
Sunday Trading Ban in Poland: Reflection After Three Years

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Aleksandra Grzesiuk¹

Abstract:

Purpose: The paper examines two perspectives of shopping hours regulations, the theoretical background, and experiences from selected European countries. Particular focus is on the Sunday trading ban that took effect in Poland in 2018. It was implemented gradually over three years. However, determining the impact of the introduction of the restriction on the economy is a tough challenge, both for science and the business community. This is mainly due to dynamic economic challenges, innovations implemented in retailing, which significantly change the way services are delivered. The paper aims to provide an overview of international experience, which may help understand the possible impact of Sunday trading regulations. The theoretical discussion and international empirical evidence show that the dynamics involved in changing Sunday trading rules can work in different directions.

Design/Methodology/Approach: The paper presents international experiences of shopping hours regulations and focuses on the Polish market's case study.

Findings: The analysis showed that regulations on opening hours and Sunday trading ban on the economy and retail sector are mixed and uncertain. In Poland, the effects of the Sunday trading ban are not possible due to the consequences of the COVID pandemic (2020-2021) and additional restrictions in economic activity that were introduced.

Practical Implications: Two years after introducing restrictions on Sunday trade in Poland, structural and qualitative changes in retailing are observed. The author argues that these changes will result from the COVID pandemic and the implications of innovative retail processes are to be expected soon. They will be mainly targeted at the use of online commerce, the development of unattended sales forms, and possibly reducing the importance of large-scale retail outlets.

Originality/Value: The author points out that the relationship between these regulations and innovations in trade should be added to the traditional approach to the analysis of trade working hours regulation. In this sense, the article has the value of a new, original analysis..

Keywords: Retail sector, Sunday trading, regulation.

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¹West Pomeranian University of Technology in Szczecin, Poland,
aleksandra.grzesiuk@zut.edu.pl;

1. Introduction

Shop opening laws vary considerably across countries and over time. A general overview of international experience shows that countries restricting Sunday trading or opening hours gradually liberalize the policy for more than 20 years. In most countries, possible restrictions were introduced in the 1960s and 1970s. In recent years, seven EU Member States have abolished or significantly reduced the ban on Sunday trading. Hungary, which introduced a ban on Sunday trading in 2015, lifted it after a year (in 2016). Poland is the only EU country that has implemented and maintained a Sunday trading ban over the last ten years.

It should be emphasized again that as in most countries, restrictions on the shop's opening hours have been in force for many years, there is instead a public debate on the liberalization of the law and the removal of these restrictions. The paper aims to explore the implication of Sunday shopping bans observed and published based on the experiences of countries that have introduced such bans in the past.

In the center of these considerations is Poland, the last of the known countries, relatively recently, in 2018, introduced extensive restrictions on shopping hours. The purpose is to examine two perspectives of the problem, the theoretical background, covering a literature review presenting research results and experiences from selected European countries. The analysis showed that regulations on opening hours and Sunday trading ban on the economy and retail sector are mixed and uncertain. The author, starting from a review of the literature and analyzing the experiences from Hungary and Poland, indicates that the catalog of the implications of the Sunday trading ban should now primarily include the impact on innovation in retail. Traditionally considered areas (implications on employment, prices, sales, and concentration in the sector) are of much less importance now due to fundamental changes in the economy over the last two decades.

2. Literature Review

The literature review shows that theoretical analysis of Sunday shopping policy focuses on four key issues (Grzesiuk, 2016):

- impact on employment,
- impact on prices,
- impact on sales (sales volume, sales structure etc.),
- impact on market concentration/market structure.

The economic literature provides evidence that the Deregulation of Sunday trading restrictions increases employment. However, the overall effect of opening hours regulation on employment differs. In the first wave, Deregulation might boost employment in the retail sector as retailers that open longer require more labor to run the stores (Economic Impact, 2015).

