
TOURISM ACCOMMODATION AND TRAINING

PART C

Case studies

- CS1 Substitution among tourism accommodation standards**
- CS2 Backpacker accommodation**
- CS3 The Sheraton Towers agreement**
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CS1 SUBSTITUTION AMONG TOURISM ACCOMMODATION STANDARDS IN CAIRNS

Tourism in Cairns has grown significantly over the last decade, emerging as Cairns's largest and fastest growing industry. Growth in tourist visits has stimulated attendant growth in the supply of tourism accommodation. The mix of accommodation types has also changed in response to the changing visitor mix.

1.1 Introduction

This case study describes the historical changes in tourism accommodation in Cairns over the last decade. The role of refurbishment and conversion of existing accommodation stock in creating new accommodation capacity is also described. The case study considers possible links between changes in the mix of tourism accommodation in Cairns and the changing mix of visitors to that region.

Data refer to the period 1985 to 1995. Data are from a recall survey of all built accommodation providers in Cairns in 1995, including:

- hotels, motels and guesthouses;
- self contained units and apartments (with on-site management); and
- self-contained units and cabins located in caravan parks.

Backpacker accommodation data are referred to in a separate case study.

As there is little practical difference — the terms being used interchangeably among accommodation operators — between the provision of *rooms, suites and units*, no distinction is made between *hotel/motel rooms* and *units and apartments*. Data distinguish between accommodation types on the basis of star gradings. More detail on star gradings is included in Chapter 4.

1.2 The nature of substitution between accommodation standards

Changes in the tourism accommodation mix occur via two processes; re-rating existing properties or conversion of properties to higher (lower) standards via refurbishment.

Re-rating properties as part of the star grading process

It is possible for a property to be re-rated at anytime if it participates in the on-going star grading program of the Australian Automobile Association (AAA). This process relies on the discretion of individual inspectors to apply standard guidelines and award a star rating. Star gradings are sometimes distinguished on narrow criteria that do not encompass service quality. Further, where the differences in standards are related to physical attributes, differences might be marginal; for example, the difference between gradings might reflect minor fixtures such as window coverings.

Another complication of the star grading system is the opportunity for operators to publish their own subjective rating. Where a property's AAA grading does not correspond with the expectation of the operator, the operator may choose to ignore it and publish his/her own rating. Departures from AAA gradings can be rationalised by responses such as the property has upgraded since the last AAA inspection, or simply denying the validity of the assessment by the AAA.

Refurbishing and converting properties

Another way a property can change star gradings is to refurbish to meet a more restrictive set of criteria.

Attempting to upgrade a property is not the only reason for refurbishment however; not only do properties refurbish in order to move up market, but they frequently refurbish in order to maintain their place in the market. In 2 to 4 star accommodation, refurbishment in order to retain a given standard is commonplace.

At its most simple level, refurbishment requires a property to take a proportion of its available rooms off the market while minor alterations or additional fittings are installed. This type of refurbishment is ongoing for most properties, in order to maintain their appeal in the accommodation market.

Properties move downward from luxury status to budget status over time in the absence of refurbishment. For example, 55 per cent of the 1988 stock of 5 star accommodation in Cairns was downgraded to 4 star in 1992. Similarly, most of the 1985 4 star stock downgraded over time into the 3 star segment. Few properties however, moved below the 3 star grading and refurbishment in the 3 star segment appears to be motivated by retaining that rating.

Limited refurbishment can be sufficient to retain a given star grading, but is seldom enough to bring about the upgrading of a property. Refurbishment in order to upgrade requires more substantial changes to a property. In its most comprehensive form, this process requires demolition of the existing infrastructure, modification of services, and an entire new design solution

within an existing planning envelope. In instances of comprehensive refurbishment, a property may be off the market for a long period, yet it can re-enter the market at any level.

Assuming Cairns is representative of all Australia, the survey evidence for the period 1985–1995 supports three broad conclusions with regard to the impact of refurbishment and property conversions on the stock of tourism accommodation:

- properties are compelled to refurbish in order to remain competitive in any given segment. Without refurbishing to enhance their market appeal, properties move down market over time;
- the majority of substitution between accommodation standards in Cairns took place in what might be termed *mid-market* accommodation in the 2 to 3 star grades. This is also where the greatest new construction took place, and reflects growth in demand for this type of accommodation; and
- substitution possibilities in general are limited. Survey data indicates that it is difficult to move up market, except marginally, unless an establishment is prepared to commit to substantial refurbishment.

The greatest substitution possibilities within tourism accommodation exist for properties to move down market, as witnessed by the proliferation of backpacker accommodation developments in Cairns that have come about via conversions of other budget accommodation.

1.3 Current stock of accommodation in Cairns

Table CS1.1 presents the current stock of tourism accommodation in Cairns. It also presents changes in that stock between 1985 and 1995.

Since 1985 the total number of accommodation establishments has increased 55 per cent from 95 to 147, and total room supply has increased 174 per cent from 2647 to 7253 rooms.¹ Of the 1995 stock of tourism accommodation in Cairns, 17 establishments had more than 100 rooms.

¹ The term *rooms* includes all forms of built accommodation excluding backpacker accommodation, that is typically provided on a *per bed basis*. Rooms includes all hotel and motel rooms, suites, self-contained units and apartments.

Table CS1.1 Tourism accommodation in Cairns, stock and changes in stock^a, 1985–1995

<i>Accommodation standard</i>	<i>Number of establishments^b (No.)</i>	<i>Number of establishments^c (No.)</i>	<i>Change in number of establishments (%)</i>	<i>Number of rooms^b (No.)</i>	<i>Number of rooms^c (No.)</i>	<i>Change in number of rooms (%)</i>
1 to 2 star (budget)	48	43	(10)	993	869	(12)
3 to 3 star	42	85	102	1 267	3 837	202
4 to 4 star	5	16	220	387	1 963	400
5 star (luxury)	0	3	na	0	584	na
Total	95	147	75	2 647	7 253	174

a Two establishments are present in more than one accommodation standard in 1995.

b 1985

c 1995

Source: Carr 1995, p. 1

The supply of 1–2 star accommodation decreased from 1985 to 1995, yet the supply of all other accommodation standards increased substantially (see Table CS1.1). The average establishment size in the 1–2 star segment decreased. The average 3 star establishment increased in size from 30–45 rooms and 4 star establishment from 77–123 rooms.

1.4 Changing mix of accommodation in Cairns

Within tourism accommodation in Cairns there are dynamic changes within each individual segment (star grading). Establishments may alter—or maintain—their position in the market by refurbishing, extending, or converting an existing property. Extensions to existing properties are augmented by new construction as developments come on stream, or offset by demolition as establishments leave the industry. Consequently, there are ongoing flows of properties, both into and out of each accommodation segment.

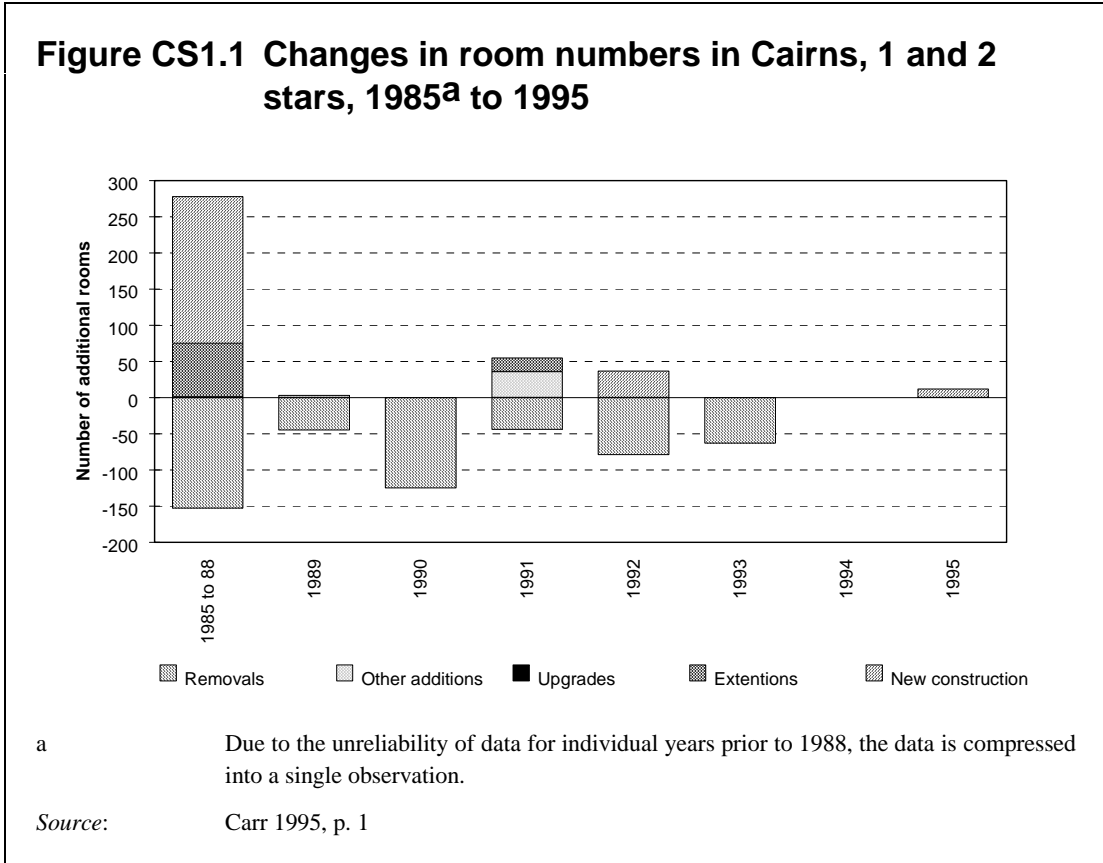
1 and 2 star accommodation

The majority of establishments in the 1 and 2 star segment of tourism accommodation are relatively small, averaging 20 rooms. Survey results indicate these establishments are predominantly focussed on domestic tourism.

The supply of 1 and 2 star accommodation in Cairns decreased by 124 rooms (12 per cent) over the period 1985–1995. There were flows of rooms both into and out of the accommodation stock in this period.

Figure CS1.1 presents the flows of rooms into and out of the 1 and 2 star accommodation stock. A total of 509 rooms left, while 385 rooms were added

to the accommodation stock between 1985 and 1995. Most of the increase in 1 and 2 star accommodation occurred between 1985 and 1988, with little new construction of rooms after that year.



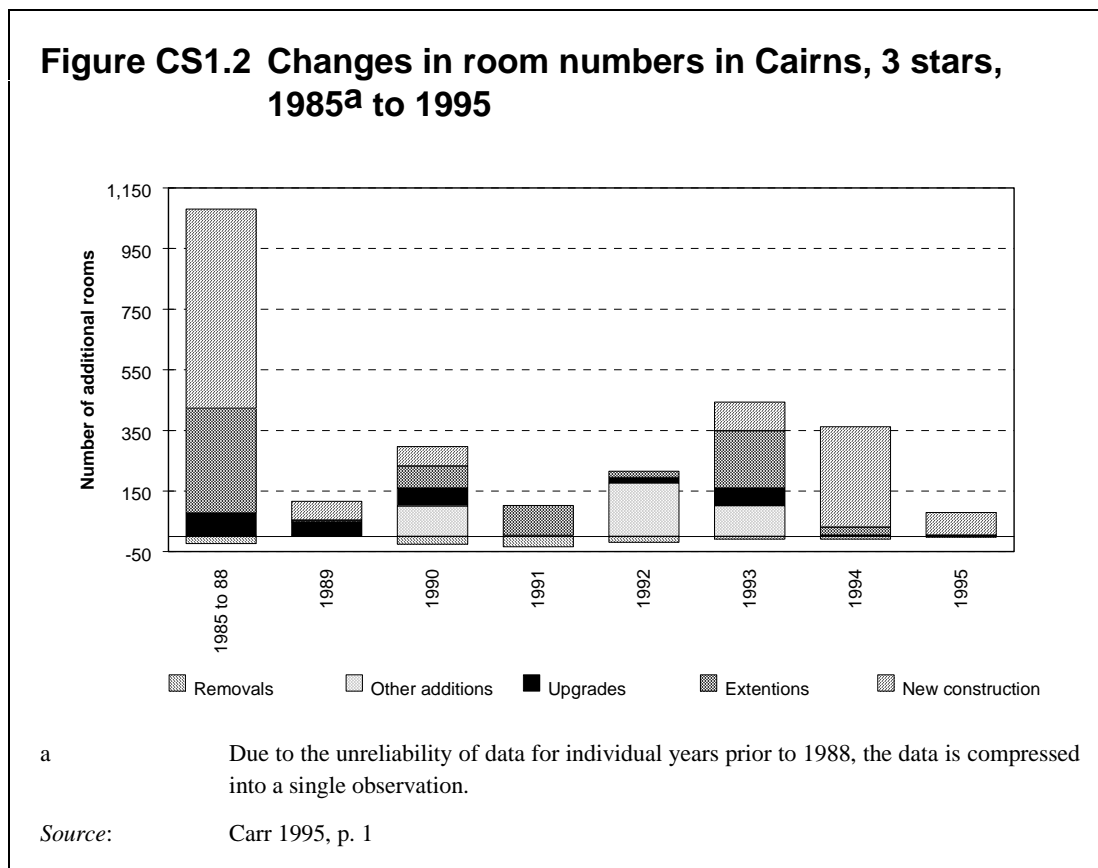
Of the losses to the budget accommodation stock only a small fraction were taken off the accommodation market. Properties were taken off the market for two reasons. Some properties were removed to serve as residential accommodation for management, or converted to general residential purposes. Other properties were demolished in order to construct new accommodation of various standards.

