



FAIR WORK
AUSTRALIA

ANNUAL WAGE REVIEW 2011–12

SUBMISSIONS IN REPLY OR SUBMISSIONS RELATING TO DATA PUBLISHED AFTER 16 MARCH 2012

COVER SHEET

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**Accommodation
Association
of Australia**

Annual Wage Review
Reply Submission of the Accommodation
Association of Australia
April 2012

INTRODUCTION

1. The Accommodation Association of Australia (the “**Association**”) welcomes the opportunity to make a further supplementary submission to Fair Work Australia (FWA) as part of the 2011-12 Annual Wage Review, in accordance with s289 of the *Fair Work Act 2009* (Cth).
2. In making this submission, the Association reiterates the concerns and recommendations raised by the Association’s members in its primary submission. The Association members primarily consist of small to medium businesses based in regional and rural Australia across all states and territories.
3. The Accommodation Association relies upon the recommendations made in its primary submission. In addition, it responds to particular submissions made by the Australian Council of Trade Unions (the “**ACTU**”) in its submission to the 2011-12 Annual Wage Review.

ABOUT THE ACCOMMODATION ASSOCIATION OF AUSTRALIA

4. The Association is the national industry body for the Australian accommodation industry.
5. Members of the Association include major hotels, resorts, motels, motor inns, serviced and holiday apartments, bed and breakfasts, guesthouses, backpackers and timeshare establishments in metropolitan, regional and rural Australia across all states and territories.
6. The Association is the only organisation representing this full range of accommodation types and interests nationally, in rural and regional Australia, as well as within major cities.
7. The Association’s membership base includes almost 2000 properties and more than 110,000 guest rooms.
8. Over 80 per cent of these businesses are SMEs and they all are part of Australia’s dominant services sector, which represents over 80 per cent of our national economy.
9. The Association’s members include major hotel chains and groups, including Accor Hotels, Mirvac Hotels and Resorts, Hilton Hotels, Toga Hospitality, Mantra Group, Rydges Hotels, Amora Hotels, InterContinental Hotels Group, 8Hotels, Starwood Hotels and Resorts, Best Western Hotels, Golden Chain Motel Group, ARRA Accommodation Group (Budget, Paragon and Orbit motels) and Quest Serviced Apartments.

REPLY TO OTHER SUBMISSIONS

10. The Association has considered the written submissions of the ACTU and other trade unions and wishes to comment on a number of submissions presented by the ACTU.
11. At paragraph 79 of the ACTU written submission, the following points were made:

Award-reliant workers are over-represented among part-time and casual employees. They are somewhat over-represented among smaller firms, although there is a substantial minority of award-reliant workers employed in larger firms. Four industries, taken together, employ the majority of award-reliant workers – they are retail trade; accommodation and food services; administrative and support services; and health care and social assistance. Despite the fact that these industries employ a large number of award-reliant workers, most other industries employ tens of thousands of award workers - thirteen of the eighteen non-farm industries employ more than 20 000 award-reliant workers. Women workers are more likely than men to be reliant on awards. The

HILDA survey suggests that the proportion of workers reliant on awards may be slightly higher than is found in the ABS EEH survey, though there are reasons to be cautious regarding this finding

