
TOURISM ACCOMMODATION AND TRAINING

PART D

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References

A INQUIRY PARTICIPANTS

As part of the public inquiry process, the Commission visited a number of industry organisations to seek their views. Industry representatives also participated in the inquiry by attending public hearings and providing submissions to the inquiry.

All those who assisted the Commission in these ways are listed in the following Attachments.

Attachment A1 Industry visits

The organisations who assisted the Industry Commission in the course of the inquiry are listed below.

New South Wales

Accor Asia Pacific
Altair Financial Group
AMP Investments Australia
Australia Pacific Projects Corporation
Australian Liquor, Hospitality and Miscellaneous Workers Union
Australian Tourist Commission
Australian Tourism Group
Australian Youth Hostels Association
Blake Dawson Waldron
Club Med
Colliers Jardine
Construction Industry Development Authority
County Natwest Securities Australia Limited
Hilton International
HMG Hotels
I.D. Tours South Pacific
Inbound Tourism Organisation of Australia
Institute of Transport Studies - University of Sydney
JLW TransAct
Kumagai Australia
Life Insurance Federation of Australia
Macquarie Bank
Mike Yazbeck Real Estate
Motor Inn, Motel and Accommodation Association
Pacific Asia Travel Association
Qantas Airways
Rein, Ms Ann
SBC Warburg
Sheraton Sydney Airport
Southern Pacific Hotels Corporation
Sydney Organising Committee for the Olympic Games
Thakral Holdings Group
Touraust Corporation
Tourism Council Australia - Investment and Infrastructure Committee

Tourism New South Wales
The Tourism Task Force
Tourism Training Australia
University of Technology, Sydney - Faculty of Business

Victoria

Ansett Airlines
ANZ Banking Group
Australian Bankers' Association
Australian Conservation Foundation
Flag International
Independent Travel Group
Millar, Ms Jenny
Tourism Victoria
Victorian Accommodation Association
Victorian Tourism Operators Association

Queensland

Australian National Training Association
Australian Workers Union
Building Owners and Managers Association
Cairns College of TAFE
Cairns Convention Centre
Cairns Hilton
Carr Holdings
Colliers Jardine
Department of Tourism, Sport and Racing
Far North Queensland Promotion Bureau
Far North Queensland Institute of TAFE
Gold Coast City Council
Gold Coast Tourism Bureau
Griffith University
Horwath and Horwath
Intek Group Management
JLW TransAct
James Cook University - Economic Research Unit
Motor Inn, Motel and Accommodation Association Far North Queensland
Movieworld
Nevard, Mr Tim
Probe

Queensland Hotel Association
Queensland Tourist and Travel Corporation
Rider Hunt
Tourism Council Australia
Wet Tropics Management Authority

Tasmania

Drysdale Institute of TAFE
Department of Tourism, Sport and Recreation
Independent Tourism Operators of Tasmania

Western Australia

AFTA Travel College
Ashbolt, Mr Tony
Broadwater Resort Busselton
Broome's Last Resort Backpackers
Cable Beach Club
Edith Cowan University - School of Tourism
Events Corp
Gascoyne Development Commission
Geographe Bayview Resort
Hospitality and Tourism IETC WA
Hospitality Inns
Kareelya Property Group
Kimberley Tourism Association
Lord Forrest Hotel
Perth Convention Bureau
Shire of Busselton
Sly and Weigall
South West Development Commission
TAFE Bunbury
WA Inbound Tour Operators Association
Western Australian Tourism Commission

South Australia

Dunstan, The Hon Don
Hyatt Regency Adelaide
Kangaroo Island Sea Link

Kinsmen
National Centre for Vocational and Educational Research
Regency Institute of TAFE
South Australian Tourism Commission

Northern Territory

AAT Kings
Araluen Centre for Arts and Entertainment
Ayers Rock Resort
Australian Outback Tourism Developments
Centralian College
Gaymark Investments
MacDonnell Range Holiday Park
Northern Territory Tourism Industry Training Council
Northern Territory Tourist Commission
Northern Territory University – Faculty of Business
Plaza Hotel

Australian Capital Territory

Australian Bureau of Statistics
Australian Hotels Association
Australian International Hotel School
Bureau of Tourism Research
Capital Parkroyal
Commonwealth Department of Tourism
Tourism Council Australia

Attachment A2 Participants at public hearings

Initial public hearings

Sydney (17 May 1995)

Tourism Training Australia
Altair Financial Group
Murramarang Resorts Pty Ltd
Kenvale College
National Restaurant and Catering Association

Darwin (22 May 1995)

Discovery Ecotours
Northern Territory Tourism Industry Training Council Inc
Ian Menzies and Associates
Northern Territory Tourist Commission

Melbourne (29–30 May 1995)

Proceed Adult Education Centre
RMIT and William Angliss College
Peninsula TAFE
Bairnsdale Adult Community Centre
Kunwar Raj Singh
Victoria University of Technology
Australian Reservation Service
Council of Australian Tourism Students
Loddon Campaspe College of TAFE