Experiences in Germany support the hypothesis of an increase in employment as a result of Deregulation. Bossler and Oberfichtner researched in Germany the effect of deregulating shopping hours on employment in food retailing. They report a 3% to 4% aggregate employment effect driven mainly by increased part-time employment, while full-time employment was not affected (Bossler and Oberfichtner, 2014). Paul also investigates the impact of the Deregulation of shop opening laws on employment in the German retail sector (Paul, 2015). The results also showed an average increase in the employment probability, driven by a rise in part-time employment. Workers in small firms are likely to experience a reduction in their propensity to work. For individuals facing high family-related, supply-side constraints, the change in shop opening hours has opposing effects on employment - positive on lower and negative on upper parts of the hours' distribution. Overall, the research conducted in Germany shows that Deregulation is estimated to have raised the likelihood of working fewer hours than desired by the workers.

Gradus (1996) estimates a model of retail behavior for the Netherlands and simulates the employment impact of deregulating store opening hours using evidence from the Swedish experience with Deregulation. His estimates suggest that increasing opening hours by ten will lead to a 1,6 percent increase in Dutch retail jobs. The obvious problem with these estimates is that both are simulations based on data from countries that have yet to experience Deregulation.

Although the research results presented above relate to European countries, interesting conclusions arise from studies in Canada (Skuterund, 2005). The Canadian experience allowed examining the consequences of Sunday shopping as the provincial legislation and Deregulation in Canada was introduced in 1985. Again, it should be emphasized that since then, retailing structures have changed, and the implemented innovations do not allow the Canadian results to be directly translated into the current global situation. The Canadian study compared provinces in which Deregulation was introduced and those with a Sunday ban. The results suggest that Sunday shopping deregulation led to long-run increases in both the employment level of retail workers paid by the hour and in their combined average weekly hours of work (effect on employment of about 2 to 3 percent). Additionally, the data suggest a 7,8 percent increase in retail sales.

The mentioned surveys from Germany and Canada clearly showed that the changes were observed in part-time employment. The results suggest that Sunday shopping deregulation led to long-run increases in the employment level of retail workers paid by the hour and in their combined average weekly hours of work. A recent study by the Centre for Economic Performance examined the experience of Deregulation in Sunday trading using a difference-in-difference empirical framework and data from 30 European countries over the period 1999-2013 (Genakos and Danchev, 2015). Among the entire group of 30 countries, in seven countries, Sunday trading regulation changed during the examined period (Denmark, Finland, France, Germany, Italy, Portugal, Spain). The observed changes referred to Deregulation. The study found that Deregulation resulted in an overall positive impact on employment in retailing.

It is worth mentioning that a slight extent of Deregulation may not result in a change of employment. Such conclusions can be drawn from the deregulation experience of England and Wales, where the Sunday Trading Act in 1994 allowed large stores to open for six hours on a Sunday (Economic Impact, 2015). The employment impact of the liberalization was unclear and marginal.

The Civil Department in Sweden found that deregulating opening hours increased employment by 1.5% (Pilat, 1997). Some conclusions may be drawn from a model of retail behavior for the Netherlands. It simulates the impact of deregulating store opening hours using evidence from the Swedish experience. Employment goes up mainly because of increased employed persons rather than an increase in hours worked by existing employees. However, the magnitude of this effect on the average number of additional shopping hours is a consequence of Deregulation. (Gradus, 1997). The research cited is mainly from the 1990s. However, the economic situation has changed significantly since then. Self-service sales, self-checkouts, new retail formats, and online sales have grown. These innovations are also the result of problems with obtaining the appropriate number of employees in retail. Retailing belongs to relatively low-paid sectors of the economy. As a result, it struggles with a shortage of workers (high turnover). As a result, there was a weakening of the direct relationship between the opening hours of retail outlets and the number of employees.

In addition, a significant part of the employed in the retailing is part-time employment, which allows for great flexibility in adjusting the demand for working hours on the days of the week (from Monday to Saturday), when turnover may increase. Additionally, as mentioned by retail sectors' experts, the traditional boundaries between sectors are collapsing. Innovation at the boundaries of payment systems, e-commerce, Industry 4.0, etc., is fundamentally disrupting businesses (Deloitte, 2017). Digital transformation is also changing the traditional, simple services that include retail. As a result of these intensified innovation processes, such standard indicators as the working hours of stores are losing importance.