12. In reply the Association makes the following points:

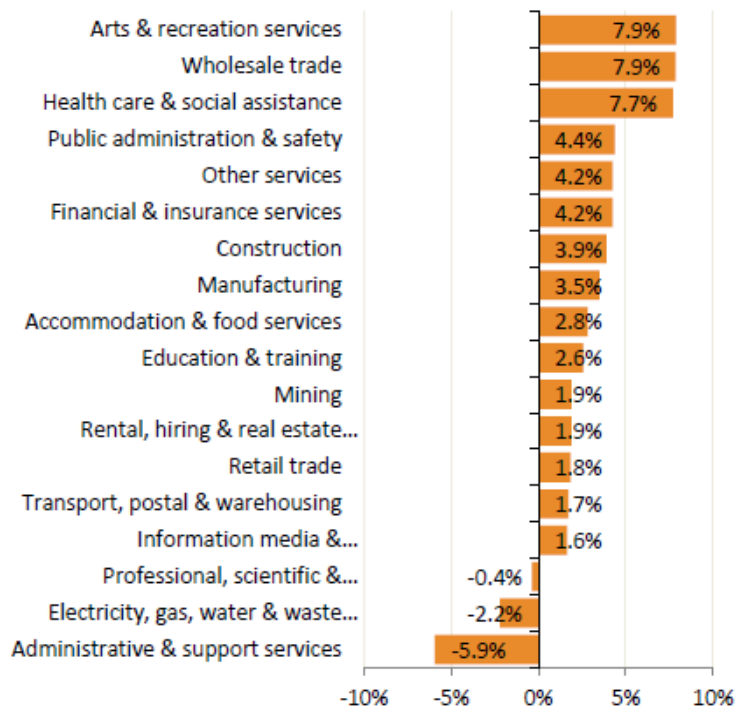
- a) Whilst the Association agrees with the ACTU that the accommodation and food sector employs the majority of award-reliant workers, it is also important to recognise that the hospitality businesses which employ these individuals operate as part of the slow “second-speed” economy.
- b) The Association also agrees with the ACTU that award-reliant employees are somewhat over-represented amongst smaller firms. Accordingly, a large number of small business members of the Association such as caravan parks, regional motels, and bed and breakfasts, are most affected due to the uncertainty in their business and trading environments.
- c) Those individuals and businesses connected to the mining and resources sector are experiencing prosperous market conditions. However, many of the Association’s members face a lengthy period of downturn in trading conditions due to the cool and wet weather conditions over the 2011/12 summer. The cool and wet weather leads to fewer visitors and guest staying at accommodation properties. The effect has been further compounded for those properties who are still recovering from the devastating impact of natural disasters in the previous summer.
- d) The Association reiterates its primary submission that the accommodation sector is heavily dependent on casual employees and operates 24 hours per day, seven days per week incorporating a casual loading of 25 per cent (Monday-Friday), 50 per cent (Saturday) and 75 per cent (Sunday) and public holiday penalties. This creates a payroll burden not experienced in many other industries operating within normal business hours. As a result, the accommodation sector does not have the capacity to defer or manage payroll loading costs in the same manner as other industries.
- e) As the Association has previously indicated in its primary submission, feedback and evidence from its members indicate that penalty rates can negatively impact employment opportunities and increase the costs of goods and services.
- f) The ACTU relies disproportionately in its submissions on data that in the December quarter 2011, the trend estimate of total accommodation takings for hotels, motels and serviced apartments with **15 or more rooms** increased by 1.1% to \$2,177.8 million compared with the September quarter 2011.¹ The Association emphasises that this study was based on accommodation properties with 15 or more rooms, yet a significant number of our members’ properties have less than 15 rooms. Even allowing for this, the growth of 1.1% for properties that have 15 or more rooms is lagging behind CPI of 1.6%. In real terms, there has been no growth in the level of takings.

13. At paragraph 97 of the ACTU written submission, the following points were made:

¹ ABS, 8635.0 – Tourist Accommodation, Australia, December 2011)

... Two of the four more award-reliant industries (health care and social assistance, and accommodation and food services) recorded GVA growth in excess of the rate of growth in the economy as a whole.

