

TTF SUBMISSION

Productivity Commission Draft Report on the Workplace
Relations Framework

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Tourism & Transport Forum

Tourism & Transport Forum (TTF) is a national, member-funded CEO forum, advocating the public policy interests of the most prestigious corporations and institutions in the Australian tourism, transport, aviation and investment sectors.

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Introduction

TTF is the peak national body for the tourism, transport and aviation sectors. We are a CEO forum representing some of the most prestigious institutions and corporations in the Australian visitor economy. Our membership spans accommodation and transport providers, restaurateurs and retailers, business and major events organisers, property developers and land managers, amusement and cultural attractions, and professional services.

TTF utilises its expertise and networks to develop and advocate public policy for the sustainable long-term growth of the visitor economy. TTF is committed to ensuring Australia has access to properly trained, educated and skilled workers in the tourism, transport and aviation industries.

TTF advocates greater flexibility for employers and employees when engaging in work, and a reduction in unnecessary red tape, to facilitate productivity, competitiveness and business investment across Australia. In this submission, TTF particularly considers the operating nature of the visitor economy and the issue of labour and skills shortages in assessing the impact of the workplace relations framework.

Our industry is one which values its employees and strives to promote the career opportunities that exist within the sector. A sound workplace relations system should strive to balance the wellbeing of both employees and employers, as by simple derivation – if a business ceases to operate, its employees are no longer employed.

The visitor economy as an employer

The visitor economy is a significant employer in Australia. Tourism is the country's largest services export industry, and is intrinsically labour-intensive, employing almost twice as many people as the mining industry. It generates expenditure of over \$100 billion every year – more than all our primary industries combined.

It is important to recognise that the term 'visitor economy' extends beyond what has traditionally been considered as 'tourism and events'. The term encompasses intrastate, interstate and international visitors. It includes the direct and indirect impacts resulting from a visitor travelling outside their usual environment for a holiday, leisure, events, business, conventions and exhibitions, retail, education, to visit friends and relatives or for short-term employment.

At June 2013, there were 266,623 tourism businesses across Australia, with the majority of businesses (51.7%) considered micro or small¹. Almost 22% of businesses were cafes, restaurants and takeaway food services, followed by taxi transport (6.1%), cultural services (5.3%), and accommodation (4.9%).

Between June 2010 and June 2013, there was a 2% reduction in the total number of tourism business in Australia or 16,701 businesses. The greatest reduction was in the number of micro tourism businesses (-1.9%).

Translated into employment figures, 539,600 people were directly employed in tourism, or 4.7% of total employment in Australia. Taking into account indirect tourism employment, this adds another 516,100 employees to a total of 1,055,700 people directly or indirectly employed in tourism. This represents 9.2% of total employment across Australia.

¹ Tourism Research Australia (January 2015), Tourism Businesses in Australia - June 2010 to June 2013

The split between full-time and part-time employment in the tourism industry was relatively even, with 54% of employees working full-time and 46% of employees working part-time. However, between June 2010 and June 2013, the growth in part-time employment outstripped growth in full-time employment.

Labour and skills shortages

While the Australian visitor economy is a significant employer, it has the potential to employ even more workers. The latest preliminary data from the Tourism Labour Force Survey, currently being compiled by Austrade, reveals that there are currently 38,000 unfilled vacancies in the sector. In the absence of intervention, the industry will need 123,000 workers (including 60,000 skilled workers) by 2020. This translates to an additional 85,000 workers in the next five years, or 17,000 workers per annum.

Taking into account the latest tourism employment figures², the workforce will need to increase 23% by June 2020. Given the average employment growth over the previous six year period (June 2008 to June 2014) was 4.9%, the projected 2020 employment growth rate represents a marked, and possibly unachievable, increase.

A TTF research report³ found that the main motivating factors for executives, managerial and supervisory staff to change jobs within the hotel industry were better career opportunities and better working hours. Changing jobs outside the industry was primarily motivated by higher salaries, working hours and better career opportunities. The data suggested that higher wages and better working hours, whether less hours or more flexible or suitable hours, were the major drivers for managerial employees to leave. Similarly, operational staff sought better wages, better working hours and improved career opportunities.

While this research report only focused on the hotel industry, its findings can be reasonably extrapolated to the broader visitor economy.

The Australian Tourism Labour Force Report commissioned by Austrade in 2011 also supports these findings. The Report found that in order of significance, the labour force pressures facing the industry were recruitment difficulties (57%), skills deficiencies (50%) and retention difficulties (46%). Labour force projections highlighted that kitchen-hands, waiters, café and restaurant managers, and chefs will be the most in demand occupations by 2015.

According to Service Skills Australia⁴, across the tourism, travel and hospitality sector there are currently labour shortages in occupations such as cooks, chefs, waiters, baristas, tour guides, venue managers, exhibition managers, professional conference organisers, park managers, and online and mobile travel managers. While chefs have been added to the Skilled Occupation List, there is still a sufficient shortage.

