9 March 2015

Commissioner Peter Harris AO

Chairman

Public Inquiry into the Workplace Relations Framework

Productivity Commission

Via email

Dear Mr Harris

Thank you for the opportunity to make a submission to the inquiry to identify improvements to the Australian workplace relations framework.

The NTA represents industry associations with an interest in Australia’s tourism and hospitality industry, and its membership comprises national and state industry associations (refer page 5) who together represent the interests of an industry with 280,000 businesses in Australia.

It is important for the inquiry to take into account the impact of the current workplace regulations on tourism and hospitality, and how the framework can be improved, because:

1. Around 90 per cent of 280,000 tourism and hospitality businesses in Australia are small businesses, and about half are in regional areas.
2. These businesses employ 1 million people across Australia, or 1 in 12 employees.
3. Growth in tourism and hospitality has a significant positive flow-on effect to the rest of the economy: tourism’s output multiplier is valued at 1.92, which means for every dollar tourism earns directly in the Australian economy, it value adds an additional 92 cents to other parts of the economy. At 1.92, tourism’s multiplier is larger than mining (1.66), retail trade (1.81) and education and training (1.38)[[1]](#footnote-1).

**A. Small businesses carry a disproportionate regulatory burden that affects productivity**

Small businesses across all sectors play a significant role in the Australian economy, and a large proportion of businesses in tourism and hospitality are small businesses. They collectively employ 1 million employees. Any regulation in this area will always have a substantial impact on small businesses, and often disproportionately so.

It is well established and acknowledged by governments and regulatory bodies that compliance costs have a more significant impact on small businesses than on larger businesses. The Board of Taxation report states “[compliance costs] are regressive, with a given cost imposing a proportionately higher impost, the smaller the business”.[[2]](#footnote-2) All State governments have instituted varying levels of red tape reduction initiatives, such as the Red Tape Commissioner in Victoria, in an acknowledgement that action is needed to encourage growth, innovation and diversity in small businesses where the compliance burden is felt disproportionately heavier.

It is important for regulators and institutions to act on this knowledge, especially as the costs to small businesses are often non-financial in that it can cause stress and related ill-health, and also affect the personal life of the small business people, which can have just as much of an impact on their ability to carry on business.

After taxation compliance, the second most complex and time consuming area where businesses are finding it difficult to understand and comply with the requirements are the employment-related[[3]](#footnote-3) regulations of workplace health and safety, conditions of employment, and employing workers. This is not to say that businesses are trying to avoid their obligations; the issue is that the complexity in finding information, understanding what is required, and preparing the information is imposing the most cost on the business, and therefore constraining their ability to grow.

The cost and complexity of employing staff, apart from their actual wages, is a constraint to growth as many businesses may choose to remain below certain thresholds to avoid the regulatory burden. In recent surveys, employment-related compliance time and cost is starting to overtake that of the Australian Tax Office. In the service-oriented tourism and hospitality sector, the compliance burden that acts as a disincentive to employ staff is a serious constraint to growth, as well as to quality of service.

Whilst the surveys demonstrate that the ATO in particular is seen by small business as imposing a significant compliance burden which restricts their growth potential, it is important to note that the impact of other areas of compliance can weigh just as heavily on small businesses. Taken in aggregate, the majority of businesses are finding that year on year the time and cost of all compliance activities are increasing. The surveys regularly find that at least half the respondents state that the compliance burden was restricting the growth or expansion of the business.

The current accumulated regulatory burden faced by small businesses is a tangible obstacle to innovation, investment and employment, and therefore are a significant impediment to national economic growth and Australia’s international competitiveness.

**B. Growth in tourism and hospitality: positive flow on effect**

The Federal Government’s Industry Innovation and Competitiveness Agenda identifies tourism as an ‘industry with promise’ and a future growth sector that is cited in four major reports referenced in the Agenda: Deloitte Access Economics’ *Positioning for Prosperity 2014*; PwC’s *Industry Sectors: Analysis and forecasting 2013*; Outlook Economics’ *AUS-M 2014*; and McKinsey Australia’s *Compete to Prosper: How Australia can gain a global edge, 2014*. Tourism’s output multiplier is valued at 1.92, which means for every dollar tourism earns directly in the Australian economy, it value adds an additional 92 cents to other parts of the economy. At 1.92, tourism’s multiplier is larger than mining (1.66), retail trade (1.81) and education and training (1.38)[[4]](#footnote-4).

The Australian government, with all the states and territories, has also endorsed an aggressive tourism target as part of the Tourism 2020 strategy. Very strong growth in Asian visitor spending, the fastest growing segment of Australia’s visitor economy, underpins the target of doubling nominal overnight visitor spending from $70 billion in 2009 to $115-140 billion by 2020.