Figure 6: Growth by industry (year to December quarter)



Source: ABS 5206.0 (seasonally adjusted) and ACTU calculations

14. In reply the Association makes the following points:

- a) The majority of the Association's members are small businesses which did not experience a growth rate of 2.8%. Wage increases need to be linked to productivity increases.
- b) One of the key drivers of concern within the accommodation industry with significant wage increases is the absence of any connection between the increases and the output of the hospitality workforce. Labour productivity in the tourism industry increased by just 1.1% per year between 1997/98 and 2008/09, compared to 1.8% growth across all industries.² In addition, the ABS Accommodation, Cafes & Restaurants statistical category recorded the lowest labour productivity ratios of 12 major industries in each of 1993/94, 1998/99 and 2007/08.³ The "production" approach taken to estimating GDP looks at the contribution of each economic unit by estimating the value of an output (goods or services) less the value of inputs used in that output's production process.
- c) The Association reiterates the points made in its primary submission that survival rates for businesses operating in the accommodation sector remain the lowest of all private sector types.
- d) Research conducted by FWA indicates that relative to small businesses that utilised non-award arrangements and a combination of award and non-award arrangements, small award-reliant businesses were less likely to exhibit increased productivity and profitability in the period of analysis.³

² Tourism Research Australia (2010) *Tourism Productivity in Australia*, p7

³ Fair Work Australia (2011) Research Report 1/2011: *An overview of productivity, business competitiveness and viability*, p.31

15. The Association agrees with the ACTU in paragraph 132 of its submission that “the increase in headline inflation in early-to-mid 2011, and its subsequent fall, can be largely attributed to the effect of the natural disasters of early 2011, notably the Queensland floods and Cyclone Yasi”.
16. The direct casualty of natural disasters is falling domestic tourism and consumer demand, which directly impacts upon the hospitality and accommodation sector.
17. At paragraph 282 of the ACTU written submission, the following points were made:

The gap between the average earnings of award-reliant employees and all employees varies significantly by industry. The gap is generally smaller in industries with a higher degree of award reliance. In some industries, such as Financial and Insurance Services and Mining, award-only employees’ average earnings are less than half the average for all workers in the industry. In others, such as Accommodation and Food Services, the gap is much smaller. Table 11 compares the average weekly earnings of award-only employees and all employees in each industry.

Table 11: Average weekly earnings of award-only employees and all employees, by industry – May 2010

	Award only	All employees	Gap (%)
Financial and insurance services	\$610.60	\$1,453.60	58.0%
Professional, scientific and technical services	\$540.20	\$1,279.70	57.8%
Mining	\$998.40	\$2,206.90	54.8%
Information media and telecommunications	\$628.90	\$1,317.60	52.3%
Manufacturing	\$544.50	\$1,082.00	49.7%
Construction	\$612.00	\$1,197.30	48.9%
Rental, hiring and real estate services	\$495.60	\$944.40	47.5%
Transport, postal and warehousing	\$631.30	\$1,163.10	45.7%
Public administration and safety	\$681.40	\$1,236.40	44.9%
Administrative and support services	\$450.70	\$809.80	44.3%
Wholesale trade	\$602.10	\$1,074.90	44.0%
Education and training	\$606.00	\$1,048.20	42.2%
Arts and recreation services	\$408.10	\$660.10	38.2%
Other services	\$507.10	\$803.00	36.8%
Electricity, gas, water and waste services	\$1,017.20	\$1,588.50	36.0%
Health care and social assistance	\$642.00	\$932.90	31.2%
Retail trade	\$460.70	\$608.80	24.3%
Accommodation and food services	\$446.40	\$475.60	6.1%

Source: ABS 6306.0. Figures are average weekly total cash earnings. The gap is $1 - (AO/AE)$ where AO is the average earnings of award-only employees and AE is the average for all employees.

18. The Association agrees with the ACTU that the gap between the average earnings of award-reliant employees and all employees is much smaller in the Accommodation and Food services sector.

SUMMARY

1. The Association has considered the recommendations pressed by other unions and interest groups. Once again, the recommendations are not generally supported by the Association, as they are contrary to the comments made by the Association’s members. If they were adopted, in part or full, employers would be further prejudiced and face prospects of less flexibility and higher labour costs.
2. The Accommodation Association of Australia (the Accommodation Association) recommends that FWA passes on an increase of no more than 2.25 per cent in line with its primary submission.