The Australian Tourism Labour Force Report also found that the most frequently identified factors for recruitment difficulties were a lack of applicants, lack of required skills and lack of required experience. The most frequently identified factors for retention difficulties were a lack of career development opportunities, employees finding the role too difficult (i.e. capacity to complete allocated tasks or other aspects such as difficulty with level of physical activity), and employees being recruited by businesses in other industries.

² Australian Bureau of Statistics (December 2014), Australian National Accounts: Tourism Satellite Account, 2013-14

³ TTF, Sustainable Tourism Cooperative Research Centre and Griffith University (November 2006), Labour Turnover & Costs in the Australian Accommodation Industry

⁴ Service Skills Australia (March 2015), Tourism, Travel and Hospitality Environmental Scan 2015

Recognising the 24/7 nature of the visitor economy

The workplace relations system should be further simplified to remove unnecessary red tape and assist employers in understanding their obligations as well as employees in understanding their entitlements. It also needs to recognise the specific characteristics of individual industries. Often a 'one size fits all' approach does not take into account the intricacies present in various sectors of industry.

Australia's workplace relations system should reflect the greater demand for flexible work arrangements being driven by a growing shift to a 24/7 economy. This is especially the case for the visitor economy, where demand for services and products is not bound by standard operating hours. In the face of international destinations adjusting their operations to better cater to visitor needs and intense competition for the lucrative tourist dollar, Australia cannot afford to continue operating the way it currently does.

Tourism being a 24/7 economy is often cited as the reason for changes to Awards, including penalty rates on weekends and National Employment Standards, including public holidays. Anecdotal evidence suggests that many businesses choose not to operate on Sundays or public holidays as the higher labour costs associated with the payment of penalty rates, make it unprofitable.

TTF sees merit in the argument that realignment to one weekend penalty rate is likely to increase the opening hours of businesses and encourage higher staffing ratios, especially true for more experienced and permanent employees, who may currently be too expensive to employ on a Sunday or public holiday. TTF agrees that consumers would be the key beneficiaries from more convenient access to a larger variety of services. In some cases, the reduction of Sunday surcharges will result in lower prices. This realignment would also help ease the tension between balancing labour costs and service quality.

However, TTF also believes that it is important to acknowledge that tourism is traditionally recognised as a lower-paying, less-skilled industry⁵. Therefore it has substantial difficulty competing with other industries to attract and retain workers. A significant factor in determining how well the industry is performing can be gauged by the effectiveness of the industry in attracting and retaining high value employees.

Anecdotally, penalty rates are often seen as an attractive benefit by employees in the industry, especially part-time and casual workers, to compensate for the lower wages and non-standard working hours. Indeed, many workers choose to sacrifice their weekends and public holidays in return for being paid penalty rates.

TTF supports a more flexible and fair workplace relations framework that promotes greater employment opportunities, increased consumer services and visitor expenditure. However, any measures should aim to alleviate rather than exacerbate the already stifling labour and skills shortages being experienced in the industry.

TTF therefore advocates a workplace relations system that:

- Is further simplified to remove unnecessary administrative burden;
- Assists employers in understanding their obligations and employees in understanding their entitlements;
- Reflects the greater demand for flexible work arrangements being driven by a growing shift to a 24/7 economy;

⁵ Tourism Research Australia (January 2013), The economic impact of the current mining boom on the Australian tourism industry

- Provides flexibility to cater to the specific characteristics and circumstances of individual industries; and
- Is understood to be just one part of a broader range of efforts that ensure industry has access to adequate numbers of trained, educated and skilled workers.

Promoting tourism and hospitality as a career

The Commission identified that youth unemployment is rising, and by more than the growth in the unemployment rates of prime-aged people in the labour market. TTF believes that there is a real opportunity to alleviate both youth unemployment and the labour and skills shortages being experienced in the tourism and hospitality industry, by promoting tourism and hospitality as a career path for young people. The Australian Government should aim to encourage young people to consider and pursue a career in tourism and hospitality, and to view the industry as one that offers exciting, fulfilling and rewarding career paths.

By extension, the Australian Government should endeavour to encourage employment of Indigenous people, senior workers and migrants in the visitor economy. This would not only address the labour and skills shortages in the industry but also to reflect the diversity of Australia's labour force.

While these measures lie outside the workplace relations system per se, it is important to have a holistic perspective of employment in Australia and understand the issues and opportunities within specific industries to make informed changes to the framework. Further, the workplace relations system should only form one part of a concerted effort in ensuring the tourism, transport and aviation industries have access to enough trained, educated and skilled workers.

TTF supports the Commission's recommendation for the Government to undertake a comprehensive review of Australia's apprenticeship and traineeship arrangements. Other issues such as concerns about the adequacy of skills formation, competency-based training and pay arrangements have been considered outside the scope of this inquiry. However, it is important to undertake a holistic review of Australia's apprenticeship and traineeship arrangements that considers all aspects and application on industries.

Australia is a high-cost destination, which makes it difficult to compete internationally especially in terms of labour costs. However, there is an opportunity to compete in terms of customer and service quality, and well trained, educated and skilled workers are essential for this to occur.