Adelaide (5 June 1995)

Australian Farm and Country Tourism
South Australian Government

Perth (6 June 1995)

Indian Ocean Tourism Organisation
WA Hospitality and Tourism Industry Training Council
Perth Convention Bureau
Western Australian Tourism Commission
Australian Liquor, Hospitality and Miscellaneous Workers Union of Western
Australia
National Restaurant and Catering Association

Brisbane (13–14 June 1995)

Robert Greenway
University of Queensland, Gatton College
Moloney Marketing
Queensland Commercial College
Southern Cross University
Centre for Tourism, Southern Cross University and the Council of Australian
University Tourism and Hospitality Educators
Department of Government, University of Queensland
Centre for Tourism and Hospitality Studies, Bond University
Cooloola Sunshine Institute of TAFE

Hobart (3 July 1995)

Department of Education and the Arts
Gerald White
Richard Wright
Hospitality Services
Tourism Council of Australia, Tasmanian Branch
Drysdale Institute of TAFE

Canberra (6 July 1995)

Department of Industrial Relations
Tourism Council Australia
Australian Hotels Association
Commonwealth Department of Tourism
NICAN and ACROD

Canberra (10 July 1995)

Bombala and District Development Association
Australian Automobile Association
School of Tourism and Hospitality at the Canberra Institute of Technology
Motor Inn Motel and Accommodation Association
Canberra Tourism
The Tourism Task Force
Tourism Council Australia, Canberra Region Branch

Cairns (13 July 1995)

Cairns Hilton
Chamber of Commerce
Cairns International Hotel
Max Murray and Anita Murray

Cairns Regional Committee of Tourism Training Queensland
Executive Club
Cape York Land Council
Douglas Shire

Draft report public hearings

Brisbane (6 December 1995)

Australian National Training Authority
Burchill Strategic Projects
Griffith University, Faculty of Business and Hotel Management
University of Queensland, Gatton College
Registered and Licensed Clubs Association of Queensland
Neill Colledge

Cairns (7 December 1995)

Cairns Hilton Hotel
Far North Queensland Promotion Bureau
Carr Holdings Queensland Pty Ltd

Melbourne (11 December 1995)

Australian Workers Union (Queensland)
Tourism Training Victoria

Sydney (12 December 1995)

Tourism Training Australia
Tourism Task Force and Macquarie Bank Tourism
Building Owners and Managers Association and
Hotel and Tourism Properties Committee, Bowmer, New South Wales
Thakral Holdings Ltd
Restaurant and Catering Industry Association of Australia
Tourism Training New South Wales
ID Tours South Pacific Pty Ltd

Canberra (14 December 1995)

Tourism Training ACT and Region
National Information and Communication Awareness Network

Canberra (19 February 1996)

Tourism Council Australia
IAE Industries

Australian Hotels Association
Fishex Australia Ltd

Canberra (20 February 1996)

Hotel, Motel and Accommodation Association of Australia (previously Motor
Inn, Motel and Accommodation Association)
The Registered and Licensed Clubs Association of Australia

Attachment A3 Submissions to the inquiry

Organisations and individuals who made submissions to the inquiry are listed below.

<i>Submitter</i>	<i>Submission number</i>
ACROD Limited	34
ACT Department of Business, the Arts, Sport and Tourism	184
Action for Public Transport	51
AgAssist	36
Altair Financial Group Pty Ltd	16, 38, 67
Altrad Consulting Pty Ltd	3, 119
Ansett Australia	58
Atherton, Mr T — Centre for Tourism and Hospitality Studies, Bond University	44
AUSRES	47
AussieHost	121
Australian Automobile Association	92
Australian Centre for Tourism and Hospitality, The	176
Australian Council of Trade Unions (ACTU) and the Australian Liquor, Hospitality and Miscellaneous Workers Union (LHMU)	45
Australian Farm and Country Tourism Inc (AFACT)	11, 66
Australian Hotels Association	91, 115, 157, 161 174, 179
Australian Housing and Urban Research Institute	8, 169
Australian Incentives and Events Agency	2
Australian Liquor, Hospitality and Miscellaneous Workers Union (LHMU)	171, 175
Australian Liquor, Hospitality and Miscellaneous Workers Union (LHMU) WA	76, 99
Australian National Training Authority	133, 151
Australian Tourist Commission	178
Australian Workers' Union - Queensland Branch	75, 167
Bairnsdale Adult Community Education Inc	39
Bathurst Visitors' Centre	128
Building Owners and Managers Association of Australia Limited (BOMA)	162, 170, 182
Burchill Strategic Projects	86, 117, 130
Cairns Hilton	96, 138
Cairns International Hotel	103
Callipari, Mr M — Department of Tourism and Hospitality, Loddon Campaspe College of TAFE	53
Cameron, Mr B	177
Campbell, Mr B S	13
Canberra ASH Incorporated	113, 147
Canberra Institute of Technology	93
Canberra Tourism Commission	100
Carr, Mr Rick	137
Centre for Hospitality and Tourism Management, University of Queensland	33

