

Health Care Never Takes a Vacation:

August, the Month with No Holidays

(Author's note: This is a first in a series of reflections on economic issues and holidays. Watch for the upcoming one in honor of Labor Day, September 1st.)

While there are several minor religious holidays in August, there are no major holidays. Ramadan begins in August this year, but it's on a lunar calendar, so it varies from year to year. The ancient Celtic festival of Lammastide or first harvest, is on August 1st, but you won't find Lammastide cards in your local Hallmark store. August just has nothing big—no fireworks, no family gatherings, no cards or gifts, no parades, no patriotic speeches, no excuse for sales at the mall. Sandwiched between the celebrations of three revolutions (American, French and Cuban) in July and Labor Day at the beginning of September, August's sole claim to calendar fame lies in being the last chance to get away from it all before children and youth return to school. It's a favorite time for vacations, especially in Europe and North America.

In difficult economic times some families turn to “staycations”—staying home and enjoying local recreation and outdoor adventures. But for most vacationers, a vacation involves a change of venue, away from the household chores, the neighbors, and the daily routine. Whether it's a nature's paradise of beach, mountains, lake or national park, a theme vacation from Disney to cruise to ecotourism, staying in a luxury condo or camping out in a state park, the essence of vacation is the three Rs—not reading, (w)riting, and (a)rithmetic, but refreshment, reinvigoration, and renewal.

The word vacation comes from the French word “vacances” which actually meant empty or blank. On the medieval calendar, there were so many religious holidays, fairs, or festivals that the blank dates on the calendar were outnumbered by the celebratory ones. Today it is reversed; the work days on the calendar are filled with meetings and task and commitments, and the blank ones are the holidays.

Medieval Europe was not noted for progress, or productivity, or innovation. What it was noted for was a lot of time off, particularly in the agricultural off-season. For centuries of human life, the rhythm of work and rest, or work and play, was governed by the tasks of an agricultural life and the flow of the seasons. Even today, with only 1.4% of our population earning a living in agriculture, the school calendar is still governed by that earlier need for children to be available to help with farm chores in the warm weather. In Central America, the long holiday season still falls in December and January so that children will be available to harvest the coffee crop. The economy still needs seasonal workers—not just migrant farm labor but seasonal tourism workers in destination areas, extra retail workers in November and December, landscape workers in the warm season. But in a world where so much work can be done at any time of year, we have to create an artificial ebb and flow to provide for rest, renewal and refreshment that not only makes

workers more productive but makes their lives more satisfying. Vacations have an important role to play in that ebb and flow.

American workers enjoy fewer and shorter vacations than their fellow workers in most other advanced nations, and are expected to work longer hours in the workweek. Not only are there fewer days away from the job in the year, there are also fewer hours away from the job during the week. U.S. output per worker is among the highest in the developed world, but output per hour is not. More hours per worker have been a primary source of increases in productivity.

The most useful measure for international comparisons among workers is hours worked per year, which reflects not only hours per week but also vacations and holidays. In the U.S., that number is 1,797 hours, ranking ninth out of 32 developed nations. Number one is South Korea, at 2,357; number 32 is the Netherlands, at only 1,391 hours a year. Weekly hours vary, but vacation days also contribute to the difference. Workers in the U.S. typically have 10 days (two weeks) of vacation, while British workers get 20 days (four weeks), the French five weeks.¹

Traditionally, when productivity increases, workers get higher wages per hour, either by getting more pay for the same hours or the same pay for fewer hours. According to the Heritage Foundation, total compensation has kept pace with productivity. But the gains have been distributed in increased wages and fringe benefits, rather than shorter hours. Most of those gains have gone into fringe benefits.²

While some employers offer choices, and many professionals and self-employed have some choice about hours worked, most workers don't. A job generally comes with an expectation for the workweek and a set policy on vacations, holidays, and sick leave. So to some extent the longer annual hours and shorter average vacation time for an American worker is an employer choice, shaped partly by cultural factors and expectations, but primarily by economic considerations.

For an employer, it is more cost-effective to hire fewer workers and have them work longer hours than to hire more workers, give them more vacation time, and shorten the work week. There is a cost to hiring and training, and hiring fewer workers for longer annual hours reduces that cost, especially in a mobile society where workers turn over frequently. But an even more significant factor is fringe benefits, especially those fringe benefits that are a fixed cost per worker rather than a percent of wages. Those fixed cost benefits are cheaper when you spread the cost over the same worker for more hours rather than more workers each of whom works fewer hours. The most important of those fixed benefit costs per worker is health insurance. In 2008,

¹ Olson, Parmy, "The World's Hardest Working Countries," www.forbes.com, MY 21, 2008. Accessed on June 7, 2009.

² Kersey, Paul, "Ready to Compete: The Link Between Productivity, Jobs, and Wages", WebMemo #498, May 5, 2004. www.heritage.org/Research/Labor/wm498. Accessed June 9, 2009.

the average cost of insuring a single worker was \$4,700—a significant part of total compensation.³

The United States is one of the few developed nations to rely heavily on employer-provided health insurance. It's something of a historic accident that the U.S. chose that route rather than a tax-funded system, which might have been a single payer system or one involving private insurers. The issue as far as worker hours and vacations is concerned is the method of funding, not the method of delivering health care and health insurance. Whether or not the U.S. converts to a single payer system like many other countries, or some other way of ensuring universal coverage that maintains a role for private insurers, it is clear that there is a need to rethink this heavy reliance on employer-funded health insurance. A system that relies mainly on employer-provided health care leaves a lot of families out of the system, and results in loss of health insurance during unemployment. It also affects those who keep their job and their insurance, because requiring employers to provide health insurance raises labor costs, so wages rise more slowly and fewer workers are hired. Health insurance costs contribute directly to longer work weeks and shorter vacations. Higher U.S. health insurance costs have also been a factor in some manufacturers locating in Canada, resulting in fewer jobs for American workers.

So next time you are sitting in your cubicle, longing for a few more leisurely days of summer, make the connection. Would you rather pay more taxes for health care, and take that extra compensation that now comes as health insurance in the form of higher wages, shorter hours, and/or longer vacations? Or would you rather keep things just the way they are? Think about that as the national debate over health care funding continues.

Copyright © 2009 by Dr. Holley Ulbrich.

Author is the owner of and retains all rights, title and interest in this Article. Clemson University has a non-exclusive, perpetual license to display, use, distribute and reproduce this article for academic and scholarly purposes. All other rights reserved.

³ www.nchc.org, *Health Insurance Costs*, accessed on June 9, 2009.