As well as properties being taken off the market, significant numbers of rooms were transformed into different accommodation types. For example, 17 per cent of the original stock of budget accommodation were converted (downgraded) into backpacker accommodation. A greater share of the original stock were upgraded. Slightly less than one quarter were converted to higher standards such as 3 stars.

3 star accommodation

Figure CS1.2 presents data on the changes in room numbers in the 3 star accommodation segment in Cairns from 1985–1995. The supply of 3 star

tourism accommodation in Cairns increased significantly during this period. The number of establishments approximately doubled from 42 to 85. Room numbers almost trebled from 1267 to 3837 in the same period.



By comparison with other accommodation segments in Cairns the 3 star segment grew in relatively steady increments. Over 2500 rooms have been added to this segment from 1985 to 1995. The flow of additional rooms into the 3 star segment included:

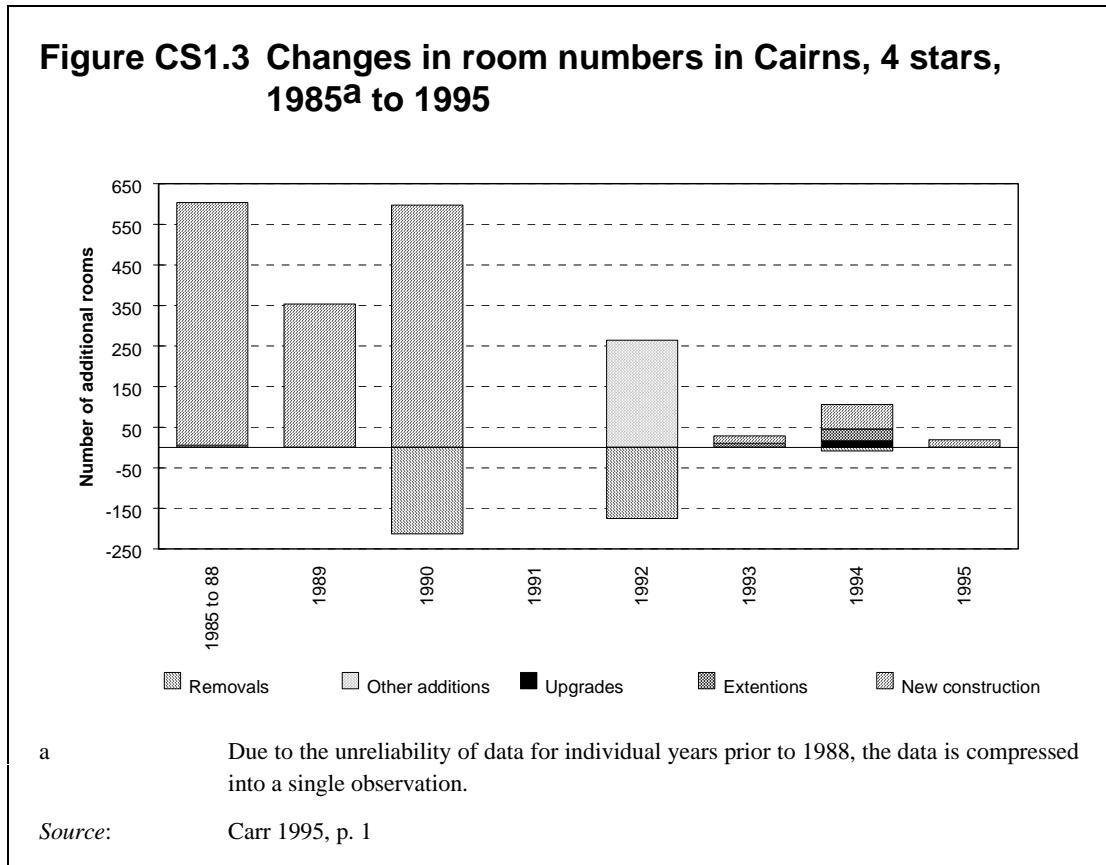
- 48 per cent created through new construction;
- 28 per cent created through extensions to existing properties;
- 14 per cent resulted from downgrades, or refurbishment of previously higher standard accommodation to a lower standard; and
- 9 per cent of additional rooms resulted from upgrades — by conversion — from lower standard accommodation.

Increases in room numbers have been considerable during the period 1985 to 1995. Room losses from 3 stars to other accommodation types have been few.

4 star accommodation

Data on the flows of rooms into and out of 4 star accommodation in Cairns from 1985 to 1995 are presented in Figure CS1.3.

There was greater increase in accommodation supplied at this standard than any other accommodation standard in Cairns during this period. The number of establishments increased from 5 to 16 and the stock of rooms increased fivefold from 387 to 1963.



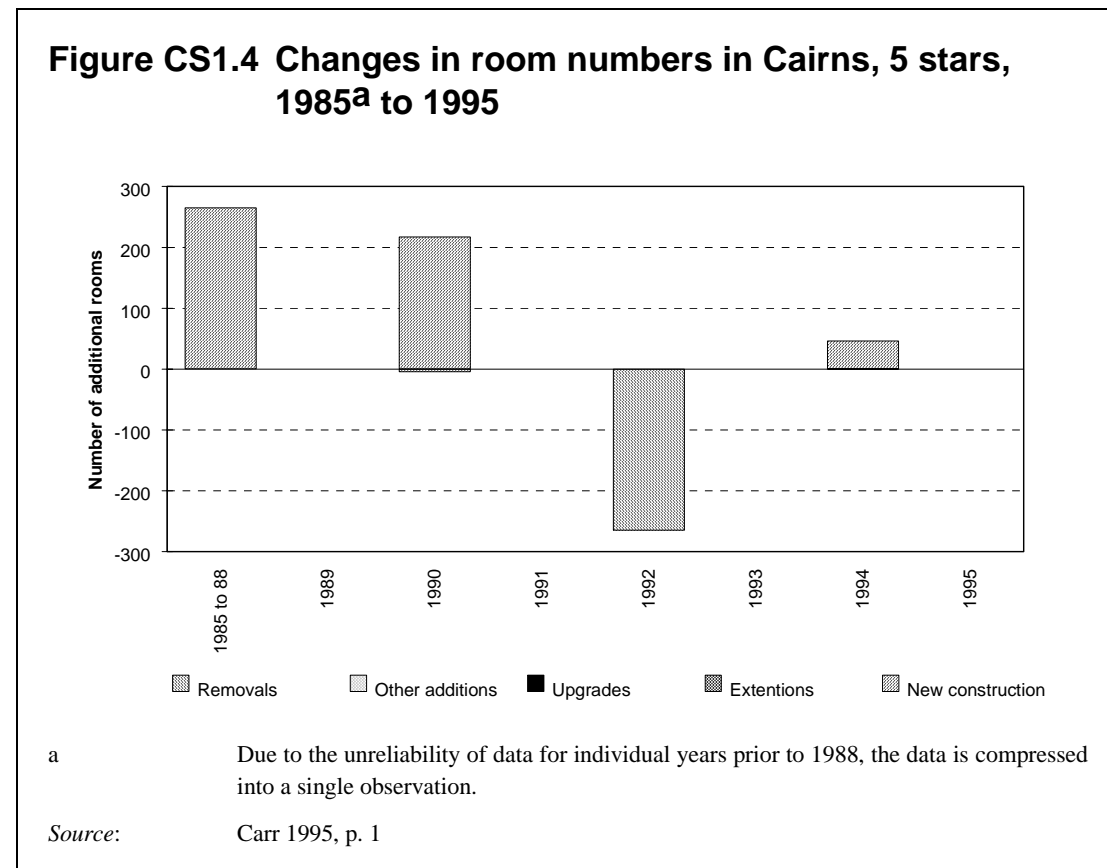
The majority of the increase in rooms at this standard occurred in the late 1980s. Of the total increase in this segment, 84 per cent was due to new construction. Also, when the Cairns Hilton was downgraded from 5 stars in 1992, another large group of rooms — 13 per cent of the total stock — moved into this segment. There has been little new construction, and no further downgrading since 1992. Fewer than 1 per cent of the increase in rooms in this segment was due to conversion of lower standard accommodation.

Room losses from this segment have also been substantial. Two hotels were re-rated downward to 3 stars, one in 1990 and a second in 1992. As well as these establishments being downgraded, another, the Rodeway Granada, was placed into receivership in 1990 and subsequently re-opened in 1993 as the Reef Plaza.

5 star accommodation

Developments in the 5 star tourism accommodation segment in Cairns over the period 1985 to 1995 are presented in Figure CS1.4. There was no 5 star accommodation in Cairns until 1987, when the Cairns Hilton opened. Changes reflect the activities of four establishments:

- Cairns Hilton, which supplied 265 rooms until 1992;
- Cairns International, supplying 321 rooms;
- Radisson Plaza, supplying 217 rooms; and
- Green Island resort, providing 46 rooms.



The Cairns Hilton was downgraded marginally from 5 stars to 4½ stars in 1992. There remain 584 rooms in this segment in 1995. Further increase in this segment of the Cairns tourism accommodation market is imminent however, The Australis Hotel — under construction as part of the Reef Casino project — is due to open in 1996.

Another noticeable aspect of the luxury accommodation segment in Cairns is the narrow ownership base. The Daikyo group of companies has full or majority ownership of Cairns International, Hilton and the Green Island Resort.

1.5 Changing demand for tourism accommodation in Cairns

As stated earlier, over the last decade Cairns and the Far North Queensland region (CFNQ) has emerged as one of Australia's fastest growing tourism destinations, both in terms of international and domestic visitors. Change in the mix of visitors is also evident, and this helps explain the attendant changes in Cairns tourism accommodation.

Most visitors to CFNQ have been, and continue to be, from domestic sources. CFNQ attracts more than a million visits by domestic tourists and accounts for approximately 3 per cent of all domestic visitor nights in Australia. The region also attracts more than 500 000 international visitors annually.

Approximately 5 per cent of all international visitor nights in Australia are spent in CFNQ and commercial accommodation is used by more than 90 per cent of international visitors. Fewer than 60 per cent of domestic interstate visitors stay at commercial accommodation. Domestic intrastate visitors prefer to stay with friends and family. Most of the growth in tourism accommodation detailed in this Case Study has corresponded with the increased role of international tourism in Cairns in the past decade.

The share of visitor nights accounted for by international visitors rose from 14 per cent in 1983 to 45 per cent in 1993. The share of domestic visitor nights has fallen; *interstate* visits from 47 to 37 per cent and *intrastate* visits from 39 to 18 per cent. This would appear to benefit the tourism accommodation industry in Cairns as international visitors do not aggregate in the June to September *peak* as do domestic tourists, thereby increasing *off-peak* utilisation of tourism accommodation.

The most significant international tourism growth in recent years has been from the Japanese market. Japanese arrivals to Cairns have increased from less than 2000 in 1985 to a peak of 170 000 in 1992, then declined to 150 000 in 1993. In future the greatest growth is likely to come from other Asian countries. Asian countries other than Japan provided approximately 27 000 visitors in 1993.