Hence, the consideration concludes that the direct link between the introduction of Sunday shopping restrictions on the level of employment in retailing today (the 20s of the 21st century) is minimal. In European countries, retail is already a very competitive sector. This is one of the arguments put forward in discussion on the impact of Sunday trading on prices.

From a theoretical point of view, it is considered that larger stores and retail chains are more efficient than small ones, family-owned retail small businesses. If so, then a shift in demand towards them could cause prices to fall. From a retail context, digital transformation that occurs in retailing has helped monitor and control cost structure, purchase systems, and therefore it allows to achieve business models more competitive. It gives opportunities to use other retail management indicators apart from increasing prices.

A specific disturbance in the price analysis is also due to the development of convenience-type formats that combine the retail service (delivery of physical goods to the final buyer) with trade-related services.

However, there should be a correlation between the number of store opening hours and productivity. Due to the assumption that as efficient retail outlets are longer on Sunday, capital and operating costs remain fixed, except labor costs which rise proportionately with the increase in turnover and shopping hours. As a result, unit costs can fall if revenue per extra hour on Sunday opening is entirely additional. Moreover, therefore could be the basis for potentially lowering prices (margins). However, this is a very questionable assumption. A part of Sunday turnover is likely to be displaced from other outlets and times of the week. As a result of intense competition, we observed a decline in retail margins and customer prices for a long time, especially in food retailing. Therefore, retailers may not be willing to lower prices. A potential increase in turnover as a result of extending opening hours will be additional profit.

A further argument for extending opening hours was to allow for fixed costs of the shop and its installations to be spread over a more extended period. Of course, the latter argument applies only if an extension of opening hours also leads to higher sales, which was a point of debate. A general argument was to deregulate as a matter of principle to stimulate competition and market efficiency. Unfortunately, there is no empirical evidence of a decrease in turnover due to the ban on opening stores on Sundays. This is because such restrictions were introduced at a time when such studies were not conducted. The empirical evidence on the impact of deregulating Sunday trading on prices is far from certain. Similarly, the impact of the ban on Sunday trading on prices is unknown.

The previously referenced study by the Centre for Economic Performance explores the academic evidence on the impact of changes in Sunday trading law on prices paid by customers (Economic Impact, 2015). It concludes that the effect of Deregulation on prices is ambiguous from a theoretical point of view. The study also concludes that the empirical evidence is mixed. Across the European countries examined, changes in Sunday trading were found to have no significant impact on prices. The results of a more comprehensive literature review reinforce the ambiguity around the impact of liberalization on prices. Additionally, evidence from Canada and the USA found no significant impact on retail prices as a result of deregulated Sunday trading.

The overall effect of Sunday trading on GDP is theoretically uncertain. If more labor is required but sales remain unaffected, the impact of productivity and hence GDP could be damaging. If efficiency increases, a positive impact could result. Sunday trading could result in some displaces in spending from other parts of the economy to retail. However, the overall impact on GDP would likely be immaterial.

As mentioned above, the retail sector is very competitive. Genakos undertook the analysis, and Danchev found that Deregulation positively impacted the number of firms

competing in the market (Genakos and Danchev, 2015). However, it is not sure whether the increase in the number of companies over the observed period was solely the result of Deregulation or the occurrence of other factors in the environment.

Overview of the national laws in selected European countries: When analyzing the policy regarding shop opening hours in different countries, it should be noted that we observe deregulation in recent years rather than the introduction of new bans. For example, Germany liberalized retail hours in 1996 and extended closing times on weekdays from 6 pm to 10 pm and on Saturdays from 2 pm to 4 pm. Similarly, in the Netherlands, municipalities have had the right to decide on Sunday shop opening hours since 1996.

Objections to liberalization came from labor unions, who feared pressure for retail workers to work odd hours and religious organizations who objected to disturbance of Sunday peace. However, as is emphasized in this paper, the pressure to lift restrictions on Sunday trading is changing. This is mainly due to changes in the structure of retailing and the development of online shopping, and apparent problems in the labor market. Retailing in most European countries faces the challenge of a lack of workers willing to accept relatively low wages in this sector. As a result, retailing implements innovative solutions that reduce the workload in direct customer service.

