Deregulated shop opening hours: the Swedish experience

Background

Since 1972 when Sweden abolished the law on retail opening hours (affärstidslagen), shop opening hours have been deregulated in Sweden. However, Swedish legislation still restricts night work between 24:00 and 05:00 and employers and trade unions can come to collective agreements giving flexibility on night work.\(^1\)

During the 1970’s and 1980’s, attempts were made to once again regulate shop opening hours. At the beginning of the 1990’s, a final commission on retail opening hours was put into place by the government to analyse the issue. The commission presented its report in 1991, but it did not lead to regulation. After this report, the issue of once again regulating shop opening hours disappeared from the political agenda in Sweden.

In Sweden, several different arguments for and against deregulated shop opening hours have been presented both prior to the deregulation of “affärstidslagen” and in the decades after. Svensk Handel is listing a few of these below.

Svensk Handel is a firm supporter of deregulated shop opening hours.

Arguments supporting deregulation

1) Employment gains

Increased employment in the retail sector has been one of the key arguments in favour of deregulating shop opening hours in Sweden and elsewhere. Although few Swedish studies has been made to study the employment effects of Swedish deregulation of opening hours,

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\(^1\) Opening hours are somewhat different for Swedish alcohol monopoly Systembolaget. Systembolaget is closed on Sundays and has limited opening hours on Saturdays.
the OECD concluded in 1997 that in Sweden, “the employment effects of longer opening hours are unequivocally positive.”\(^2\)

In the current situation with high youth unemployment in Europe, it is also important to remember that the retail sector serves as one of the primary gateways to employment for youth and low-skilled workers. In this context, it is Svensk Handel’s view that deregulation of shop opening hours in particular benefits young people.

One of the large Swedish retailers has provided Svensk Handel with figures regarding the share of hours worked that occurred during “OB-time”\(^3\). According to their figures, 23% of hours worked within the company occur during OB-time (weekdays from 18:30-06:00, Saturdays from 00:00-06:00 and 12:00-23:59 and Sundays and national holidays (whole day)). Approximately 50% of the company’s employees are young adults between 16 and 26 years old.

2) Consumer benefits

The unequivocal benefit of deregulating shop opening hours in Sweden has been the consumer benefits resulting from the deregulation. In Sweden, changes in lifestyles and individuals’ working hours during the last 40 years have made retail opening hours increasingly important as a means to enhance service and availability for consumers.

In Sweden, concrete examples of the shift in consumption can for instance be drawn from Nordstan, one of Sweden’s biggest gallerias grossing 4 billion SEK per year. Nordstan earns 35% of weekly turnover Saturdays and Sundays. Another illustration of the importance of deregulated shop opening hours is Kista Galleria outside Stockholm. Here, estimates are that 35% of Kista Gallerias turnover is earned after 18:00.\(^4\)


\(^3\) OB-time can be translated into "uncomfortable working time" and is associated with a percentage increase in salary depending on whether the employee works during evenings on normal working days (50% or 70%) or Saturday evenings and Sundays (100%).

3) Increased sales/consumption

It is evident that an extension of shop opening hours will have a positive effect on total retail sales. The increase in consumption resulting from deregulating shop opening hours has been demonstrated by several academic studies.5

4) Increase retail’s share of the disposable income

There is some evidence that regulated trading hours might distort consumer spending away from retail trade to other activities, as consumers may substitute the spending intended for retail to restaurants, entertainment etc.6

5) Efficiency gains

Deregulation increases competition in the retail sector and will increase pressure on existing retail firms to either become more competitive or to leave the market. Studies have confirmed that the deregulation of shop opening hours has contributed to the relatively high productivity growth in the Swedish retail sector between 1995-2010 in comparison with the retail sectors of other Western economies (US, Germany, Denmark and the Netherlands).7

6) E-commerce

An important societal development influencing the retail sector during the last 10-15 years has been the development of e-commerce. Svensk Handel’s view is that with today’s fast expanding - and open day and night - e-commerce sales, it would make little sense to once again regulate opening hours for brick & mortar retail, as it would only distort competition. For instance, the busiest time for e-commerce payments is 20:00 on Sunday nights, because consumers can truly chose freely when it is most convenient for them to go shopping online.8

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5 See for example: Goos, M (2005). The impact of shop closing hours on labor and product markets.
6 Australian Productivity Commission (p 296).
7 Copenhagen Economics (2013). Barriers to productivity growth in the retail sector.(p 10).
Arguments against deregulation

1) Deregulated shop opening hours will lead to higher prices for consumers

According to Swedish research made on this issue, the deregulation of shop opening hours has not had a cost-increasing effect on consumer goods.9

2) Employees do not want to work on Sundays

In 2003, the Commercial Employees’ Union (Handelsanställdas Förbund) made a study regarding the attitudes of its members towards working on Sundays. More than 7000 employees in retail stores around the country were interviewed regarding their opinion of which retail opening hours that were reasonable. Almost ¾ of the respondents were members of the Commercial Employees’ Union.

The Commercial Employees’ Union’s study showed that 99.6 % of the respondents thought that it is reasonable that retail stores are open on Saturdays. The same figure for Sundays was 60.5 %. There are clear differences between what is perceived as reasonable opening hours for retail vis-à-vis what is seen as reasonable opening hours for kiosks and after-hours supermarkets. 99.8 % of respondents thought that kiosks and after-hours supermarkets should be open on Saturdays and 91.7 % thought they should be open on Sundays. What in particular seemed to influence the view of reasonable opening hours was the existing structure of opening hours (i.e. kiosks and after-hours supermarkets have on average longer opening hours than retail stores).10

3) Deregulated shop opening hours will make working environment less secure

Some stakeholders contend that longer opening hours could entail less secure working environment for retail employees and potentially also be associated with an increased risk of robberies. However, evidence to support these claims have been inconclusive.

10 Vedin & Gustafsson (2003). Vad är rimliga öppettider?
4) Deregulation of shop opening hour creates a distortion of competition as it primarily benefits “big-box” format retail at the expense of small shops.

Evidence to this is equivocal. Surely, big-box retail has increased its market shares at the expense of small retail companies since the 1970’s. However, retail analysts in Sweden contend that this is the result of many different societal developments and legislative changes, and can in no way be exclusively explained by the decision to deregulate shop opening hours.11

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