The kind of growth potential outlined above is partly contingent upon making workplace regulations more workable and thereby reducing the cost of doing business for over 200,000 SMEs in tourism and hospitality.

**C. The need for high quality service levels**

Critical to delivering the upper bracket of the tourism growth target is to deliver an accessible, welcoming and high-quality experience for visitors to Australia, whether they are here for a holiday, for business or to study. Deloitte Access Economics is projecting ‘visitors from markets like China, India and Indonesia to treble over the next 20 years and tourism exports to grow from the current $26 billion to $57 billion in real terms by 2033’.[[5]](#footnote-5) Under the current workplace regulations, it is difficult for businesses to deliver the service levels required by an industry that needs to operate on a 24/7 basis because the cost of doing so is prohibitive.

Tourism is by nature a highly labour intensive, 24/7 service industry. Reforms to workplace regulation is needed to improve the industry’s ability to provide high quality service in the 24/7 economy. Australia’s tourism sector needs to be able to achieve productivity improvements through flexibility in the workplace, to ensure that it remains competitive in a highly dynamic environment. In addition, and especially in regional areas, tourism and hospitality businesses are affected by seasonality, as well as a smaller pool of available labour. The restrictive workplace relations framework has a particularly negative impact when trying to find a workable solution to these business conditions.

The current penalty rates system is unworkable for businesses and limits the growth prospects of small businesses who have employees covered by the awards. Many employer groups, including those involved in tourism and hospitality, are seeking to have penalty rates moderated through the Fair Work process, to improve their ability to hire staff at the times they are needed in this industry, particularly weekends, evenings, late nights and early mornings. They are not seeking to remove penalty rates altogether, but to make them more workable for SMEs.

The current provisions of the Fair Work Act and Modern Awards impose artificial constraints on tourism businesses. These constraints limit businesses’ ability to provide services to customers in the 24/7 business environment as it restricts their ability to hire employees at the times they are most needed. The onerous administrative and compliance burden of the Fair Work Act is a further constraint on small and medium businesses particularly, affecting productivity and profitability, and therefore their ability to grow and employ more people.

**D. Increasing workforce participation**

Flexible and affordable workplace regulations for tourism and hospitality can also increase workforce participation. There is a strong correlation between this industry’s ability to increase workforce participation at all skill levels, when aligned to workplace flexibility and workable wages and penalties for the many SMEs who are the employers.

The industry has traditionally been a large employer of entry level and unskilled or semi-skilled employees, who go on to improve their productivity and skills levels through training, thereby embarking on a long term career in a dynamic and growing industry.

The Deloitte Access Economics Australian Tourism Labour Force Report 2011 estimates that of the 56,000 vacancies anticipated this year, 46 per cent of these jobs will be skilled positions (25,760 workers), while the remaining 54 per cent of job shortages (30,748 workers) will be for unskilled labour[[6]](#footnote-6). Kitchen hands, Waiters, Café and Restaurant Managers, and Chefs will be the most in-demand occupations within the tourism and hospitality sector this year.

Tourism and hospitality businesses also tend to employ more females than males, and a high proportion of young people between 15-24[[7]](#footnote-7). With the current and ongoing concerns nationally about high rates of youth unemployment, there is the potential for tourism and hospitality to increase its ability to employ and train young people if there is a reasonable rather than restrictive regulatory framework in place, that takes account of the nature of this sector’s 24/7 business needs, and the large number of small businesses in the sector.

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Thank you for the opportunity to make a submission. Please have your office contact me if you require further information.

Yours faithfully

**Juliana Payne**

**Chief Executive Officer**

**NATIONAL TOURISM ALLIANCE MEMBERS**

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|  | Australian Tourism Export Council |
|  | Caravan Industry Association of Australia |
|  | Ecotourism Australia |
|  | National Capital Attractions Association |
|  | Queensland Tourism Industry Council |
|  | Restaurant & Catering Australia |
|  | South Australian Tourism Industry Council |
|  | Star Ratings Australia |
|  | Tourism Council Western Australia |
|  | NSW Business Chamber Tourism Division |
|  | Tourism Industry Council Tasmania |
|  | Victoria Tourism Industry Council |
|  | Tourism Top End |

1. Tourism Research Australia [↑](#footnote-ref-1)
2. Scoping study of small business tax compliance costs, Board of Taxation, 2007 [↑](#footnote-ref-2)
3. ACCI Red Tape Survey 2012 [↑](#footnote-ref-3)
4. Tourism Research Australia [↑](#footnote-ref-4)
5. Deloitte Access Economics, *Positioning for Prosperity? Catching the next wave,* November 2013 [↑](#footnote-ref-5)
6. Deloitte Access Economics (2011) *Australian Tourism Labour Force Report – Labour Force Profile (Part 1),* p. iv, vii and xi [↑](#footnote-ref-6)
7. Service Skills Australia [↑](#footnote-ref-7)