Centre for Tourism, Southern Cross University	71, 102
Centre for Tourism and Hotel Management Research, Griffith University	41, 84
Colledge, Mr N	125
Commonwealth Department of Tourism	89, 107
Conservation Council of Western Australia Inc	88
Cooloola Sunshine Institute of TAFE	79
Council of Australian University Tourism and Hospitality Educators (CAUTHE)	72
Craig-Smith, Associate Professor S	6
DATAB Pty Ltd	4
Deafness Forum of Australia	127
Department of Education and the Arts (TAS)	80
Department of Employment, Education, Training and Youth Affairs	183
Department of Industrial Relations	90, 110, 145
Department of Premier and Cabinet (VIC)	98, 148
Dowell, Mr R	64
Drysdale Institute of TAFE	18
Eades, Mr R M	9, 131
Eaton, Mr S D	25, 55
Executive Club, The	65
Far North Queensland Promotion Bureau	139
Fishex Australia Ltd	159
Greenway, Mr R J	27, 68
Hilton Hotels Australia Pty Ltd	154
Hospitality Services — Tasmanian Hospitality Group Apprenticeship Scheme Inc	87
Hospitality Training Network of NSW Limited	74
Hotel, Motel and Accommodation Association of Australia (HMAAA, formerly MIMA)	166
IAE Industries	164
Independent Tourism Operators of Tasmania Pty Ltd	1
Independent Travel Group	168
Indian Ocean Tourism Organisation	40
Kenvale College	14
Knoll, Mr C — Queensland Commercial College	70
Labour and Industry Research Unit, Department of Government, University of Queensland and the Faculty of Humanities, Griffith University	19
Meetings, Incentives, Conventions and Exhibitions Industry Council	104
Moloney, Mr R J	26
Motor Inn, Motel and Accommodation Association (MIMA, now HMAAA)	78, 116, 156
Murray, Mr R M and Mrs A V	97
National Centre for Studies in Travel and Tourism (NCSTT)	106, 149
National Languages and Literacy Institute of Australia, The	112
National Restaurant and Catering Association	15
Newcastle Tourism Ltd	142
NICAN	120

NICAN and the National Recreation Network	31
North Point Institute of TAFE	12
Northern Rivers Regional Development Board Inc	52
Northern Territory Tourist Commission	37
NT Tourism Industry Training Council Inc	28, 153
Panthers of Penrith	7
Pigram, Professor John J	35
Preece, Mr N — Discovery Ecotours	59
Proceed Adult Continuing Education Centre	48
Queensland Department of Tourism, Sport and Youth and the Department of Employment, Vocational Education, Training and Industrial Relations	114
Queensland Department of Training and Industrial Relations and Department of Tourism, Small Business and Industry	181
Queensland Hotels Association	165
Registered and Licensed Clubs Association of Australia	141, 158, 163
Registered and Licensed Clubs Association of Queensland	124
Restaurant and Catering Industry Association of Australia	143, 173
Restaurant and Catering Association of NSW and Motor Inn, Motel and Accommodation Association (MIMA)	101
Rider Hunt Queensland Pty Ltd	69, 126
Royal Melbourne Institute of Technology (RMIT) and William Angliss College	62
Ruys, Mr H	132
Ruys, Mr H and Mr G Roache	43
School of Leisure and Tourism Studies, Faculty of Business, University of Technology Sydney	54
Schwab, Mr E — Department of Hospitality and Tourism, Peninsula College of TAFE	61
Sheraton Towers Southgate	172
SHHH Australia Inc	123
Singh, Dr Kunwar Raj	60
South Australian Government	49
South West College of TAFE	20, 109
South West Development Commission	56
TAFE Tourism and Hospitality Educators' Forum	32
Tasmanian Department of Tourism, Sport and Recreation	42
Timo, Mr N	129
Tourism and Hospitality Group — SA TAFE and the South Australian Government	111
Tourism Council Australia	57, 105, 136, 155
Tourism Council Australia — Canberra Region Branch	77
Tourism Council Australia — Tasmanian Branch	82
Tourism Task Force	95, 118, 135
Tourism Training ACT and Region	144
Tourism Training Australia	17, 73, 85, 146, 152
Tourism Training NSW	140
Tourism Training Queensland - Cairns Regional Committee	46

Tourism Training Tasmania	24
Tourism Training Victoria	10, 134, 180
Tourism-Hospitality Training S.A.	30, 122
Treasury, The	5, 21
Victoria University of Technology	29, 108
Walcott, Ms J	94
Wells, Mrs J	23
Wentworth-Walsh, Ms D	160
Western Australian Hospitality and Tourism Industry Training Council	63
Western Australian Tourism Commission	50
White, Mr G	81
Wong, Mr D	22
Worksafe Australia	150
Wright, Mr R M	83

B ECONOMY-WIDE IMPACTS OF INCREASED TOURISM DEMAND

Tourism spending in Australia has been increasing. This is expected to continue through increased inbound tourism and an increase in the proportion of domestic income devoted to tourism expenditure.