International visitor nights in Cairns have been increasing at a decreasing rate, as average length of stay declines. Average length of stay in commercial accommodation declined from 5 nights in 1983 to 4.5 nights in 1993. This is indicative of the changing mix of international visitors, particularly the increasing numbers of Japanese tourists, who stay only three nights in CFNQ on average.

The changes on the demand side of the Cairns tourism accommodation market outlined above are consistent with the supply side changes illustrated in this case study. The changing mix from domestic tourists to international tourists — with a higher propensity to commercial accommodation — supports the general

increase in tourism accommodation. The decline of accommodation styles such as caravan parks, motivated by increased air travel and less intrastate travel, is also conducive to a competitive accommodation market where establishments could be expected to refurbish regularly in order to maintain a share of an evolving market.

CS2 BACKPACKER ACCOMMODATION

Backpacker accommodation in Australia is a significant component of the tourism accommodation industry. International backpackers are a particularly important market as they stay for extended periods.

Should backpacking maintain its relative share of a growing tourism market it will remain an important tourism accommodation segment. Backpacker accommodation provides an example of the accommodation market successfully adjusting to changing demand conditions.

1.1 Backpacker tourism

Backpacker tourism has grown internationally over the past decade. Backpacking in Australia has developed from a peripheral segment of the tourism industry to a significant part of mainstream tourism. International backpackers alone accounted for 18 per cent of total inbound visitor nights in Australia during the year ending September 1995 calendar year 1994.¹

Backpackers are free and independent travellers. Backpacking is an approach to tourism, best defined by social criteria rather than economic or demographic measures (Pearce 1990). Australia attracts backpacker tourists of all ages, and via the working holiday maker program (WHM) many people from around the world have the prospect of backpacking in Australia.²

Backpackers are motivated to travel for diverse reasons, yet they share a common distinguishing characteristic; a preference for budget accommodation. This proclivity to budget accommodation is common to domestic and international backpackers, and is the criterion that makes backpackers a distinctive part of Australia's tourism accommodation sector.

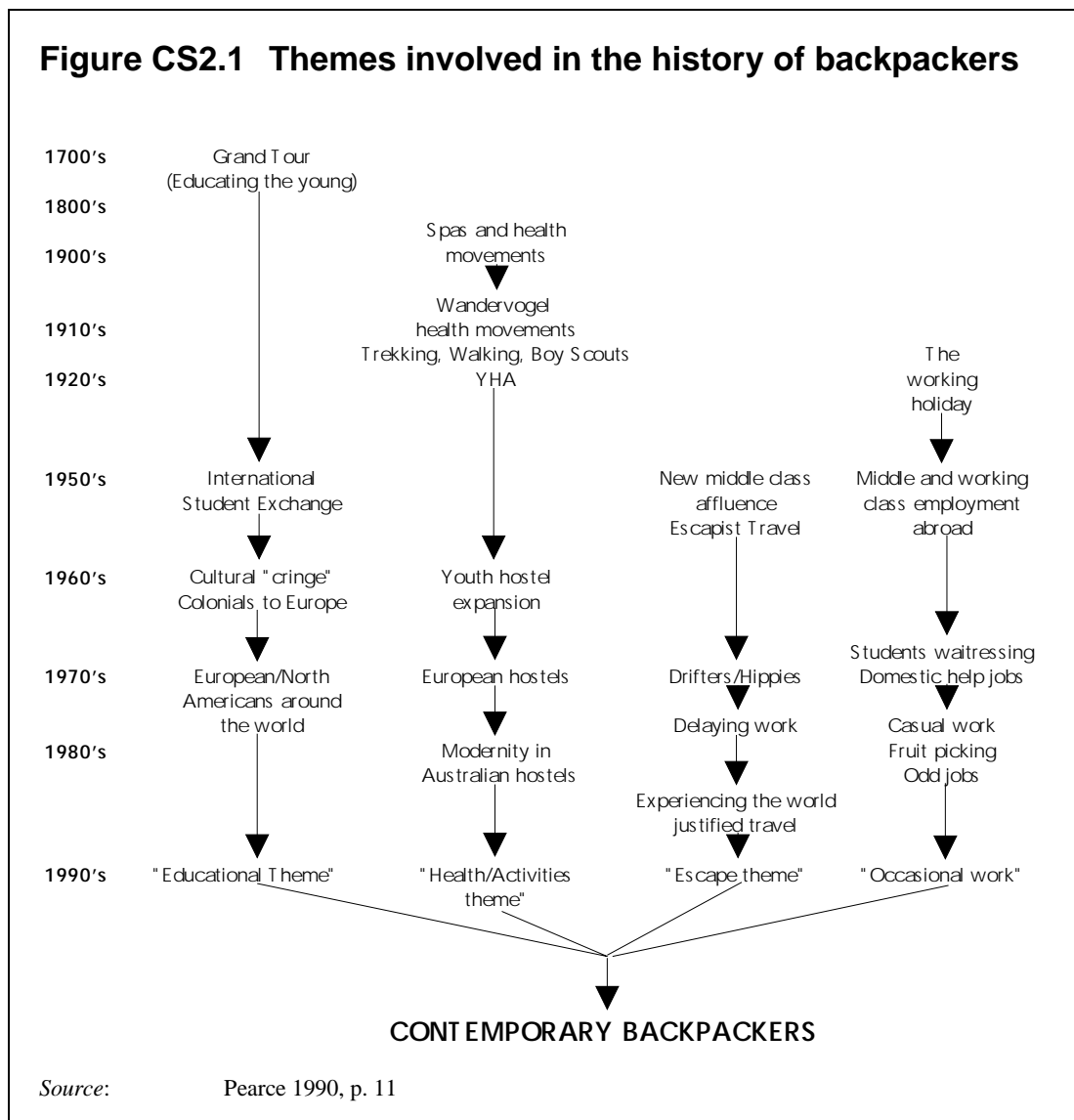
¹ Total inbound visitor nights during the year ending September 1995 included 19.4 million nights spent visiting friends and relatives (VFRs), typically not in paid accommodation. Backpackers represented 24 per cent of visitor nights not including VFRs.

² Working holiday visas are the largest of 25 classes of visas under the temporary residents program. The WHM aims to provide an opportunity for young people to holiday in Australia for up to 12 months and to supplement their funds through 'incidental work', that is, employment that is incidental to the main purpose of visiting Australia, which is to holiday.

Origins of backpacking

The term backpacker originated in Australia, and was first coined in the early 1980s (DoT 1995a). Unlike the terminology, the characteristics of backpackers — such as an unstructured travel routine and extended stay — are internationally recognisable.

Backpacking is not new. Historically, a number of travel themes have contributed to the make-up of contemporary backpackers. Figure CS2.1 presents a history and typology of motivational themes in backpacking.



The oldest origins of backpacking are the health and educational movements of the Northern hemisphere, but the desire to escape or find vacation work are also important in the Australian context.

International backpackers in Australia

The BTR defines a backpacker as any person who spends at least one night in a backpacker hotel or youth hostel during their trip.

The BTR estimates that international backpackers stayed in Australia for an average of 66 nights in the year ending September 1995.³ By comparison, other visitors stayed 24 nights on average.⁴ Although backpackers use budget accommodation, they have relatively high total accommodation expenditure as a result of this longer stay.

In the year to September 1995 backpackers, on average, spent more than double the total expenditure of all other tourists on food, drink and accommodation. This amounted to \$25 per day on these items, or total expenditure of \$1633 per person.

Table CS2.1 illustrates that international backpackers are a relatively small market segment in terms of numbers of visitors, yet an important tourism segment in terms of visitor nights and total expenditure. As backpackers travel to more parts of Australia than other tourists, the economic benefits of backpacker expenditure are distributed more widely (Walsh, A. & P and J. Larcombe & Associates 1995).

Table CS2.1 Contribution of international backpackers to Australian tourism, year ending September 1995

<i>Economic measures</i>	<i>Backpacker segment</i>	<i>Share of all international tourism (%)</i>
Number of inbound arrivals	216 300	6
Total number of inbound visitor nights	14 million	18
Total expenditure of international backpackers	\$820 million	13

Source: BTR 1996, pp. 33–36

It is sometimes argued that the importance of international backpacker expenditure is overstated as it reflects, to some extent, backpackers' earnings while in Australia. From this argument follow assertions that international backpackers make a small contribution to the Australian economy, and further, that international backpackers can impose costs on the economy by taking

³ Most tourism data collections are based on calendar years. Data in this case study refer to calendar years unless otherwise noted.

⁴ This average is biased upward by the long duration of stay of visits to friends and relatives, at 31 nights on average. Excluding visits to friends and relatives, the average number of nights spent in Australia by all visitors reduces to 22 nights for the year ending September 1995.

employment opportunities that Australians would otherwise take. Evidence does not support these assertions.

In 1992, income earned by backpackers in Australia was small by comparison to their overall expenditure, indicating that backpackers made a greater contribution to aggregate demand than merely their earnings in Australia (BTR 1995). During 1992 backpackers earned an average of \$509, and spent an average of \$3267.⁵ This evidence suggests that backpackers have net positive expenditure overall, and are beneficial to the economy.

Regarding concerns that international backpackers compete with Australians for jobs, the reverse appears to be the case. Research generally supports the assertion that backpacker tourism is not a threat to Australian jobs (see Withers 1991, DEET 1994, and Murphy 1995). Backpackers provide labour that is complementary to the Australian labour market. For example, backpackers are prominent in seasonal employment such as fruit picking and also in itinerant positions that do not have broad appeal to other workers.

On balance, backpacking appears to make significant contributions to the Australian economy.

State shares of international backpackers

The importance of backpacker tourism varies across Australian states and territories. Backpackers are most significant along the eastern seaboard of Australia. Queensland, New South Wales and Victoria accounted for 72 per cent of all international backpacker visitor nights in the year ending September 1995. By comparison, the same states accounted for 78 per cent of total international tourist visitor nights.

Figure CS2.2 presents the shares of backpacker visitor nights for each state, and major backpacker tourist destinations in 1994.

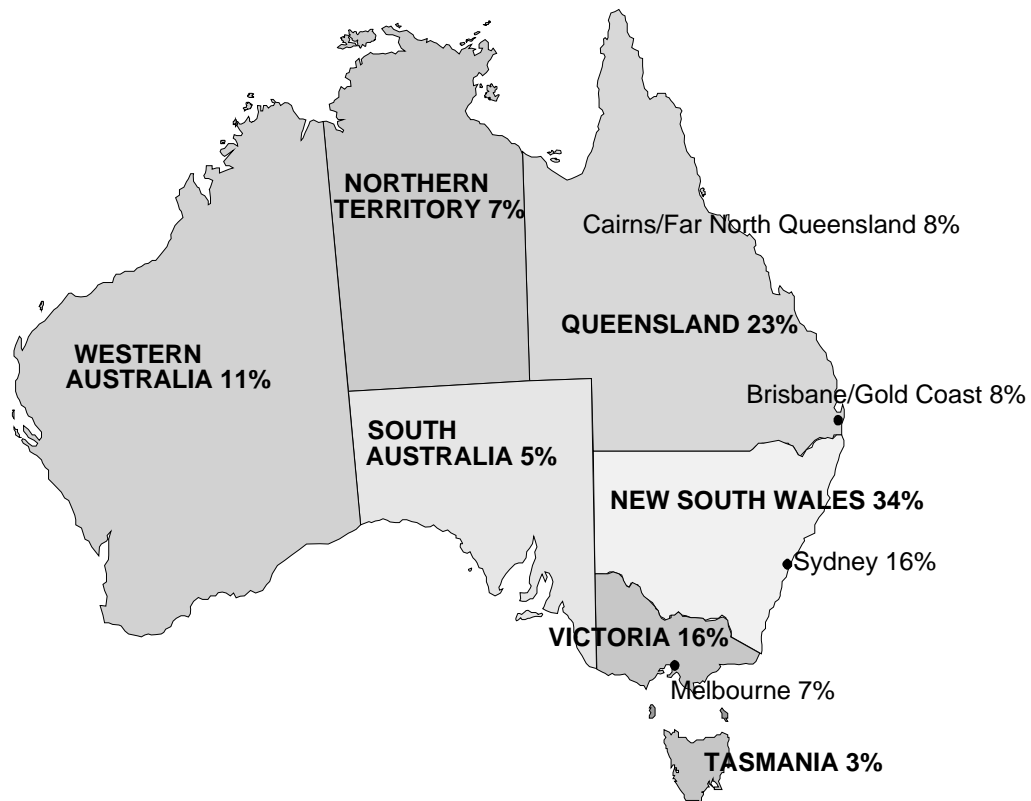
Profile of domestic backpacking

Domestic backpackers do not attract the same attention as international backpackers. Much of the recent growth in backpacker tourism has been due to rapid growth in the inbound segment of the market. Domestic backpacking nonetheless comprises an important part of backpacking overall (BTR 1995).

