

# CONCEPT NOTE

## Extended Weekend

May 2021

The COVID-19 pandemic has taken a significant toll on communities across the world and had a devastating effect on Travel & Tourism. WTTC's economic impact research reveals that **the global Travel & Tourism sector suffered a loss of almost US\$4.5 trillion in GDP in 2020, dropping by a staggering 49.1%**; this compares to the overall global economy which dropped by just 3.7% last year. Moreover, **COVID-19 led to the loss of 62 million Travel & Tourism jobs in 2020**. This 18.5% decrease has disproportionately impacted SMEs, women, youth and minorities.

Still, the threat persists as many of the remaining 272 million jobs are currently supported by government retention schemes and reduced hours, which could be lost without a full recovery of the Travel & Tourism sector. While government support, through fiscal and liquidity incentives as well as jobs support, has been instrumental in supporting businesses during the crisis, the swift recovery of the sector will only be possible if the global vaccine rollout continues at pace, and travel restrictions are relaxed before the busy summer season. The recovery needs to be underpinned by a comprehensive coordinated international testing regime upon departure for all non-vaccinated travellers, to eliminate quarantines, as well as the enhanced health and hygiene protocols and mandatory mask wearing, and a shift to individual traveller risk assessments instead of country risk assessments. Moreover, other less obvious measures also have potential to facilitate the global economic recovery including the Travel & Tourism sector, such as the introduction of longer weekends (and in turn shorter working weeks).

*“For Travel & Tourism, such an approach would incentivise travel both domestically and internationally.”*

A move to an extended weekend would effectively accelerate the recovery of all economic sectors including Travel & Tourism. For Travel & Tourism, such an approach would incentivise travel both domestically and internationally. Longer weekends would generate additional leisure spending by consumers across economic sectors including Travel & Tourism, which in turn would have a positive impact on the wider economy. WTTC research shows that even a modest resumption of travelling could have significant economic benefits, by generating much needed GDP and jobs for all economies that have been struck by the pandemic. For instance, for every 1% (or 15 million) increase in international arrivals in Europe<sup>1</sup>, \$7.23 billion in additional GDP would be generated. As such, **an increase of 100 million international arrivals – equivalent to an increase of 6.7% – would result in around \$48 billion in additional GDP.**

The shift to a shorter working week could not only stimulate the economic recovery including the Travel & Tourism sector but also spread benefits to employees and organisations across all different sectors and industries. A shorter working week has been proven to accommodate flexible working, a practice that has gained significant momentum during the COVID-19 pandemic. There is growing evidence from individual companies that shortening the working week, while maintaining pay levels, boosts productivity and well-being. In 2019, Henley Business School surveyed 505 business leaders and more than 2,000 employees in the UK to better understand the impact of the four-day week on the UK's workforce. In organisations where a shorter working week has been implemented, nearly two-thirds (64%) of leaders reported increases in staff productivity and work quality due to a reduction of sickness absence and overall increased well-being. Many workers cite flexible working arrangements and a shorter week option as important drivers in their decision about jobs for which they apply. According to a Henley Business School survey of companies already implementing a four-day week, 63% responded that flexible working options help them attract the right talent – older as well as younger generations. In addition to attracting talent, the four-day working week also has the potential to improve employee retention and satisfaction<sup>2</sup>.

There are a few possible scenarios of how an extended weekend<sup>3</sup> / four-day working week could be implemented in practice by different businesses across sectors including Travel & Tourism:

- A. Same hours per week as before but concentrated in four days rather than five. This means that employees would need to work more hours per day.
- B. Same hours per day as before but for, say, only four days instead of five. This means that employees would work 20% fewer hours, with businesses compensated by increased productivity.
- C. A combination of the two.

A longer weekend would only bring its benefits to relevant sectors including the Travel & Tourism ecosystem if workers remain on at least the same income levels as before. In other words, there should be no loss of pay following the introduction of a shorter working week, otherwise consumers may not be willing or able to spend more. While there have been a number of examples of a shift in spending from material items to experiences over the past years<sup>4</sup>, further substitution between discretionary spending on other goods & services and Travel & Tourism would likely need to take place to facilitate the tourism spending and recovery.