In this Appendix, the Orani model of the Australian economy is used to analyse the impact of an increased role of tourism in the economy. An increase in the proportion of the tourism sector in the economy affects the rest of the economy through interindustry linkages and competition by different industries for resources used in producing goods and services.

Simulation results indicate that, in the long run, an increase in the relative size of the tourism sector can produce income and employment gains. However, if labour is not readily available to accommodate the increase in the tourism sector, the resulting pressure on wages can reduce these gains. Wage increases throughout the economy result in increased production costs; this in turn makes Australian exports more expensive and reduces the volume of traditional exports from primary industries.

Thus, industries associated with the tourism sector may benefit (either directly, or indirectly through interindustry links) from an increase in the relative size of the tourism sector. However this may occur at the expense of industries competing for resources, when resources (especially labour) are in limited supply.

Inbound tourism spending in Australia has grown as visitor numbers and their spending have increased. Domestic tourism spending has also grown faster than other consumer expenditure. The structure of the economy has thus tended to shift towards tourism-related industries. The objective of this Appendix is to investigate the impact of such a shift on tourism-related industries (such as accommodation), the labour market, and the economy as a whole. The structure of inbound and domestic tourism expenditure and the characteristics of the accommodation industry are described in Annex B1.

Tourists purchase many goods and services and through this affect many sectors of the economy. Accommodation represents an important component of tourist expenditure. Changes in tourism spending not only affect the industries that

produce the goods and services tourists buy, but can affect the pattern of production across all industries, the labour market and the use of capital. The economy-wide impacts of changes in tourism spending have been modelled in this Appendix using the ORANI model of the Australian economy.

B.1 Growth in tourism expenditure

Real inbound tourism spending has been growing at an average rate of about 10 per cent per annum. It has increased from 7 per cent of current account credits in 1981 to over 10 per cent of credits in 1994, growing more quickly than total exports (BTR 1995b). Real inbound tourism spending is affected both by the number of visitors and the level of their spending.

The Domestic Tourism Expenditure Survey (DTES) (BTR 1992) provides a snapshot of domestic tourism spending in 1992, and the Bureau of Industry Economics (BIE 1984) provides similar data for one decade earlier. Domestic tourism spending grew at about 4.5 per cent per annum (in real terms) between 1982 and 1992, compared with consumption spending growth of 3 per cent per annum over the same period. That is, domestic spending on tourism has been growing faster than other household spending.

A number of factors may explain these increases in inbound and domestic tourism spending. They are related to consumer attitudes in the face of changes in their incomes, the cost of tourism goods and services, changes in demography and increasing leisure time.

Increases in income are associated with a more than proportional increase in tourism spending. This is to be expected as the income elasticity for tourism spending is expected to be, and has been measured to be, greater than one (see Crouch 1994). Income growth is probably the main determinant of the increasing proportion of tourism expenditure, both for domestic and inbound tourists.

The cost of a holiday also influences the holiday component of total tourism spending. The important variables are the relative prices of different destinations (both the cost of transportation and the cost of other services associated with the holiday) and the relative prices of tourism and non-tourism goods and services. The cost of staying at a holiday destination is influenced by the ease with which it may be accessed and the cost of staying there. This itself can be influenced by government spending on infrastructure (such as roads or water and electricity provision). Such government spending has therefore an effect on tourism spending by affecting the cost to a tourist of attaining, or staying at, a desired destination.

B.2 A framework for economy-wide analysis

The increases in tourism spending described above have been argued to benefit the Australian economy (DoT 1992). The following analysis examines how a shift in the economy's structure towards a larger tourism sector in response to a shift in relative demand toward tourism-related products would affect the economy as a whole, as well as the accommodation and other tourism-related industries.¹

B.2.1 Inbound tourism

Inbound tourism expenditure is defined as all the spending incurred by non-residents while visiting Australia. This includes payments they may have made while in their home country on goods and services produced by Australia (such as are paid for in package tours). Both business and non-business tourism expenditure are included.

The ORANI model is used to illustrate the effect of increased inbound tourism on the Australian economy. In this modelling exercise, expenditure by inbound tourists on Australian goods and services is increased by 10 per cent.² The pattern of expenditure used in the simulations is based on current aggregate expenditure patterns. Although patterns of inbound tourism spending might change as the proportion of tourists coming from particular countries changes, this is not factored into the analysis.

When inbound tourists buy an Australian good or service, the sale represents an export in the balance of payments. Exports of accommodation and restaurant services are entirely attributed to tourist purchases. Exports of most other goods can leave the country. For example, entertainment can be sold to inbound tourists in Australia, or it can leave the country in the form of movies or when entertainers perform abroad.