The following discussion of domestic backpackers is based on the budget accommodation criterion used to define international backpackers. The most recent data from the BTR relate to 1992, and are from the Domestic Tourism Monitor.

⁵ For 1992 all visitors earned an average amount of \$117 and spent an average of \$1730.

Figure CS2.2 Backpacker visitor nights, shares by state and selected regions^a, 1995^b



a Regional shares refer to 1993

b Year ending September 1995

Source: BTR 1996, p. 35 and BTR unpublished data

Domestic backpacker trips are noticeably shorter than international backpacker trips. In 1992 the average trip duration was 5 nights, only marginally different to the average duration for all domestic tourist trips, 4.5 nights.

A number of other differences exist between domestic and inbound backpackers, including:

- holidaying, visiting friends and relatives or a working holiday motivated 31 per cent of domestic backpacker trips in 1992 compared to 88 per cent of international backpacker trips;
- approximately 30 per cent of domestic backpacker trips in 1992 were for the main purpose of business or attending conferences and seminars. International backpackers seldom travelled to Australia for business;

- domestic backpackers were more likely to be male (64 per cent) than international backpackers, who comprised equal shares of males and females;
- domestic backpackers were distributed more evenly across all age groups than international backpackers, although 19 per cent of domestic trips were for educational purposes; and
- hostel accommodation was the dominant form of accommodation for domestic backpackers in 1992. International backpackers commonly stayed with friends and relatives, in rental accommodation and camping grounds as well as hostel accommodation.

Data on the expenditure patterns of domestic backpackers are not published at present. As domestic backpacker trips in 1992 were of shorter average duration than trips by international backpackers, it is unlikely that domestic backpackers are as significant as international backpackers as a market segment.

1.2 Development of backpacker accommodation in Australia

One measure of success of Australia's tourism accommodation industry is its capacity to supply the appropriate style of accommodation at an attractive price.

The first accommodation designed for backpackers were hostels provided by the not-for-profit Australian Youth Hostels Association (AYHA). These establishments have operated for more than 40 years in Australia. They provide a clean, minimal style of accommodation restricted to members of the International Youth Hostel Federation (IYHF) of which AYHA is a member. Hostels in the AYHA network remain an important component of backpacker accommodation, particularly for domestic backpackers (BTR 1995).

Backpacker accommodation in Australia only became a significant phenomenon in the 1980s. During that decade, Australia became part of a worldwide trend to experientially-based, outdoor leisure travel, including budget travel and backpacking (Weiler and Hall 1992). The tourism accommodation industry in Australia experienced increased demand for budget accommodation. The private sector responded to this demand by developing cheap accommodation, with more facilities and fewer restrictions than AYHA (DoT 1995). For example, many AYHA hostels have imposed curfews in the past, and all require IYHF membership to gain entry.

Only recently has the significance of the budget accommodation segment been acknowledged by the Australian Bureau of Statistics. Since July 1991 the ABS

has published data on *visitor hostels*.⁶ The distinguishing feature of this type of accommodation is the availability of accommodation to visitors on a bed only basis.

Table CS2.2 presents data on the supply of beds (bed nights available) to backpackers from 1992–1995 and the demand (bed nights occupied). The table also presents the occupancy rate and the nominal revenue on a per night basis.

Table CS2.2 Visitor hostels^a Australia, bed nights available and occupied, occupancy rate and nominal yield, 1992 to 1995

<i>Year</i>	<i>Bed nights available</i> (‘000s)	<i>Bed nights occupied</i> (‘000s)	<i>Bed occupancy rate</i> (%)	<i>Nominal revenue</i> <i>per bed night</i> (<i>\$ current</i>)
1992	9 011	3 920	44	11.46
1993	9 059	3 866	43	11.68
1994	9 354	4 074	44	12.17
1995	9 597	4 432	46	12.92

a The ABS classification for visitor hostels differs from the NCSTT classification used in Figure 3.

Source: ABS, Cat. No. 8635.0 various issues

The ABS data series for visitor hostels is limited to four years and therefore does not provide data concerning the reported expansion of backpacker accommodation during the late 1980s. Nonetheless it demonstrates the response to changing demand in the early 1990s.

ABS data suggest that there were only minor changes in the budget accommodation (*visitor hostels*) market from 1992 to 1995. Over that period the supply of beds available increased by slightly more than 6 per cent. During the same period the demand for beds increased by about 13 per cent (see Table CS2.2). Average occupancy rates increased also, from 44 to 46 per cent.

From 1992 to 1995 room rates increased by about 13 per cent. Rapidly increasing room rates would indicate that supply was not adjusting adequately to offset increasing demand. The modest change in room rate suggests supply

⁶ The Australian Standard Classification of Accommodation (ABS 1995 Cat. No. 1250.0) defines visitor hostels as follows:

Comprises accommodation in establishments which provide accommodation primarily on a bed basis. Generally, facilities are shared in these establishments. Accommodation is commonly, but not necessarily, dormitory style. This type of accommodation is typically aimed at the *backpacker* market. Excludes charity type accommodation, which is not aimed at bona fide visitors. Farm stay accommodation is also excluded.

was responsive enough to changes in demand to prevent the need for price increases. Nonetheless, industry takings increased over the period.

The limited evidence available supports the proposition that the backpacker accommodation market successfully adjusted to changing demand over the period 1992 to 1995.

Backpacker accommodation in Far North Queensland

The growth of backpacker accommodation has been most pronounced in Far North Queensland, including Cairns and various other parts of the coast adjacent to the Great Barrier Reef. The BTR estimates that Far North Queensland attracted 60 per cent of all international backpacker visitors to Australia during 1992.⁷ The only region to attract more international backpackers than Far North Queensland was Sydney (80 per cent).

Far North Queensland provides an example of the dynamic expansion of backpacker accommodation throughout the 1980s and early 1990s. Figure CS2.3 presents National Centre for Studies in Travel and Tourism data on the number of hostels and the number of beds in far north Queensland over the period 1982 to 1992.

From 1985, both hostel and bed numbers increased until 1989; hostels increasing by approximately 40 per cent and beds by 120 per cent annually. The number of hostels and the number of beds have not varied significantly in the years 1990 to 1992 (see Figure CS2.3).

Much of the increasing stock of backpacker accommodation in far north Queensland has not been purpose built, rather, it has resulted from conversions of suitable existing properties. This has enabled the accommodation market to respond quickly to changes in demand via practices such as downgrading existing accommodation.

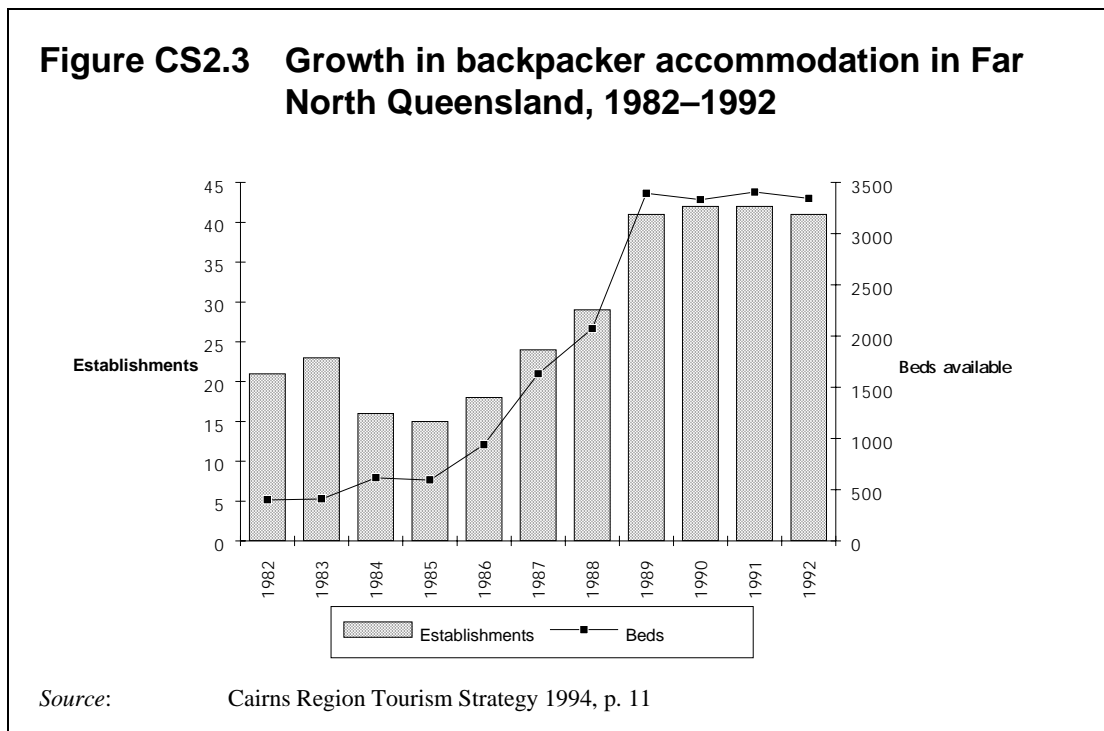
In Cairns, backpacker accommodation developed from zero to 21 establishments over the period 1985–1995. Of a stock of 1640 beds in Cairns in 1995, only 13 per cent was purpose built (Carr 1995). The remainder was conversions of other buildings, including:

- 36 per cent, by conversion of former low cost tourism accommodation (guest houses, budget to 2½ star accommodation and private hotels);
- 38 per cent from converted boarding houses; and
- 13 per cent from converted residential dwellings.

⁷ For purposes of statistical comparison, the statistical region Far North Queensland is equivalent for BTR and ABS data.

No guest houses remain in Cairns, and few boarding houses remain (Carr 1995). Recent backpacker accommodation development has focussed on conversion of residential property as the supply of existing boarding houses, guest houses and other suitable tourist properties has diminished.

As a consequence of numerous conversions to backpacker accommodation, cheap residential accommodation in Cairns has ceased to exist. Negotiations by the State Government were underway, in the second half of 1995, to purchase a backpacker hostel in order to re-establish a commercial boarding house for low cost residential accommodation (Carr 1995).



The ability of accommodation providers to reposition their enterprise via conversion of existing buildings has been central to the success of backpacker accommodation throughout Australia. The development of backpacker accommodation in Cairns is one example of this process.

More generally, the development of backpacker accommodation in far north Queensland demonstrates that accommodation supply has successfully adjusted to changing demand.

1.3 Ensuring the future success of backpacker accommodation

Notwithstanding the success of the backpacker accommodation segment in meeting increased demand as it arose, the growth of backpacker accommodation has generated a number of problems that the industry has had to address.

Planning processes across Australian states are not always consistent, and this has caused problems for potential developers. The backpacker accommodation industry has responded to these issues. Local governments have reassessed regulatory frameworks, and compliance with building and planning codes has been more stringently enforced. The Commonwealth Government has produced Development Guidelines for Backpacker Accommodation, to provide a non-binding, integrated framework for assisting developers and administrators to deal with development proposals (DoT 1995).

The failure of backpacker accommodation operators to comply with local health and safety ordinances has also been a problem. For example, local government records for Cairns illustrate that not all backpacker hostels had the required registration under local fire and health regulations in 1995 (Carr 1995).

Operators of backpacker accommodation who fail to meet the regulatory standards have a negative impact on the image of all Australian backpacker accommodation as backpackers cannot always accurately assess the quality of accommodation. Improved marketing initiatives by the industry have taken place to emphasise the quality of backpacker accommodation in Australia. These initiatives include the development of Backpacker Resorts of Australia (BRA) — in 1986 — and the International Travellers Club (ITC). In combination, the YHA, BRA and ITC provide comprehensive backpacker accommodation chains accounting for nearly 70 per cent of hostel accommodation (DoT 1995).

The Commonwealth Government has also supported the development of backpacker tourism through the National Backpacker Tourism Strategy. The Commonwealth Government also funded the development of National Classification Guidelines for backpacker–hostel accommodation — similar to star grading systems in use for other tourism accommodation.