As mentioned, Sunday trading regulations in Europe are very diverse (Eurofound, 2017). In many European countries, regulations are liberal, and where there are restrictions, there is a debate over their abolition. Unrestricted (generally, with some common practice) policy towards shop opening hours are in: Bulgaria, Croatia, Czech Republic, Denmark (except Public Holidays; fully deregulated in 2012), Estonia (unrestricted except alcohol), Finland (unrestricted except alcohol), Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Portugal, Romania, Slovakia, Slovenia, Sweden, Turkey.

In Belgium, Greece, the Netherlands, there is some regulation on shop opening hours Monday-Saturday, and on Sundays, shops are closed (with exceptions). In France – no limits for opening hours Monday-Saturday but closed on Sundays. In Germany, the countries regulate opening hours, and on Sundays, shops are generally closed (with exceptions).

Hungary - quick withdrawal: In the analyzed period, apart from Poland, only Hungary introduced a ban on trading on Sundays. However, Grzesiuk (2016) presented that a ban introduced in Hungary in March 2015 was lifted in April 2016 due to very negative social feedback.

As a general rule, shops had to be closed on all Sundays during the ban, but the restriction did not affect small shops. Small shops with a retail space of less than 200 square meters could open on Sundays if their workers had at least a 20% stake in the business or were close relatives of the owner.

The reason for the ban withdrawal was its unpopularity among Hungarian citizens. An opinion poll carried out by IPSOS in March 2015 showed that more than 68% of respondents disagreed with Sunday retail closures (Eurofound, 2016). Similar findings have been published by two other major Hungarian public-opinion research companies, TÁRKI and Medián Közvélemény. They found that 59.2% and 62% of respondents were opposed to the new law (Eurofound, 2016).

Two major national social partners, whose members have been strongly affected by the restrictions, the Democratic League of Independent Trade Unions (LIGA) and the National Association of Entrepreneurs and Employers (VOSZ), have opposed Sunday closures. However, it should be emphasized that introducing the ban in Hungary was a highly controversial issue. There was a broad public debate around Sunday closure in the country, but the public was rather firmly against the ban's introduction.

It is challenging to comment both on the long-term effects and short-term effects of restrictions in Hungary. However, judging overall, the economic effects of the Act have turned out to be less dramatic than critics predicted. Overall turnover in the retail sector slightly grew instead of declining. The daily retail turnover averaged HUF 22 billion between mid-March and mid-April, while figures were around HUF 20.3 billion between January and mid-March (Eurofound, 2016; 2017). These figures, however, might be just a reflection of the usual retail increase commonly seen in spring, especially around Easter. Due to the concise duration of the restrictions and the lack of a few periods of comparative analysis, conclusions on the impact of these regulations on the sales volume are risky. Additionally, the Hungarian statistical office clearly states that the turnover began to rise as early as 2013, and a further increase in 2015 was due to the upturn in the overall economy, an increase in real wages, improvement in the labor market, moderate inflation, and a decline in oil prices (Hungarian Central Statistical Office, 2016).

The experience from the Hungarian market partially supports the arguments pointing to the relationship between the reduction of operating hours of shops and the decline in employment in the sector. However, during the ban, the overall number of workers in the retail sector fell by 4000 (Eurofound, 2017). The decline in employment may result from a decline in the number of shops – fell by more than 3000 in 2015. However, an in-depth analysis of retail employment shows a different phenomenon: increasing labor shortage with 3161 vacancies registered in 2015, a 35% increase from the previous year. This labor shortage could undoubtedly be related to the low level of wages. Although shop workers saw their monthly gross average wage increase in 2015, this still lagged behind the private sector.

Hungarian experience shows that consumers quickly returned to the habit of shopping on Sundays. Although it should be emphasized that the ban had no public support and was in force for a relatively short period, hence the new shopping habits were probably not established.

Poland- implementation of restrictions: The Sunday trading ban took effect in Poland on March 1, 2018 (Act of January 10, 2018). It was implemented gradually over three years. It should be emphasized that public opinions were varied, and there was no significant advantage of supporters of introducing regulation or liberalization. In many years of public debate, the ban's supporters emphasized social issues (trade workers deserve free time for the family). Opponents of the ban, in turn, emphasized the economic consequences (job destruction). The Sunday ban was part of implementing the electoral program of the right-wing party in power in Poland.