*“The Prime Minister of New Zealand, Jacinda Ardern, highlighted the importance of a four-day working week in rebuilding the country after COVID-19”*

The introduction of a shorter working week following the COVID-19 pandemic has already gained support from some governments. One of the leading advocates is the Prime Minister of New Zealand, Jacinda Ardern, who highlighted the importance of a four-day working week in rebuilding the country after COVID-19. She suggested that employers consider a four-day working week and other flexible working options to boost tourism and help employees address persistent work/life balance issues<sup>5</sup>. Similarly, the Spanish government has decided to pilot a 32-hour work week over three years, without cutting workers' pay, and putting 50 million euros (\$60 million) toward the cost of the project for those companies which request to take part<sup>6</sup>.

Given that the benefits of Travel & Tourism spread far beyond its direct impacts in terms of GDP and employment, to its indirect and induced benefits through supply chain linkages to other sectors in the economy; it is vital that governments facilitate the recovery of Travel & Tourism, as this will also accelerate the recovery of a broader economy. In addition to facilitating longer weekends and thus a shorter working week which will enable better well-being, work-life balance and productivity, governments can also implement measures to further incentivise travel during these longer weekends. Such measures could range from tourism vouchers and free attractions to promotion campaigns, subsidies, tax credits and reduction of VAT, which some governments have already started implementing during the COVID-19 pandemic to re-start tourism. Costa Rica, for instance, has strategically moved several national holidays from 2020 through to 2024 to Mondays to create more long weekends and boost national tourism<sup>7</sup>. The move of public holidays to Mondays to create longer weekends and boost travel has also been implemented in the United States, since the Uniform Monday Holiday Act was enacted in 1968.

Gaining the support and cooperation of the public and private sectors is key to facilitating the enabling environment for a longer weekend / shorter working week as well as flexible working. Nevertheless, decisions on whether to implement a longer weekend / shorter working week and how to implement it would need to be made at the level of individual enterprises as there is no one size fits all approach. A shorter working week may not work or may be difficult to implement for all sectors and companies. Still, where it is feasible, it should be considered, given the many associated possible opportunities and benefits.

All in all, **the introduction of a longer weekend, which effectively implies a shorter working week, has the potential to facilitate the recovery of the broader economy including Travel & Tourism** while increasing productivity. It is a tool that not only makes business sense but will support wellbeing, whilst also helping boost spending at destinations through increased domestic, regional, and international travel, and supporting job creation at the time when it is needed the most. As such, it has a capacity to reduce poverty and enhance social impact in local communities<sup>8</sup>.



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**The World Travel & Tourism Council is the global authority on the economic and social contribution of Travel & Tourism.**

WTTC promotes sustainable growth for the Travel & Tourism sector, working with governments and international institutions to create jobs, to drive exports and to generate prosperity. Council Members are the Chairs, Presidents and Chief Executives of the world's leading private sector Travel & Tourism businesses.

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1. This refers to international arrivals starting from both within and outside of Europe.
2. Henley Business School, 2019: Four better or four worse
3. There is the potential for not only three-day but also four-day weekends if employees could get Friday off in one week and Monday off the following week.
4. For instance, in the US, over 2014-16, personal-consumption expenditures (PCE) on experience-related services—such as attending spectator events, visiting amusement parks, eating at restaurants, and traveling—have grown more than 1.5 times faster than overall personal-consumption spending and nearly 4.0 times faster than expenditures on goods – McKinsey, 2017: Cashing in on the US experience economy: <https://www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/cashing-in-on-the-us-experience-economy>
5. The Guardian: <https://www.theguardian.com/world/2020/may/20/jacinda-ardern-flags-four-day-working-week-as-way-to-rebuild-new-zealand-after-covid-19>
6. <https://www.cnbc.com/2021/02/05/covid-may-have-pushed-us-closer-to-a-four-day-working-week.html>
7. <https://ticotimes.net/2020/07/17/costa-rica-passes-law-creating-more-long-weekends-through-2024>
8. For more information on social impact, please check: WTTC, 2021: Travel and Tourism as a Catalyst for Social Impact: <https://wttc.org/Research/Insights>

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