Figure B.1a represents inbound tourism expenditure as a proportion of total exports by expenditure category. Tourism exports represent 11.7 per cent of total exports. Thus, a 10 per cent increase in inbound tourism demand corresponds to a 1.17 per cent increase in total exports in the first instance. This initially increases the proportion of tourism expenditure in total exports to 12.8 per cent (Figure B.1a). This direct increase will be affected by feedback

¹ This analysis does not address any externalities related to increased visitor numbers. Other general equilibrium studies of increased inbound tourism demand are described in Annex B2.

² See Annex B3 for a description of how the increase in inbound tourism spending is modelled.

effects as other industries in the economy adjust to the initial changes in tourism demand. Exports of accommodation are assumed to be sales to tourists (100 per cent in Figure B.1). As a result, even though accommodation exports increase by 10 per cent, as a proportion of total exports, they still represent 100 per cent. However, as only 3.4 per cent of all exports of 'other commodities'³ are sold to tourists, a 10 per cent increase in tourism exports results in a 0.34 per cent increase initially in total exports of 'other commodities'.

B.2.2 Domestic tourism

Domestic tourism is composed of business and non-business tourism. However, the analysis in this Appendix of domestic tourism spending concentrates on expenditure by non-business tourists. They are referred to as holiday tourists. Since business travel expenses are an input into Australian production they are accounted for in the model, and change in proportion with the general level of activity. Domestic holiday tourism expenditure includes travel or travel-related expenses incurred by Australian residents as well as other expenses directly related to the tourism activity undertaken.

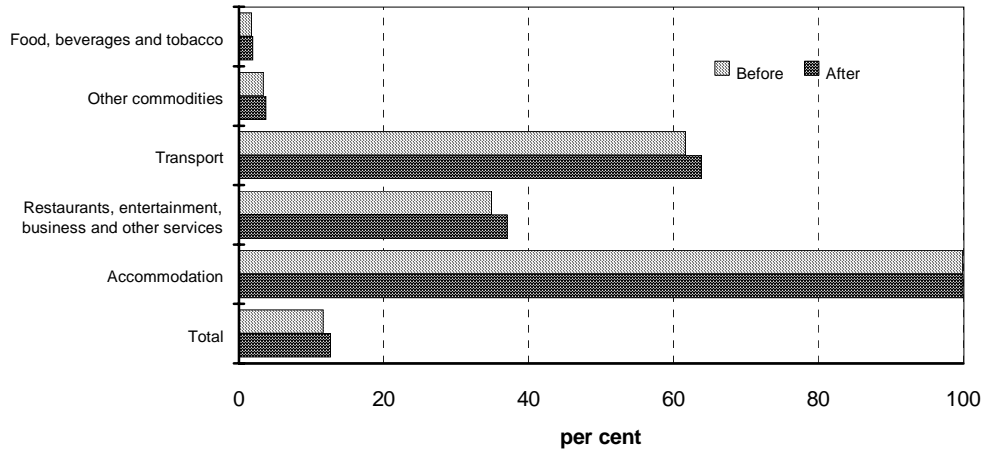
Domestic holiday tourism spending is assumed to increase by 10 per cent. This is modelled by increasing the proportion of consumer expenditure devoted to tourism. This reflects the faster growth of tourism expenditure over other parts of Australian consumers' budgets. This differs from an increase in inbound tourism spending (tourism exports) because such exports are assumed to increase without reducing foreigners' purchases of other Australian exports.

Only that portion of restaurant meals, personal services, entertainment and other goods and services attributable to holiday tourism are assumed to change. People also buy these goods and services when they are not travelling. For example, only 0.7 per cent of domestic food, beverage and tobacco spending is attributed to tourism spending (see Figure B.1b). Overall, holiday tourism spending is estimated to contribute 5.7 per cent to total domestic consumer spending.

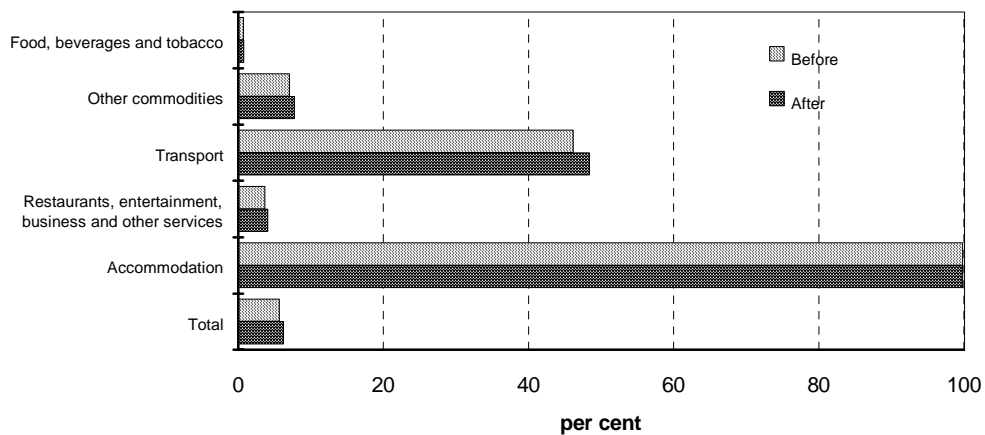
³ Other commodities include manufactured goods like souvenirs, maps, books, glass, clay, leather and plastic products.