In 2018 shops were closed on Sundays with two monthly exceptions: the first and the last Sunday of each month. In 2019, only one Sunday per month was excluded from the ban, i.e., the last Sunday of each month and selected Sundays before Christmas and the one before Easter. From 2020 onward, the law allowed Sunday shopping on Sundays preceding Christmas, one Sunday before Easter, and the last Sunday of January, April, June, and August of each calendar year. On Christmas Eve and Easter Saturday (preceding Easter), buyers could only purchase until 2 PM. As a general overview, in 2019, there were 37 Sundays with the trading ban, and in 2020, 45 Sundays in 2021, and the following years – a similar situation. This means that trading on Sundays is allowed on a total of 7 Sundays a year. In addition, the ban on trade also includes days that are 13 Public Holidays.

There are 32 exceptions to the ban. Post offices, gas stations, pharmacies, stores at airports, train stations, and hotels can all operate (Statista, 2021). There is also an exception for shops that are run solely by the owner/entrepreneur. To keep them open on Sundays, the owners are obligated to complete sales on their behalf and for their benefit. As stated in the Act mentioned above, it is forbidden to entrust employee activities related to trade. This means that in the case of conducting commercial activities in the store on Sundays, it should be run by the store owner or a member of his family, not an employed employee. The restrictions introduced by the cited Act apply to stationary trade. Online retailing is not restricted, which is also a massive opportunity for the e-commerce market.

3. Conclusions

Implications of Sunday trading ban in Poland: Exploring the implication of the Sunday trading ban in Poland as the paper's purpose, it is worth noting the impact of the ban on employment, prices, sales (sales volume, sales structure, etc.), and market concentration/market structure. Unfortunately, a thorough analysis of the effects of the introduced restrictions is not possible due to the consequences of the COVID pandemic (2020-2021) and additional restrictions in economic activity that were introduced (lockdown). According to the Polish Central Statistical Office, in the period January-December 2020, retail sales decreased by 3.1% on an annual basis (GUS, 2021). At the same time, purchases are heavily limited by the COVID pandemic (lockdowns; closed shopping centers, limited shop opening hours; a limited number of customers in the shops, and other restrictions).

Employment in the retail sector decreased by 1,6% in the 4th quarter of 2020 compared to 2019 (a decrease by 1,2% for the whole economy). The data indicate a continuation of the downward trend in employment. In retailing, the decrease amounted to 1,8% in the 1st quarter of 2021 compared to 2020. The statistics also show a decrease in employment in the Polish economy in December 2020 by 1% compared to the corresponding period of the previous year.

Additionally, as national statistics show, online retailing is growing significantly (GUS, 2021). For example, in March 2021, as usual in the periods of increased restrictions in stationary trade, online retail sales increased compared to the previous month, and the share of online retailing increased to 9.5% from 8.6% in February 2021 8.1% in March 2020. Still the largest (similar to the one recorded in March 2020) was the share of online retailing in total sales in groups: textiles, clothing, footwear (32.0% compared to 35.6% in 2020) and press, books, other sales in specialized stores (26.4% compared to 26.2%).

Qualitative changes of innovative nature are also observed. Many small retailers have started organizing so-called live sales (online). However, it is difficult to clearly define the consequences of the Sunday ban without the COVID effect. Moreover, in addition to the lockdown' restrictions themselves, COVID will impact social behavior, including possibly changing purchasing behavior (especially the propensity to visit shopping centers).

According to the Author, in the coming years, significant structural changes in retailing are to be expected, but the author argues that these changes will be the result of the COVID pandemic and not the Sunday trading ban. Therefore a fifth area should be added to the catalog of the four areas of impact of the trade ban: the impact of the Sunday trade ban on innovation in retail.

Further research and analysis of the implication of shop opening hours policy could concentrate on the relation with innovation:

- new formats in retailing, online retailing
- new retail formats that do not require customer service by the seller (entirely self-service)
- challenges in the traditional value chain as digital transformation effect.

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