The initiatives undertaken by the backpacker accommodation industry demonstrate that it is evolving as a niche market, and that industry operatives are aware of potential failings in the market for backpacker accommodation. Should there be examples of market failure that hinder the successful development of backpacker accommodation it is appropriate that the government be involved.

Yet backpacker tourism, and more particularly backpacker accommodation, have developed largely in the absence of government involvement. Against the stated criterion for success — that Australia's accommodation industry is able to supply the appropriate style of accommodation at an attractive price — backpacker accommodation provides an example of the tourism accommodation market working successfully.

CS3 THE SHERATON TOWERS AGREEMENT

Examining the content and character of agreements can offer some insight into what types of flexibility employers seek but cannot find in awards. Sheraton Towers Southgate formed its first agreement in 1992 and has been widely cited as a possible benchmark for the industry. This Case Study examines the latest generation of the Sheraton Agreement to identify the departures from the current parent award. The influences these departures have on flexibility may give some insight into where the parent award may be improved.

1 Introduction

The Sheraton Towers Southgate Employee Relations Agreement 1995 (the Sheraton Agreement) is important for two reasons. First, it may provide some insight into the types of flexibility that employers are seeking but cannot achieve under the parent award. Second, the Sheraton Agreement is often cited as a benchmark for enterprise agreements in the tourism industry. As such it may be instructive to examine the influence this agreement has had on workplace flexibility.

The current Sheraton Agreement took effect in May 1995 and expires in June 1996. This Sheraton Agreement was formed under Division VIB Part 2 of the *Industrial Relations Act* 1988 (Cwth) and covers approximately 320 full-time and 120 part-time permanent employees (Sheraton, sub. 172, p. 3). The parties are currently negotiating the fourth generation of the Sheraton Agreement which is expected to operate for 12 months.

In its submission, the Sheraton identified the initial reasons for pursuing an agreement as:

The need to address chronic problems in hospitality employment *viz* itinerant labour, high turnover, non-competitive service standards, limited commitment from staff to the organisation's goals; [And] the need to restructure the traditional form of labour regulation provided by the hotel industry award. (sub. 172, p. 1)

However, the departure of the Sheraton Agreement from the Hospitality Industry — Accommodation, Hotels, Resorts and Gaming — Award 1995 (the Award), should not be overstated. First, in many circumstance the Sheraton Agreement refers directly to the parent award (see Box CS3.1). Second, there have been a number of changes in the Award since the first Sheraton Agreement was signed on 23 July 1992. As a result some of the flexibility that was

achieved by the Sheraton Agreement can now be achieved to some extent under the Award. An example of this is the inclusion of an enterprise flexibility clause in July 1993 that allows award provisions to be varied to the needs of individual enterprises through negotiation.

Box CS3.1 Relationship to the Award

Although the Agreement prevails over the Award in the event of any inconsistencies, it nevertheless refers some issues to provisions in the parent award. For example, the following clauses of the Agreement must be read in conjunction with the relevant provisions of the Award:

<i>Subject</i>	<i>Agreement clause^a</i>	<i>Award clause^b</i>
Casual Hire	6.2	16.2
Termination of Employment	7	18
Annual Leave	18	30
Parental Leave	22	33
Technological Change and Redundancy	24	11
Superannuation	26	25

a Sheraton Towers Southgate Employee Relations Agreement, 1995

b Hospitality Industry — Accommodation, Hotels, Resorts and Gaming — Award 1995

Notwithstanding these caveats the Sheraton Agreement is of interest because of its holistic approach of workplace reform within an overall management philosophy.

2 The philosophy behind the Sheraton Agreement

A key feature of the Sheraton Agreement is that it was formed as one element of a broad Total Quality Management (TQM) strategy. The philosophy behind the Sheraton Agreement is one of improving the firm's competitiveness by providing 'superior services', and a 'quality product' within a firm that has the flexibility to '... meet business trends, needs and expectations' (Agreement, clause 5.1 and 5.2). The Sheraton Agreement specifies that the benefits of increased quality and flexibility should be shared by '... the employees, the shareholders, the Company's customers and the community' (Agreement, clause 5.3(a)). The Sheraton Agreement argues that an essential factor in achieving these benefits is the:

... development and maintenance of harmonious and productive working relationships between all employees, management and the Company so as to ensure that employees are committed to their jobs and the success of the enterprises. (Agreement, clause 5.4)

The result is a commitment from the company to promote: industrial democracy, job security, human resource development and remuneration systems that share the gains with employees. The Australian Liquor, Hospitality and Miscellaneous Workers Union (the Union) and employees on the other hand make a commitment to accept total flexibility of jobs and duties (subject to individual skills or abilities) and avoid disputes or actions that will effect the operations of the company. These objectives influence the company's operations (and the content of the Sheraton Agreement) in two ways.

First, the terms and conditions of employment focus on the specific needs of the enterprises and employees, including a system of remuneration that rewards workers for improvements in skills, abilities or performance that benefit the company. This includes a commitment by employees to undertaking work in a flexible and efficient manner, and a commitment by the company to provide the training and development necessary to allow employees to do this. Notwithstanding this, the Sheraton Agreement seeks to enhance workplace harmony by minimising variations in terms and conditions of employment between workers, and ensuring that in total, the terms and conditions of employment equal or exceed prevailing community standards (Agreement, clauses 5.5(a), (d), (e), (h) and (i)).

Second, workplace harmony is pursued through dispute settlement procedures that emphasis agreed processes of consultation and grievance handling, and effective communication (that is, mutual trust and a co-operation between management and staff) (clauses 5.5(c) and (f)). This includes a commitment by employees to maintaining and constantly seeking improvements in: standards of conduct and attendance, safety, work organisation, service quality, and other areas that will promote the firm's competitiveness (Agreement, clauses 5.5(g) and (b)).

One advantage that Sheraton had in introducing the agreement was that Sheraton Towers Southgate was a newly established 'greenfields site'. That is, there were no entrenched workplace practices to restrict negotiations.

3 The Sheraton Agreement's influence on flexibility

Provisions influencing external numerical flexibility

A key philosophy of the Sheraton Agreement is a commitment to permanent employment (Sheraton, sub. 172) and job security. This philosophy is reflected in provisions that enhance job security. For example, after a one month probation, all permanent employees are employed on a monthly basis (Agreement, clause 6.1). The Award on the other hand, specifies the

employment contract for permanent staff to be on a weekly basis (Award, clause 16.1.3). In addition, although the Sheraton Agreement contains provisions for casual and seasonal (contract) employees, the emphasis is on permanent employees (see Table CS3.1).

Other provisions that enhance job security include a uniform one month's notice of termination for all permanent employees,¹ or a minimum of five weeks for employees aged 45 years or over (Agreement, clause 7.1). Under the Award the maximum period of notice is four weeks which is only available to employees with more than five years of service (Award, clause 18.1.1). However one additional week's notice is available to employees aged 45 years or over provided they have two years of continuous service (Award, clause 18.1.2).

Table CS3.1 Staff structure

	<i>Permanent</i>			<i>Casual staff</i>	<i>Total</i>
	<i>Full-time</i>	<i>Part-time</i>	<i>Total</i>		
Number ^a	320	120	440	na	440
Per cent of total hours	80	17.7	97.7	2.3	100

na Information not supplied.

a Total does not include casual staff.

Source: Sheraton, sub. 172, p. 3

Provisions influencing internal numerical flexibility

The key elements of the Sheraton Agreement that are likely to influence internal numerical flexibility are provisions covering leave and time off, and the ordinary hours of work and overtime.

For many provisions covering leave and time off there is little change between the Sheraton Agreement and the Award. For example, provisions covering family, parental, sick and bereavement leave and the standing down of employees are unchanged. Similarly, the only change in the public holiday provision is the substitution of a paid holiday on show day for the union picnic day.

However, the Sheraton Agreement has introduced some flexibility through changes to annual leave provisions. In particular, the Sheraton Agreement allows annual leave to be taken within the 12 month period subsequent to the period in which it was accumulated (as opposed to six months under the Award). There are also provisions to take single annual leave days to meet family responsibility (to a maximum of five days per year).

¹ Employees are also required to give one month's notice.

The differences between the Sheraton Agreement and the Award on provisions covering the hours of work for permanent employees are not substantial (see Table CS3.2). For example, the provisions for meal breaks are identical between the Award (Award, clause 27.2 and 27.3) and the Sheraton Agreement (Agreement, clause 15.3(a) and (b)). However, the Award provides for two additional paid 20 minute rest breaks for staff rostered on shifts of more than ten hours (Award, clause 27.4). Although this clause does not apply to the Sheraton Agreement, there is a provision for a single paid 20 minute rest break for staff who work more than two hours overtime (Agreement, clause 15.3(c)).

Table CS3.2 Hours of work

	<i>Agreement</i>	<i>Award^a</i>
<i>Full-time employees</i>		
Total hours per period	152 hours per four week period	152 hours per four week period
Minimum and maximum hours per day	6 and 10 hours per day	6 and 11.5 hours per day
RDOs per period	8 days	8 days ^b
Successive days without RDO	10 days	10 days
<i>Part-time employees</i>		
Total hours per period	48 and 128 hours per four week period	15 and 30 hours per week (or 60 and 120 per four weeks)
Minimum and maximum hours per day	3 and 10 hours per day	3 and 8 hours per day
<i>General</i>		
Broken periods of work allowed	No	Yes
Break between shifts	10 hours	10 hours (8 for changeover of rosters)
Changes to roster	7 days (2 weeks where practicable) or any time by mutual consent	14 days (3 weeks where practicable) or any time by mutual consent

a The Award allows for a number of other combination for achieving an average 38 hour week. However, for comparison with the Sheraton Agreement conditions, only the entitlements that relate to the 152 hours per four week period approach are used.

b Although clause 26 of the Award specifies 9 days for four week rosters, clause 10.2 specifies 8 days if an annualised salary method is used, which is the method used in the Sheraton Agreement.

Source: Agreement, clause 15 and Award, clause 26, 29 and 16.3

The Sheraton Agreement has introduced a significant amount of flexibility into the use of part-time staff. First, the Award allows for the minimum and maximum hours of part-time staff to be averaged over a four week roster. The minimum hours per four week period have been reduced from 60 to 48, while the maximum hours per four week period have been increased from 120 to 128. This provides roster flexibility that does not presently exist in the Award.

Second, flexibility has been introduced through provisions that allow the company to adjust the roster arrangement for part-time employees at short notice to meet unexpected fluctuations in business activity. The company must seek volunteers, but if not available can nominate an employee while taking into consideration the needs and family commitments of employees. Nominated employees must be given ‘as much notice as possible’ with a minimum of one hour prior to the conclusion of the daily roster. The hours of part-time employees can be extended under this provision without incurring overtime payments provided the daily hours do not exceed 10 hours and the monthly (four week) roster hours do not exceed 128 hours. Any work in excess of these limits attracts penalty payments. Decreases in rostered hours cannot exceed two hours in any days and the company must ensure that the number of hours over the monthly roster does not lead to a loss of income (Agreement, clause 15.2).

There is little difference in the provisions for overtime between the Sheraton Agreement and the Award (see Table CS3.3). The first difference is the commitment by the company to allocate overtime on broad EEO principles with a specific preference for ‘... the engagement of permanent employees prior to the engagement of casuals’ (Agreement, clause 16.1). The second key difference arises from clause 15.2 (discussed above) which allows the company to avoid overtime payments by changing the ordinary hours of part-time employees at short notice.

Table CS3.3 Overtime provisions

	<i>Agreement</i>	<i>Award</i>
Monday to Friday	Time and half for the first two hours and double time for all work thereafter	
Midnight Friday and midnight Sunday	Double time for all time worked	
Time off in lieu of overtime payment	Yes (within four weeks of accrual)	Yes (within one weeks of accrual)

Source: Agreement, clause 16, Award, clause 28

Provisions influencing functional flexibility

A key element of the Sheraton Agreement is the promotion of functional flexibility through strategies that break down job demarcation such as broad-banding and multi-skilling, and through strategies that encourage staff development and training. For example, the Award has five separate career path streams with up to seven skill levels in each (giving a total of 32 pay classifications). The Sheraton Agreement significantly simplifies the classification structure by eliminating separate career path streams and reducing skill levels from eight to four thereby reducing the 32 pay classifications in the Award to four (see Table CS3.4).