Figure B.1 Tourism expenditure by commodity type

a Inbound tourism expenditure as a proportion of exports^a



b Domestic holiday tourism expenditure as a proportion of consumption^b



- Note:
- 'Before' indicates the proportion currently, and 'After' indicates the proportion after a 10 per cent increase in inbound or domestic tourism spending.
 - 'Other commodities' includes souvenirs; published and printed material; glass, clay, leather and plastic products.
 - 'Transport' includes expenditure on road, rail, air and water transport, and transport services including airport and travel agency services.

a Ratio of foreign exchange earnings from tourism expenditure to exports of the corresponding commodity class. For example, 100 per cent of foreign exchange earnings from 'accommodation' is derived from inbound tourist expenditure.

b Ratio of household tourist expenditure to total expenditure of the corresponding commodity class. For example, domestic holiday tourism expenditure on restaurants and entertainment accounts for about 4 per cent of all household spending on these services.

Source: Based on Table B1.1 and ABS 1994

The increase in the proportion of income allocated to tourism spending initially increases domestic holiday tourism spending from 5.7 to 6.3 per cent of total consumer spending (see Figure B.1b). These proportions may then change through indirect effects as the economy adjusts to the modelled changes.

B.2.3 A general equilibrium approach

One method of examining the implications for the Australian economy of increased tourism spending is to use a standard input–output model. Standard input–output models are based on the production side of the economy and have no supply constraints.⁴ One popular application is multiplier analysis, which is concerned with the effects of stimulating specific sectors of the economy, such as tourism. However, increased tourism spending affects the whole economy as suppliers respond to increased demand for inputs. This growth can be at the expense of other sectors as they need to compete with the tourism sector for resources and sales. Thus it is necessary to take into account the available resources of the economy, as they may limit the degree to which tourism-related industries can expand. Standard input–output models do not allow this.⁵

A general equilibrium approach can simulate the transmission of changes in people's spending patterns, through linkages to other industries and through economy-wide constraints on resources, to all parts of the economy. The ORANI model is a general equilibrium model of the Australian economy that provides an appropriate framework for such an analysis (see Box B.1). It is used to analyse the economy-wide impacts and the effects on the accommodation sector of the increases in inbound and domestic holiday tourism spending discussed previously.

Increased tourism demand can have different effects on the economy, depending on whether increased demand for labour can be met without affecting real wages or whether there is a relatively fixed labour supply. In circumstances of relatively high unemployment, increased tourism or other spending would probably increase employment and result in relatively little pressure on real wages. Thus, it is assumed in the first instance that employment in all industries and occupations can adjust to meet the requirements of changing output levels, and wages in all industries and occupations do not change. The converse case is assumed in separate analyses (that is, that wages increase as a consequence of

⁴ Such a model assumes that the cost structure of an industry does not change with changes in the relative prices of inputs (especially labour and capital).

⁵ Input–output models may be used in an analysis of the impacts of increased tourism spending in a specific region. In this case, one assumes that the additional resources required to satisfy the increased spending come from neighbouring regions. However, the effect of withdrawing resources from those neighbouring regions is usually not assessed.

increased tourism activity). Conditions in the labour market are generally between these two extremes.⁶ In total, four different scenarios are examined (see Table B.1).

Box B.1 The ORANI model

Detailed documentation of the ORANI model used in this Inquiry can be found in Dixon, Parmenter, Sutton and Vincent (1982), Dee (1989) and McDougall and Skene (1992). The database which represents the current structure of the Australian economy is derived from the latest published 1989–90 ABS input-output table (ABS 1994).

ORANI is a comparative static model. That is, it is not designed to represent the dynamics of growth and development of the economy through time, but rather to compare different possible states of the economy now and when adjustments have occurred. The simulation results represent only the effects of the tourism spending changes being modelled and exclude all other factors that may influence the economy. In this sense, the model does not provide a forecast of the economy as it responds to increases in tourism demand and the many other influences that condition a particular outcome. Rather, the analysis concentrates on the impact on the whole economy of the modelled changes in demand for tourism alone. The results are presented as percentage changes from the initial position of the economy.

It is assumed that firms may adjust their capital stocks, if need be, to respond to changing demands for their output.

