



**Senate Standing Committee on Education
and Employment inquiry into feasibility of
and options for creating a national long-
service leave standard –
Submission of
Accommodation Association of Australia**

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EXECUTIVE SUMMARY

- The introduction of any portability scheme for employee entitlements is, effectively, another payroll tax on employers.
- It would have a negative cash-flow effect on businesses and act as a disincentive to creating long-term careers within a business.
- Labour market mobility in the accommodation industry is restricted only by government regulations imposed by state and territory governments.
- The continuing emergence of national accommodation chains offering career mobility across a large number of accommodation businesses allows employees to relocate without loss of length-of-service benefits.
- Portable long-service leave schemes are unnecessary in the accommodation industry because there is no evidence of employers failing to meet long-service leave obligations, sufficient protection exists in law to deal with recognition of long-service leave benefits on transmission of a business, casual employees are paid a loading that fairly compensates for any perceived insecurity and are recognised proportionately for long-service leave, long-service leave is seen as an incentive to stay with a single employer and the need to pay into a fund the amount of the starting balance for current benefits already accrued would have a crippling impact on employers and could result in job losses.
- The administrative cost of any new long-service leave scheme will be enormous which will ultimately add to the tax burden for all employers and employees.
- There is no case for portability of any other employee benefit, including annual leave or sick leave.

INTRODUCTION

1. The Accommodation Association of Australia is pleased to provide the following submission to be considered as part of the Senate Education and Employment References Committee inquiry into the feasibility of and options for creating a national long-service leave standard and the portability of long service and other entitlements.

ABOUT THE ACCOMMODATION ASSOCIATION

2. The Accommodation Association of Australia (the Accommodation Association) is the national industry body for Australia's accommodation industry.
3. Members of the Accommodation 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.
4. The Association's members include major hotel and motel chains, and serviced apartment groups.
5. The Association's membership base includes almost 2000 properties and more than 110,000 guest rooms.

TOURISM AND ACCOMMODATION – OVERVIEW

6. Tourism directly contributes \$43.4 billion to Australia's gross domestic product (GDP), 2.7 per cent of Australia's total GDP.¹
7. There are 534,000 persons directly employed in the Australian tourism industry – 4.6 per cent of total employment.²
8. Tourism contributes \$27.2 billion or 8.2 per cent of Australia's total export earnings for all goods and services.³
9. Accommodation businesses add \$7.028 billion of gross value to the Australian economy.⁴
10. There are 69,700 people employed in the accommodation sector of the Australian tourism industry.⁵
11. There are 4464 tourism accommodation establishments in Australia.⁶

¹ State of the Industry 2015, Tourism Research Australia, November 2015

² Australian National Accounts – Tourism Satellite Account, 2013-14, Australian Bureau of Statistics

³ State of the Industry 2015, Tourism Research Australia, November 2015

⁴ Australian National Accounts – Tourism Satellite Account, 2013-14, Australian Bureau of Statistics

⁵ Ibid

⁶ Tourist Accommodation, Australia, 2014-15, Australian Bureau of Statistics

12. There are 248,573 tourism accommodation rooms in Australia and 678,361 bed spaces.⁷

KEY POLICY POSITION – PORTABILITY SCHEME FOR EMPLOYEE ENTITLEMENTS IS ANOTHER PAYROLL TAX

13. The key policy position of the Accommodation Association is that the introduction of any portability scheme for employee entitlements is, effectively, another payroll tax on employers.

14. It would:

- Have a negative cash-flow effect on businesses; and
- Act as a disincentive to creating long-term careers within a business.

15. Labour market mobility can be better improved in the tourism accommodation industry by harmonisation of a number of state regulatory “employment licences”.

16. In the draft report as part of its inquiry into Australia’s workplace relations framework, the Productivity Commission found that the benefits of either the typical model of portable long-service leave would not be sufficient to justify the costs and complications of it.⁸

EMPLOYMENT IN THE ACCOMMODATION INDUSTRY

17. As per information provided above, the accommodation industry is a major employer in Australia.

18. While a number of employees in the industry are employed in casual positions, this is due to seasonality and unbalanced daily workload created by guest demands.

19. The needs of guests will continue to create employment opportunities.

20. Very few accommodation businesses close permanently due to the massive fixed investment in buildings from which they operate.