Table CS3.4 Classification structure under the Sheraton Agreement

<i>Level</i>	<i>Duties</i>	<i>Skills , abilities and responsibilities</i>	
Four	<p><i>Includes:</i> Front office shift leader Child care supervisor Engineering shift leader and administration officers (<i>including secretaries and accounts clerks</i>).</p>	<p>Waiting supervisor Steward supervisor Chef <i>de partie</i></p>	<p>Level 4 employees are accountable for the quality of all work performed within their area of responsibility and are capable of supervising other work areas within the scope of their skills.</p>
Three	<p><i>Includes:</i> Maintenance person Guest service agent Qualified dry cleaner Trade qualified employees a Commis chef Clerical assistants</p>	<p>Fishmonger Pastry cook Butcher Clerk Security officers Child care worker</p>	<p>Level 3 employees are accountable for their own work without supervision, who possess specialised skills, or are responsible for on-the-job training and supervision of level 1 and level 2 employees in their work areas.</p>
Two	<p><i>Includes:</i> Star service operations Health club attendants Non-trade qualified cooks Bar service Child care work and creche attendance assist the training/supervision of level 1 staff</p>	<p>Store work Dry cleaning Waiting Butler service</p>	<p>Skills to perform assigned duties with an increased scope for decision making and autonomy in all work areas. Level 2 are provided with job rotation in order to advance their skills for progression to level 3.</p>
One	<p><i>Includes:</i> Banquet porter Bell person Bus person Cleaners Door person Uniform room attendant and unqualified child care assistants.</p>	<p>Kitchen Laundry attendants Pantryhand Room attendants Steward Houseman</p>	<p>Skilled in basic manual duties across all work areas of the hotel. Level 1 staff members are rostered to allow for rotation across all work areas in order to provide diversified work experience and on-the-job training.</p>
Intro	<p>Introductory level employees do not have the required level of training to qualify as a Level 1 employee and have less than 3 months work experience in <i>the hospitality</i> industry.</p>		

Source: Agreement, clause 11

The simplified classification structure in the Sheraton Agreement reduces administrative costs and demarcation disputes, and promotes functional flexibility through the requirement for job rotation.

Alongside the simplified classification structure is a commitment to career progression based on employees skills and competencies. That is, a pre-requisite for promotion through the classifications is a possession of the defined skills of the higher level and a demonstrated multi-skilling and competency at the current level (Agreement, clause 12.1 and 12.4). Given these pre-requisites, vacancies at higher levels are filled on the basis of merit.

Provisions influencing wage flexibility

The major feature of the Sheraton Agreement that influences wage flexibility is the introduction of an annualised salary that incorporates penalty payments for projected labour and rostering requirements (including weekend work and work outside the core hours of 7 am to 7 pm). Sheraton argued that the introduction of an annualised salary system has benefited both staff and management (see Table CS3.5). In particular, the reform has:

... rationalised the remuneration structure by eliminating penalty rates and introducing a more user friendly system of pay. The exercise was not intended to reduce wages of employees but to arrive at a cost neutral situation in very broad terms. (Sheraton, Sub. 172, p. 3)

Table CS3.5 The advantages of an annualised remuneration structure

<i>Advantages for Employees</i>	<i>Advantages for Sheraton</i>
<ul style="list-style-type: none"> • Stabilised wages with the payment of the same wage each fortnight; • Eliminates fluctuations in wages (that can be as high as \$300 per fortnight) assists in making a personal budget and in arranging and making fixed repayments; • Assists in arranging finance from lending institutions (clarifies real take home pay); • Avoids financial disadvantage caused by preferential or selective rostering. 	<ul style="list-style-type: none"> • Enables us to more accurately forecast our labour costs; • Creates more efficient payroll administration; • Standardises our pricing structure; • Eliminates disputes over rostering including the allocation of work during penalty periods; • Assists in developing a hospitality culture that is totally service oriented and not limited by the time of day or the day in the week

Source: Sheraton sub. 172, p. 3

A comparison of the annualised rates under the Hotels Award and Sheraton Agreement is presented in Table CS3.6. However, a number of important points should be considered in this comparison. First, while employers using the Award method are exempt any requirement to pay additional overtime or penalty payment, under the Sheraton Agreement employees will still be entitled to overtime payments. Thus while the Award rates may appear higher the actual outcome will depend on rostering practices. Second, both the Award and the Sheraton Agreement specify that employees should not be disadvantaged by the annualised salaries system. While the Award uses the overtime and penalty rates forgone as the benchmark (Award, clause 10.1) the Sheraton Agreement uses the wider assessment of ‘... the overall context of the terms and conditions of [the] Agreement’ (Agreement, Appendix B(3)). Both the Award and the Sheraton Agreement therefore require the employer to keep wage and roster records that allow employees entitlements to be reconciled against the annualised salary.

Table CS3.6 Comparison of annualised salaries between the Award and the Sheraton Agreement

<i>Classification</i>	<i>Normal salary</i>	<i>Annualised salary</i>		
	<i>Annual^a</i> (\$ 1995)	<i>Annual^b</i> (\$ 1995)	<i>Weekly^c</i> (\$ 1995)	<i>Hourly^d</i> (\$ 1995)
<i>Hotels Award (July 1995)</i>				
Introductory	17 753	22 191	426.75	11.23
Level 1	18 621	23 277	447.63	11.78
Level 2	19 926	24 908	479.00	12.61
Level 3	20 878	26 098	501.88	13.21
Level 4	22 526	28 158	541.50	14.25
Level 5	24 695	30 869	593.63	15.62
Level 6	25 782	32 227	619.75	16.31
<i>Sheraton Agreement (July 1995)</i>				
Introductory	na	21 060	405.00	10.65
Level 1	na	23 000	442.31	11.63
Level 2	na	25 000	480.77	12.65
Level 3	na	27 000	519.23	13.66
Level 4	na	30 500	586.54	15.43

a Normal annual salary for the Award is calculated as 52 times the rate listed for each classification in clause 19.

b Annualised rate for the Hotels Award is calculated as 25 per cent above the normal annual rate. This represents the 'minimum' premium prescribed in clause 10 of the Award which details the implementation of annualised salaries. The annualised rate for the Sheraton Agreement is drawn directly from Appendix 1 of the Agreement. An important caveat is that under the Sheraton Agreement employees are still entitled to overtime payments.

c Weekly rates are calculated as annual rates divided by 52.

d Hourly rates are calculated as weekly rate divided by 38.

Source: Hotels Award, clauses 10 and 19 and Agreement, Appendix 1.

Notwithstanding the requirement for overtime payment, the Sheraton Agreement specifically states that:

... special rates and disability allowances for working under particular conditions or performing certain tasks will not be a feature of work at the Company's premises. (Agreement, clause 13.2(a)).

Furthermore, although employees are required to be multi-skilled and willing to move between jobs at short notice, the company bears some of the cost of this flexibility through the remuneration system. In particular, employees required to perform tasks at lower levels do so without loss of pay. On the other hand, an employee who works at a high level:

... for more than 2 hours on any one day will be paid at the rate for the higher level for the day ... [or] for less than 2 hours on any one day will be paid at the higher rate for the time worked. (Agreement, clause 13.2(b) and (c))

Provisions influencing procedural flexibility

Procedural flexibility is principally concerned with the introduction of change at the workplace. As such the important provisions are those that allow the Sheraton Agreement to be varied and those that influence the consultative framework for introducing change and resolving disputes.

Each Sheraton Agreement has a life of 12 months from the date of certification. During the life of the Sheraton Agreement the parties begin negotiation of the subsequent agreement. However, the Sheraton Agreement can also be altered during its life as discussed in Box CS3.2.

Box CS3.2 Variation of Sheraton Agreement

The Sheraton Agreement has provisions to vary clauses relating to 'hours of work', 'wages' and 'the classification structure'. Specifically:

- changes may be made to employees hours of work that improve business efficiency and accommodate changing business needs;
- changes to wages may be may to give effect to the development by the Company of gainsharing/productivity incentives; and
- the classification structure may be changed to give effect to the development by the Company of competency and training standards for employees.

The Company and an employee, or group of employees (as represented by the Consultative Committee and/or the Union), can vary these provisions by enter into an 'Arrangement' by mutual consent provided:

- all affected employees have genuinely agreed to the changes and have not been disadvantaged in relation to existing terms and conditions or National Standards;
- the Consultative Committee has been notified and approved the Arrangement; and
- the Union has also been notified prior to the implementation of the Arrangement and has not unreasonably withheld its consent.

Where the employees, Consultative Committee, Union and Company cannot reach agreement on the Arrangement, the dispute settlement procedures in Box CS3.3 come into play. Where agreement is reached among the parties, a joint submission is made to the Australian Industrial Relations Commission (AIRC) for approval in accordance with section 170ML of the *Industrial Relations Act 1988* (Cwth).

Source: Agreement, clause 35

As discussed above, the philosophy behind the Sheraton Agreement includes a commitment to employee participation in the decision making process. One illustration of this commitment is a consultative committee that comprises three representatives from management and three staff members who are union members. The objectives of the Consultative Committee include: increasing employee contributions to the decision making process, focusing attention on

the requirements of customers and the needs of employees; and to improve efficiency.

Box CS3.3 Dispute resolution

The Sheraton Agreement provides for dispute resolution between the employees and management at the firm as the primary forum. However, although it allows for an employee and company representative to assist the process, the nominated employee must be ‘... approved by the Union’ (Agreement, clause 8.2).

Where disputes cannot be resolved between the management and employee (or union approved employee representative), union officials become directly involved. If the matter remains unresolved at this level, it ‘... will be referred to the Australian Industrial Relations Commission’ (Agreement, clause 8.4).

Through this process the Union is obliged to use its best endeavours to ensure the dispute does not interrupt the operations of the enterprise (clause 8.5).

Source: Agreement, clause 8

The Sheraton Agreement also promotes employee participation and workplace harmony by focusing on dispute resolution through negotiation between employee and management where possible (see Box CS3.3). Notwithstanding this commitment, the Sheraton Agreement institutionalises the role of the Union as ‘... the exclusive representative of all employees covered by this Agreement’ (Agreement, clause 3.2). The Sheraton Agreement’s position regarding the Union is summarised in Table CS3.7.

Table CS3.7 Role of the Union

<i>Company policies</i>	
The company encourages union membership	<ul style="list-style-type: none"> • The Union has exclusive right to cover employees on the Premises; • all employees are encouraged to join the Union; and • Company deducts Union membership dues.
The company provides preferential treatment of union members	<p>Preference is given to union members when the company is recruiting or shedding labour. However, the Company reserves the right to take employees characteristics into account in hiring and shedding decisions and is thus not absolutely bound to a preference for union members.</p> <ul style="list-style-type: none"> • The Union has the right to consult with members on the premises at times convenient to the Company;
The company facilitates union representation	<ul style="list-style-type: none"> • The Union is entitled to arrange one paid stop work meeting with its members during the life of the Sheraton Agreement. The meeting must not exceed three hours and must be arranged with fourteen days notice; and • There are provisions for up to five employees to be given paid leave to attend trade union training course during the life of the Sheraton Agreement.
<i>Source:</i>	Agreement, clause 30

4 Conclusion

The Sheraton Agreement represents one element of an overall management strategy to make the company more competitive by increasing the quality and flexibility of a relatively permanent staff. As such the focus on the agreement is on provisions that enhance internal numerical and procedural flexibility so that existing staff can be used in as efficient a manner as possible. A commitment to job security and permanent employment has also allowed Sheraton to take advantage of annualised salaries that increases wage flexibility through the ability to 'smooth' out high demand and 'unsociable hour' peaks in the salary system. The major influences of the Sheraton Agreement on workplace flexibility are:

- *external numerical flexibility* — The Sheraton Agreement is less flexible than the award in external numerical flexibility. In particular, provisions covering the use of casual staff and periods of notice reflect Sheraton's commitment to a permanent staff;
- *internal numerical flexibility* — The Sheraton Agreement introduces considerable flexibility in the use of permanent part-time employees and the administrations of rosters;
- *functional flexibility* — The Sheraton Agreement has simplified the award classification structure and institutionalised a multi-skilling 'culture' to work organisation and career progression. There is also a commitment by Sheraton to staff development that facilitates functional flexibility;
- *wage flexibility* — Sheraton has been able to successfully introduce an annualised salary system because of its commitment to permanent employment. Although this does not lower overall costs, there are gains from simplifying management functions such as pricing and forecasting; and
- *procedural flexibility* — Sheraton's TQM focus has resulted in a general flavour of employee participation and a commitment by Sheraton to share the benefits of greater productivity with the staff. Notwithstanding this, the agreement enshrines a central role for the union in dispute settlement and representation of employees. Thus it is clear that Sheraton has not used the Agreement as a way of escaping union involvement.