The ORANI model provides different ways of explaining the labour market. It can be characterised in the model by assuming that there is a relatively fixed labour supply or, alternatively, that there is some scope for increasing employment without affecting real wages. If labour supply is fixed, real wages adjust in the presence of increased demand by expanding industries. These two possibilities represent two extreme views of how the labour market might respond to a change in the economy.

The ORANI model does not explain the behaviour of *all* variables in response to a change: some variables are assumed fixed. In particular, variables such as public borrowing requirements or income tax rates depend on government policy, which are relatively independent of economic conditions. In this study, tax rates are assumed fixed. The government is assumed to use extra tax revenue from higher taxable income to retire debt, and to allow any reduction in tax revenue to increase debt.

⁶ Conditions in the labour market also vary between regions and different occupations. At any one time, there might be the potential to increase employment in some regions, but not others, or there may be a shortage of workers with specific qualifications. This study does not consider regional or occupational labour markets. Sufficient time is assumed to allow labour markets to adjust to new demands.

Table B.1 Description of simulation scenarios

	<i>Sources of change</i>	
	<i>10 per cent increase in inbound tourism spending</i>	<i>10 per cent increase in domestic holiday tourism spending</i>
<i>Labour market condition</i>		
Employment can adjust to increased demand	Scenario 1	Scenario 2
Increased demand for labour increases real wages	Scenario 3	Scenario 4

B.3 Impacts of increased inbound and domestic tourism expenditure

Model results indicate that the impacts of a 10 per cent increase in inbound tourism demand depend greatly on the economic environment in which they occur. Increased inbound tourism expenditure expands the economy with little increase in unit production costs when employment is able to increase (Scenario 1). When additional labour is unavailable, an increase in inbound tourism demand increases unit production costs for all industries. In Scenario 3, the beneficial effect of the increase in tourism exports is offset by a reduction in other exports and an increase in imports, resulting in little overall effect on economic activity.

Because only the *proportion* of domestic spending on tourism in total consumer spending is assumed to increase in Scenarios 2 and 4, there is not the expansion in the economy that arises from increased tourism exports in Scenarios 1 and 3.

B.3.1 Impact on macroeconomic variables

Inbound tourism: Scenarios 1 and 3

Model results show that as inbound tourism demand increases, tourism and related industries require more resources if they are to expand to satisfy the additional demand. Investment increases; in particular, more accommodation is built. In Scenario 1, real investment increases by 0.42 per cent (see Table B.2). Tourism industries also demand more intermediate inputs from other industries. This requires goods and services from these industries. Thus, across all industries employment increases by 0.32 per cent. Increased labour demand translates into an increase in total employment of 24 000 jobs in Scenario 1. Because more people are employed, aggregate household income rises, facilitating a real increase in aggregate consumption of 0.20 per cent.

As labour is available at the going wage in this Scenario, increased employment does not increase unit production costs. The increase in the capital stock increases unit (or average) production costs due to an increase in the unit cost of installing more capital. This makes domestically-produced goods (including exports) more expensive relative to goods from other countries. Domestic prices increase in Scenario 1, compared with steady import prices, placing upward pressure on import volumes, as consumers and producers switch to relatively cheaper imports.

The increase in export prices in Scenario 1 of 0.01 per cent has a negative impact on non-tourism exports. This decrease is small compared with the initial 1.2 per cent increase in tourism exports due to increased inbound tourism spending, and in total, exports increase by about 1.1 per cent. This is larger than the increase in imports, so the balance of trade moves towards a surplus in Scenario 1.

Greater real income resulting from the increase in employment provides a larger taxation base. With tax rates fixed and allowing government spending to increase in line with Gross Domestic Product (GDP), real government borrowing falls as government revenues increase.

The combined effects of increases in real consumption, investment and the balance of trade, increase real GDP by 0.34 per cent in Scenario 1.

In Scenario 3 — when additional labour is not available for industries to expand production — industries supplying inbound tourists expand by drawing labour from other industries (see Table B.2). This produces an increase in real wages across all industries of 0.14 per cent. Real wage rises increase unit production costs much more than in Scenario 1. Domestic prices rise considerably relative to import prices, and combined with the large increase in investment, result in a rise in import volumes of 0.32 per cent.

Increased unit production costs also make Australian exports more expensive. Export prices increase by 0.21 per cent in Scenario 3 and volumes of Australia's traditional exports (such as wool, which are sensitive to changes in prices) decrease. This effect partially offsets the increase in tourism exports and total exports increase by a modest 0.29 per cent. The balance of trade moves towards a deficit due to the proportionately larger increase in imports.

The increase in real wages increases household disposable incomes and real consumption in Scenario 3. This increases taxation revenue and reduces the government borrowing requirement. Increased real consumption and investment correspond to a slight increase in real GDP. Thus, increased inbound tourism produces a much smaller stimulus to the economy when additional labour is not available for tourism industries to expand.