21. Increased numbers of tourism accommodation rooms are being constructed and therefore, the employment opportunities continue to increase in the industry.

LABOUR MARKET MOBILITY IN THE ACCOMMODATION INDUSTRY

22. Labour market mobility in the accommodation industry is restricted only by government regulations imposed by state and territory governments.

23. For example, the lack of harmonisation and recognition of source qualifications exists for almost all states and territories in the case of:

⁷ Ibid

⁸ Inquiry into Workplace Relations Framework, Draft Report, Productivity Commission, August 2015

- Responsible service of alcohol and liquor licensing certificates; and
 - Food safety supervision.
24. Creating single common national certificates for employees would improve mobility.
25. The general shortage of skilled labour and the very high number of relatively low skilled jobs across the accommodation industry means that employees can largely choose where they wish to live and work.
26. The continuing emergence of national accommodation chains offering career mobility across a large number of accommodation businesses allows employees to relocate without loss of length-of-service benefits.

PORTABLE LONG-SERVICE LEAVE SCHEMES ARE UNNECESSARY

27. Portable long-service leave schemes are generally considered unnecessary in the accommodation industry because:
- There is no evidence of employers failing to meet long-service leave obligations on termination and a virtual zero incidence of failure of a business to pay employment benefits on the already limited number of business closures in the accommodation industry;
 - Sufficient protection exists in law to deal with recognition of long-service leave benefits on transmission of a business;
 - Casual employees are paid a loading that fairly compensates for any perceived insecurity and are recognised proportionately for long-service leave;
 - Long-service leave is seen as an incentive to stay with a single employer (or typically group of employers as in the case of accommodation chains) and the accommodation industry does not want to encourage transfer to competitors; and
 - The need to pay into a fund the amount of the starting balance for current benefits already accrued would have a crippling impact on employers and could result in job losses.
28. The accommodation industry would not benefit from any such portability scheme.
29. Any portability scheme would require payment of a portion (or all) of employees' accrued long-service leave benefits to a fund of some sort. This would simply reduce operating cash flow in an already seasonal business.
30. There is an incentive for employers to retain people for as long as possible as it avoids the need to pay out long-service leave until the employee has earned the benefit by the passage of time.
31. Employees are incentivised to stay with an employer as long-service leave is paid out at the prevailing rate of pay and not the rate at which the benefit is accrued. Dealing with that complexity alone would impose a further unfair burden on employers who are unable to offer a long-term career path but are obliged to fund future long-service leave growth in pay rates.

32. In the case of termination of the employee for any reason prior to vesting of any long-service leave benefit, the expense never arises and the employer should receive the benefit of that cost saving.

EXCESS REGULATION OF PAYMENT OF TAXES

33. The accommodation industry already suffers from excessive regulation with respect to the calculation and collection of a number of payroll-related taxes, including superannuation, payroll tax, fringe benefits tax and workers compensation insurance.
34. Acknowledging that the accommodation industry does not support such a change, if long-service leave payments are to be paid into a fund, remittance should be on a quarterly basis aligned with the superannuation guarantee calculation and to an industry-based fund operated by employers and not government.
35. The administrative cost of any new long-service leave scheme will be enormous which will ultimately add to the tax burden for all employers and employees.
36. The accommodation industry supports harmonisation of state taxes, simplification of tax collection and employee benefit collection where that is required.
37. The Commonwealth has shown itself to be incapable of funding all long-term government employee benefits from its current payroll expense while conversely, the accommodation industry is not failing to meet or fund all employee obligations, and therefore the Accommodation Association does not see the need to change the method of self-funding.

RELATED ISSUES

38. It is the submission of the Accommodation Association that the only role for Commonwealth Government is to make it an offence punishable by a fine similar to the Superannuation Guarantee if an employer fails to make long-service leave payments to an employee when the entitlement is used by the employee. In the main, employees already dictate the time period during which long-service leave benefits are used either by resignation after a benefit has vested or by selecting the most convenient time at which to use paid long-service leave.
39. There is no case for portability of any other employee benefit, including annual leave or sick leave, as all such benefits accrue over short periods of time and are paid out at prevailing rates of pay as they occur with no evidence that employers within the accommodation industry are failing to meet these obligations.

CONCLUSION

40. The Accommodation Association would be pleased to provide the committee with further information in relation to our submission by appearing at a public hearing or through another appropriate form of engagement.

Date: 11 December 2015