Although some initiatives of the Sheraton Agreement (such as more flexibility arrangements for the hours of part-time employees) could be incorporated into the parent award with little change, a large part of the content of the Sheraton Agreement relates to management philosophy and commitments by management and staff to organisational goals.

CS4 THE NSW RESTAURANTS AWARD

Although changes in the two federal awards and a number of State awards have introduced a greater degree of flexibility, a number of awards have not been amended for many years. One example of such awards is the New South Wales Restaurants, & c., Employees (State) Award, which has had no significant change for more than fifteen years. The purpose of this case study is to illustrate the importance of keeping awards consistent with the contemporary needs of industry either through restructuring at the initiation of the parties or through a formal process initiated by the State tribunals.

1 Introduction

The New South Wales *Restaurants, & c., Employees (State) Award* (The Restaurants Award) binds all employers and employees engaged in preparing or serving food, liquor and or refreshments for consumption on the premises. However, its principal coverage is employers and employees in the restaurants industry in New South Wales.¹ The Restaurants and Catering Association of NSW (R&CA) estimated that there were approximately 6000 restaurants,² employing more than 50 000 people in NSW in 1995 (sub. 101, p 12).

The Restaurants Award is a useful case study for two reasons. First, it is typical of a number of awards in state jurisdictions without formal award review processes in that it has under gone little change in the last fifteen or so years. Second, it is an award that applies in a sector that is largely dominated by small business (most restaurants employ fewer than ten staff), for whom enterprise agreements may not be a feasible option.

This case study uses the typology of workplace flexibility developed in Appendix F to examine the influence of provisions in the Restaurants Award on

¹ Excluding the County of Yancowinna.

² The Restaurants Award defines a restaurant as:

... any meal room, grill room, coffee shop, tea shop, oyster shop, fish cafe, cafeteria or hamburger shop and shall include any place, building or part thereof stand, stall, tent, vehicle or boat in, or on or from which food is sold or served for consumption on the premises. (Restaurants Award, Clause 2(15))

workplace flexibility. It also draws comparisons with the Federal Hotels Award³ to illustrate how flexibility could be enhanced in State awards.

2 Overview of the award

Many of the provisions in the Restaurants Award date back to the 1960s and have not been changed since they were incorporated. As a result, the award contains a number of provisions that are redundant or no longer relevant to the contemporary industry (see Box CS4.1). A further feature of the Restaurant Award is the poor structure and reference to external legislation (see Box CS4.2) that is likely to make the award difficult to interpret for employers and employees.

Box CS4.1 Reference to other legislation

A number of provisions in the award refer to other legislation regarding employee entitlements or work practices, including the:

- *Annual Holidays Act 1944* (NSW)
- *Annual Leave Act 1944* (NSW)
- *Factories, Shops and Industries Act 1962* (NSW)
- *Industrial Arbitration Act 1940* (repeal and replaced by the *Industrial Relations Act 1991* (NSW))
- *Long Service Leave Act 1955* (NSW)

Source: Restaurant Employees (State) Award

There is constant reference in the award to the *Industrial Arbitration Act 1940* which was repealed by the *Industrial Relations Act 1991* (NSW) more than five years ago. Provisions in industrial relations legislation may take precedence over provisions in statutory rules (such as awards). There is a possibility that some provisions may be inconsistent with, or fail to inform employers of requirements of the current legislation.

One example of such inconsistency is clause 15(e) of the Restaurants award that makes provision for up to eight days of sick leave to be ‘cashed-in’ when the balance of accumulated sick leave exceeds 20 days. However, this is inconsistent with s.99A of the *Industrial Relations Act 1991* (NSW) which came into effect on the 15 February 1993 and states:

An award must not allow or require an employee to cash-in the employee’s accumulated sick leave. (s.99A(1))

³ *Hospitality Industry — Accommodation, Hotels, Resorts and Gaming Award 1995*

Similarly, the award makes no reference the employees' entitlements to parental leave as specified under Division 3 of the *Industrial Relations Act 1991* (NSW).

The remainder of this case study examines the provisions as presented in the Restaurant Award without investigating whether or not they are inconsistent with or overlook provisions in other state legislation.

Box CS4.2 Redundant provisions

The Restaurant Award contains a number of redundant provisions. Although such provisions may not influence the flexibility of workplaces covered by the award, they illustrate the relatively poor state of the award in relation to the contemporary needs of the industry. Some examples of redundant provisions include:

Example 1:

Summit Restaurants Pty Ltd, Sydney, shall have the right to stand-down employees at Sydney Opera House on Monday, 12 July 1976, notwithstanding the other provisions of the Restaurant, &c., Employees (State) Award.

All award rights and privileges, excluding the payment of wages on Monday, 12 July 1976, but including continuity of employment shall be maintained. (Restaurants Award, clause 18)

Example 2:

It is a term of this award (arising from the decision of the State Wage Case — August 1988 (Matter Nos 910 and 911 of 1988)) that the union undertakes, until 1 July 1989, not to pursue any extra claims, award or over-award, except where consistent with the State Wage Case Principles. (Restaurants Award, clause 6)

Example 3:

Subject to section 129B [of the *Industrial Arbitration Act 1940*] a like absolute preference of employment shall be given to persons who are competent for the work required and who have been members of the Forces during the war. (Restaurants Award, clause 23(v))

Source: Restaurant Employees (State) Award

3 Provisions that influence external numerical flexibility

Upon engagement all employees may be informed of the basis of their employment. That is, whether that are permanent full-time or part-time staff or casual employees.

Permanent staff are employed on a weekly basis and are covered by the termination of employment provisions contained in clause 17 of the Restaurants Award. These provisions specify that the notice of termination required from both employer and employee is 48 hours (or two day's pay or forfeiture of pay in lieu). However the award prohibits dismissal of employees:

- for sickness or accident or any other reasonable cause of absence from duty; provided that he informs his employer, within twenty-four hours of his usual starting time, of his inability to commence work; or
- while on annual or sick leave.

Notwithstanding these requirements an employer can dismiss an employee without notice (or pay in lieu) for refusal of duty or wilful misconduct.

However, the ‘unfair dismissal’ provisions in Part 8 of the *Industrial Relations Act* 1991 (NSW) provide an avenue of appeal for all employees (including casuals) against dismissal (or the threat of dismissal) that is ‘harsh, unreasonable or unjust’. Furthermore, the provision has effect despite:

... anything in a contract of service, or an award or agreement, that relates, or at any time related, to the employment of the person. (s.255(b))

Notwithstanding the requirement to satisfy unfair dismissal provisions in the State industrial relations legislation, the Restaurants Award appears less restrictive in terms of external numerical flexibility than the Federal Hotels Award (which requires a minimum of one week’s notice of termination: see Appendix F, Section F.3.1).

4 Provisions that influence internal numerical flexibility

Ordinary hours and overtime

The Restaurants Award specifies the ordinary hours and shift arrangements for full-time, part-time and casual employees (see Table CS4.1). Any work outside ordinary hours is overtime and attracts penalty payments (see Table CS4.8).

Compared to the Federal Hotels Award (see Appendix E, Section E.3.1) the ordinary hours for full-time and part-time employees under the Restaurants Award appear quite restrictive. For example, although the Federal Hotels Award specifies that ordinary hours for full-time employees must average 38 hours per week, there are a wide range of options to achieve this. There is no similar flexibility in the Restaurants Award. Similarly the ordinary hours for part-time employees with regard to maximum and minimum hours per day and hours per week are far more restrictive in the Restaurants Award when compared to the Federal Hotels Award. Finally, the minimum engagement for casual employees is also more restrictive than in the Federal Hotels Award (2.5 hours compared to 2 hours respectively).

Table CS4.1 Working time arrangements

	<i>Permanent employees</i>		<i>Casual</i>
	<i>Full-time^a</i>	<i>Part-time</i>	
Ordinary working hours	40 hours per week 10 hours per day 5 days per week	4 to 6 hours per day 20 to 30 hours per week 4 to 5 days per week ^b	The only restriction is a minimum engagement of 2.5 hours
Shift arrangements:			
Spread of hours ^{bc}	11.5 hours	11.5 hours	11.5 hours
Broken shifts Allowed	Yes	No	Yes
Core hours	6 am to 12 midnight	6 am to 12 midnight	6 am to 12 midnight
Break between shifts	10 hours	10 hours	10 hours
a	The ordinary hours for apprentices must not exceed eight hours per day.		
b	Although the award specifies 'not more than five days each week', when taken in the context of a maximum six hours per day this effectively means four to five days per week.		
b	Exclusive of meal breaks		
c	The maximum spread of hours for apprentices is 11 hours. For apprentices under 17 years of age the maximum spread of hours is 10 hours, furthermore they are not required to work after 9 pm.		
<i>Source:</i>	Restaurant Employees (State) Award, 7 August 1995		

The one area where the Restaurants Award offers greater flexibility is in core hours: that is, the limits on normal starting and finishing times. In the Restaurants Award normal starting and finishing time can be between 6 am and 10 pm without penalty, however for the Federal Hotels Award core hours are between 7 am and 7 pm.

Employers are required to post a roster detailing the regular starting, finishing and meal times, and rostered days off for each employee. This roster can be altered at any time by mutual consent, within twelve hours when change is rendered necessary by the absence of other employees (or shortage of staff), or with not less than three days notice under normal circumstances.

There are provisions for staff to work overtime at penalty rates (see Table CS4.8). However, there is no flexibility for time off in lieu of overtime payment as exists in the Federal Hotels Award.

Breaks, paid and unpaid leave

Employees are entitled to a maximum of two unpaid meal breaks of at least thirty minutes duration per day. There are a number of restrictions on the timing of meal breaks. For example:

- an employee must not work more than five hours without a meal break;
- meal breaks cannot be more than five hours or less than four hours apart;

- employees who start work at or after 9 am must not be required to take a meal period before 11 am; and
- employees cannot be required to take a dinner or tea period before 4 pm.

However there are provisions for employees to work through their meal break or vary the timing of the meal break.

For example, the timing of the meal break can be varied by thirty minutes either way due to an emergency, without penalty to the employer. However, in all other circumstances:

- employees who work through their meal break are paid 1.5 times the ordinary rate for that time;
- where employees work more than five hours without a meal break they are paid 1.5 times the ordinary rate until a meal break is taken.

The Award also contains a provision that allows employees and employers to enter an agreement for meals to be supplied on the premises for a nominal charge of seventy four cents per meal (Part B, Table 2(7)). However, the award is quite prescriptive in specifying that the meals must include:

- (a) Breakfast shall consist of porridge, steak or chops or sausages or bacon and eggs and fish on one day of each week.
- (b) Midday meal shall consist of soup, entree or joint and vegetables and sweets and fish on one day of each week.
- (c) Evening meal shall consist of hot entree or cold joint and salad and cheese and fish on one day of each week.
- (d) In establishments where porridge and soup are not served to the public these items need not be provided. (Restaurants Agreement, clause 20(iv))

Public holidays, annual and long services leave provisions refer to the relevant state legislation; that is, the *Annual Leave Act 1944* (NSW), *Annual Holidays Act 1944* (NSW), and *Long Service Leave Act 1955* (NSW) respectively. The award also specifies employees' entitlements to bereavement leave (two days) and sick leave (see Table CS4.2). Furthermore, although not referred to in the award in any provision, employees are entitled to maternity, paternity and adoption leave as detailed in Division 3 of the *Industrial Relations Act 1991* (NSW).

Where employees work on public holidays, they must be paid 2.5 times the ordinary hourly rate and be engaged for (or paid for) a minimum of four hours. Although work on public holidays is otherwise voluntary, an employee may be required to work upon a public holiday upon which his/her rostered day off falls.

Table CS4.2 Sick leave

<i>Length of continuous service</i>	<i>Paid sick leave entitlement</i>
less than one month	Nil
more than one month and less than six	5/12 of a day for each month
six months to one year	5 days
more than one year ^a	8 days per year

a Sick leave shall accumulate from year to year. The award allows for employees to receive payment in lieu for up to eight untaken sick days per year when the balance of untaken sick days exceeds twenty days. Such payment is at ordinary rates of pay as specified by the award. Note that this provision is inconsistent with current legislation (see Section 2).

