could ensure that national and religious holidays, like Independence Day and Christmas, are not just another workday for tens of millions of workers.