Source: Restaurant Employees (State) Award, 7 August 1995

5 Provisions that influence functional flexibility

The Restaurants Award currently has 23 separate job classifications and 41 separate pay classifications (see Table CS4.3). Although there are no provision prohibiting staff from being shifted between classification, the award states that:

An employee engaged for more than two hours during one day or shift on duties carrying a higher rate than his ordinary classification, shall be paid the higher rate for such day or shift. If engaged for two hours or less during one day or shift, he shall be paid the higher rate for the time so worked. (Restaurants Award , clause 16)

The only evidence of restrictions (other than limits on the weight that can be lifted by staff) is in relation to cleaning tasks required of female staff (presumably to reduce the risk of sexual harassment):

Waitresses and pantrymaids shall not be required to perform any scrubbing or polishing of floors or any internal cleaning over 1.828 metres from the floor level or any external cleaning. (Restaurants Award, clause 21(iii))

The award makes provisions for trainees and junior at lower rates than normal adult employees. Trainee classifications include three-and-a-half year and four year apprenticeships and for employees on two year waiting courses (see Table CS4.4). On-the-job training is facilitated through ‘improver waitresses’ (waitresses with less than six months experience), and juniors (employees age under 21 years) (see Tables CS4.5 and CS4.6 respectively).

There appears to be no impediment to redeploying existing staff (other than discussed above) in the Restaurants Award.

There are restrictions on the ratio of juniors and improver waitresses to adult and experienced staff. That is, juniors only be employed in the proportion of one junior to each four adult employees. Similarly, improver waitresses can only be employed in the proportion of one improver waitress to each four

waitresses. Given that many establishments employ ten or less people this may limit the flexibility of enterprises to engage trainee staff.

Table CS4.3 Full-time pay classification

<i>Description</i>	<i>Pay classifications</i>
<i>Trainees and juniors</i>	
Cooking apprentice 3.5 year course	4
Cooking apprentice 4 year course	4
Improver waitress	3
Junior employee	4
Waiter/ess 2 year course	2
Total trainees and juniors	17
<i>Cooking</i>	
Chef	4
Cook Alone	1
Grill or Stove Cook	1
Pastry, Pudding or Sweets Cook	1
Qualified Cook	1
Second, Grill or Stove, Vegetable, Pastry Assistant or other cook	1
Second Cook	3
Second Pastrycook	1
Sweets Cook	1
Third, Vegetable, Assistant or Other Cook	1
Third Cook	1
Vegetable, Assistant or Other Cook	2
Total cooking	18
<i>Waiting and other</i>	
Cashier, Bar Attendant	1
Head Waiter/Waitress, Supervisor	1
Oyster Opener	1
Sandwich & Saladmaker, Linemaids, Kitchenhand/maid, Pantryman/maid, Cleaner and or useful	1
Storeman and or Cellarman	1
Waiter/Waitress, Counterhand	1
Total waiting and other	6
Total all pay classifications	41

Source: Restaurant Employees (State) Award, 7 August 1995

Table CS4.4 Minimum rates for trainees (August 1995)

	<i>Waiting course</i>		<i>3.5 year Apprenticeship (cooking)</i>		<i>4 year Apprenticeship (cooking)</i>	
	<i>(\$week^a)</i>	<i>(\$hour)</i>	<i>(\$week^a)</i>	<i>(\$hour)</i>	<i>(\$week^a)</i>	<i>(\$hour)</i>
1st year	196.75	4.92	144.00	3.60	144.00	3.60
2nd year	234.45	5.86	194.50	4.86	169.90	4.25
3rd year	na	na	236.00	5.90	212.65	5.32
4th year	na	na	256.55	6.41	252.00	6.30

a In addition to the minimum rate entitlements apprentices are entitled to the a proficiency allowance when they pass the prescribed subjects for each year of their apprenticeship. The proficiency rates payable at the end of 1st, 2nd and 3rd year respectively are: \$1.50, \$2.50 and \$3.00 per week. Apprentices are also entitled to a 50 cent per week tool allowance if the employer does not supply the necessary tools.

Source: Restaurant Employees (State) Award, 7 August 1995

Table CS4.5 Minimum rates for improver waitresses^a (1995)

	<i>(\$week)</i>	<i>(\$hour)</i>
First three months	221.18	5.53
Second three months	235.92	5.90
Thereafter	294.90	7.37

Note: Improver waitresses can only be employed in the proportion of one improver waitress to each four waitresses.

a An 'improver Waitress' is defined as a waitress with less than six months' experience.

Source: Restaurant Employees (State) Award, 7 August 1995

Table CS4.6 Minimum rates for juniors (1995)

<i>Age</i>	<i>Full-time</i>		<i>Part-time</i>	<i>Casual</i>
	<i>(\$week)</i>	<i>(\$hour)</i>	<i>(\$hour)</i>	<i>(\$hour)</i>
Under 18 years	182.85	4.57	5.25	6.59
18 to 19 years	200.55	5.01	5.77	7.24
19 to 20 years	230.00	5.75	6.61	8.30
20 to 21 years	259.50	6.49	7.46	9.37

Note: Juniors can only be employed in the proportion of one junior to each four adult employees.

Source: Restaurant Employees (State) Award, 7 August 1995

6 Provisions that influence wage flexibility

The Restaurants Award specifies minimum pay rates for full-time, part-time and casual employees. Pay rates and job classifications vary according to the usual staff size (defined by number of cooks employed) (see Table CS4.7).

Table CS4.7 Variation in minimum wage between organisations based on staff size — selected classifications (1995)

	<i>Number of cooks usually employed</i>							
	<i>Two</i>		<i>Three</i>		<i>Four</i>		<i>Five</i>	
	<i>(\$week)</i>	<i>(\$hour)</i>	<i>(\$week)</i>	<i>(\$hour)</i>	<i>(\$week)</i>	<i>(\$hour)</i>	<i>(\$week)</i>	<i>(\$hour)</i>
Chef	309.50	7.74	319.10	7.98	324.50	8.11	332.10	8.30
Second chef	303.50	7.59	306.70	7.67	311.60	7.79	317.70	7.94
Third Cook	na	na	302.40	7.56	307.00	7.68	na	na
Vegetable, Assistant or Other Cook	na	na	302.40	7.56	302.40	7.56	302.40	7.56
Pastry, Pudding or Sweets Cook	na	na	na	na	na	na	308.80	7.72
Waiter/Waitress, Counterhand	294.90	7.37	na	na	na	na	na	na

a Includes Grill or Stove, Vegetable, Pastry Assistant or other cooks in establishment that usually employ two cooks.

Note: The above table present only a sample of the pay classifications in the award.

Source: Restaurant Employees (State) Award, 7 August 1995

In addition to minimum hourly rates, the Restaurant Award specifies penalty rates for overtime work, work on weekends and public holidays and work by casuals and part-time employees (see Table CS4.8).

The penalty loadings for casual and part-time work are higher in the Restaurants Award than the Federal Hotels Award which may restrict the use of casual and part-time employees. For example, the casual loading in the Federal Hotels Award is 25 per cent compared to 33 1/3 per cent in the Restaurants Award. Similarly, the loading for part-time employees is 10 per cent in the Federal Hotels Award compared to 15 per cent in the Restaurants Award.

There are no provisions that allow penalty payments to be incorporated into annualised base rates or for employees to substitute time-off in lieu of overtime or weekend work.

7 Provisions that influence procedural flexibility

There are no provisions covering consultation or dispute resolution. However in a number of provisions in the award reference is made to approval, notification or the right of entry of 'the union'. The union is defined as the Federated Liquor and Allied Industries Employees' Union of Australia New South Wales Branch, which is now the Australian Liquor, Hospitality and Miscellaneous Workers Union (NSW).

Table CS4.8 Penalty Rates and allowances

<i>Description</i>	<i>Pay rate, loading or allowance</i>
Casual loading ^a	33 1/3 per cent of ordinary hourly rate
Part-time loading ^{ab}	15 per cent of ordinary hourly rate
Allowance for working split shifts	\$2.82 per day
Allowance for finishing work after 10 pm and before 12 pm	\$2.82 per day
Laundry allowance:	
Cooks	5.35 per week
Other	3.00 per week
Other (non iron)	2.00 per week
Overtime:	
First two hours	Ordinary time-and-a-half
thereafter	Double-time
Sundays	Double-time
Work between 12 pm and 6 am:	
Monday to Saturday	Time-and-a-half
12 pm Saturday to 6 am Sunday	Double-time
Work between 6 am and 12 pm ^c	
Monday to Friday	Time-and-a-half
Saturday	Double-time
Sunday	Time-and-three-quarters
Work on public holiday or rostered-day-off	Double-time-and-a-half (Min 4 hours)

Note: 'Time-and-a-half' means one and a half times the ordinary hourly pay rate. 'Double-time' means twice the ordinary hourly pay rate. 'Time-and-three-quarters' means one and three quarter times the ordinary hourly pay rate. 'Double-time-and-a-half' means two and one half times the ordinary hourly pay rate.

a These loadings are in addition to the ordinary hourly rate.

b Part-time loadings do not apply to payment for overtime, work on Saturdays, Sundays or Public Holidays, or where the award prescribes a payment of double the ordinary hourly rate ('double-time').

c See the late finish allowance in the table.

Source: Restaurant Employees (State) Award, 7 August 1995

8 The future of the Restaurants award

The inadequacies of the Restaurants Award were acknowledged by the Restaurant and Catering Association of NSW (R&CA) in its submissions to the inquiry. They have further acknowledged the need to restructure the award:

... most of which dates back to the 1960's and earlier — to better reflect the needs of the restaurant industry in the 1990's. (R&CA 1995, p. 7)

The R&CA made application to the NSW Industrial Relations Commission in January 1996 for a new Restaurant Employees (State) Award with major changes in regard to:

... penalty rates, loadings and hours of work reflect standards which have been determined as appropriate by the Industrial Relations Commission and which have been incorporated into many other awards. (R&CA 1995, p. 7)

The R&CA argued that this process should:

... leave the restaurant awards in much the same condition as the [Federal] Hotels and Motels Award in a broad sense. (trans, p. 1668)

In general terms, they suggested that this would improve the award:

Most of the hours, flexibilities, and part-time arrangements and loadings and things, are satisfactory (trans, p. 1669).

However, they argued that some provisions in the federal awards such as:

... penalty rate of time and three-quarters on Sunday is still very — is still too high in relation to — the flexibility of a lower rate could issue to rostering flexibility and efficiency. (trans, p. 1669)

The R&CA has been directed by the NSW Industrial Relations Commission to hold discussions with the Liquor, Hospitality, Miscellaneous Workers Union — NSW (LHMWU) regarding the proposed award. Although Table CS4.9 contains a summary of the types of changes the R&CA would like to introduce, the R&CA points out that the final result will depend on negotiations with the union and/or the decision of the NSW Industrial Relations Commission.

The new award is not expected to come into effect until the second half of 1996.

Table CS4.9 Changes proposed by the R&CA

<i>Proposed changes</i>	
Hours of Work	The introduction of a flexible 38 hour week that will allow employees to work greater hours in busier periods and fewer hours during quiet times. Provided that the employee does not average more than 38 hours per week no overtime would be payable.
Weekend Penalty Rates	Reduction in weekend penalties from time-and-one-half, and time-and-three-quarters, for Saturday and Sunday work respectively, to time-and-one-quarter, and time-and-one-half as contained in other awards.
Part-time employees	Reform of provisions covering part-time employment including restrictions on hours and penalty loading.
Casual Employees	Reducing the loading for casual employees from 33 1/3 per cent to 15 per cent.
Classification Structure	Review the classification structure to introduce a new broad-banded seven grade classification structure which replaces the 23 different grades contained in the current award. The structure will be skill based and allow employees to perform a wider range of duties than currently possible. In addition, the classification structure will provide employees with a career path and recognise qualifications received in other sectors of the hospitality industry.
Junior Employees	It is proposed the current restrictions on junior employment (1 junior to each 4 adult employees), be removed.
Wage Rates	<p>The new award will unavoidably involve substantial wage increases. Employees have increases owing under State wage Case principles which date back to 1987. It is estimated that wage increases will be on average around 25 to 30 per cent.</p> <p>We are attempting to phase these increases over a two year period whilst gaining concessions in the areas outlined above to reduce their impact on the industry.</p>
<i>Source:</i>	Information supplied by the R&CA