Table B.2 Estimated change in economy-wide variables

<i>Macroeconomic aggregates</i>	<i>Scenario 1</i>	<i>Scenario 2</i>	<i>Scenario 3</i>	<i>Scenario 4</i>
	%		%	%
Real GDP	0.34	..	0.05	-0.05
Real consumption	0.20	0.03	0.06	0.01
Real investment	0.42	-0.05	0.22	-0.08
Export volume	1.13	0.01	0.29	-0.14
Import volume	0.41	0.04	0.32	0.02
Export prices	0.01	..	0.21	0.04
Import prices	Fixed ^a	Fixed ^a	Fixed ^a	Fixed ^a
GDP deflator	0.01	..	0.33	0.06
CPI	0.01	..	0.29	0.05
Real pre-tax wages	Fixed ^a	Fixed ^a	0.14	0.02
Employment	0.32	0.06	0.01	..
Unemployment	-4.11	-0.72	Fixed ^a	Fixed ^a
Real government borrowing requirement (1989–90 \$million)	-385	-79	-20	-15
Balance of trade (1989–90 \$million)	478	-19	-24	-107

a Variable is held fixed in the simulation.

.. Percentage change is between -0.005 and +0.005.

Source: Orani simulations

Domestic holiday tourism: Scenarios 2 and 4

In Scenarios 2 and 4, the proportion of domestic holiday tourism spending in total spending increases by 10 per cent. The immediate impact of this is to increase the proportion of sales of goods and services to domestic holiday travellers and decrease the proportion of non-tourism sales to Australian consumers.

Industries producing goods and services for domestic tourists have a higher labour to capital ratio than the economy-wide average. Labour represents 35 per cent of total costs, compared with an economy-wide average of 31 per cent, and the proportion of capital is marginally lower than the 14 per cent economy-wide average of total costs. Thus, when industries selling to domestic tourists expand, they require more labour relative to capital than the rest of the economy employs.

In Scenario 2 — where additional labour is available for industries to expand — tourism industries supplement the labour released from other industries by employing people who are unemployed. Employment increases by 4000 jobs. The increase in employment increases real disposable household income, and real consumption increases by 0.03 per cent.

Tourism industries are more import-intensive than the economy-wide average, so the increasingly tourism-oriented structure of the economy uses more imports. This results in a slight decrease in the balance of trade, as export volumes do not change much. Overall, the increasing proportion of tourism expenditure in Australian consumers' budgets does not affect real GDP in Scenario 2.

In Scenario 4 — in which increased demand for labour pushes wages up and does not reduce unemployment — tourism industries offer higher wages to attract more labour from the contracting industries. As producers can not draw from a pool of unemployed (as in Scenario 2), non-tourism industries contract more than in Scenario 2.

Real wages increase by 0.02 per cent economy-wide. As in Scenarios 1 and 3, this makes imports relatively cheaper and exports less competitive. Export volumes decrease by 0.14 per cent. Imports increase slightly because they become relatively cheaper than domestic goods. Overall, the balance of trade and GDP decrease slightly.

B.3.2 Sectoral impacts

Inbound tourism

Model results show that an increase in inbound tourism spending has its greatest impact on industries that sell most of their production to tourists — predominantly the services sector. In turn, there is a strong impact on the industries supplying these industries. The sectoral impacts are presented in Table B.3.

Table B.3 Change in sales of selected sectors (percentage change)

<i>Sector</i>	<i>Scenario 1</i>	<i>Scenario 2</i>	<i>Scenario 3</i>	<i>Scenario 4</i>
Accommodation	2.79	5.49	2.62	5.46
Restaurants and clubs	0.56	2.12	0.38	2.09
Entertainment	0.54	0.66	0.38	0.64
Primary sector	0.10	..	-0.83	-0.16
Manufacturing sector	0.29	-0.02	0.18	-0.10
Services sector	0.37	0.02	0.16	-0.01

.. Between -0.005 and +0.005.

Increased accommodation sales result in increases in similar proportions of labour and capital used in providing accommodation. The 2.8 per cent increase in accommodation sector sales and employment in Scenario 1 is nearly 10 times the rate of aggregate employment growth in the whole economy, reflecting the shift of workers into this industry from unemployment and from other industries. Sales increase by slightly less in Scenario 3 because overall economic activity increases by less.

The tourism-oriented services sector gains most from the increase in inbound tourism spending in Scenario 1, followed by the manufacturing and primary sectors. In Scenario 3, the relatively large increase in unit production costs and export prices harms Australia's traditional primary export industries. The manufacturing and services sectors expand due to the impact of increased inbound tourism spending, while the primary industries contract due to the reduction in their export volumes.

Domestic holiday tourism

In Scenarios 2 and 4, the accommodation industry expands by about 5.5 per cent and employment increases by a similar proportion. This is more than any other industry and reflects the direct impact of domestic holiday tourism spending. However, as consumers finance additional tourism spending by decreasing other spending, other industries suffer reduced sales. As economic activity increases slightly more in Scenario 2 than in Scenario 4, the negative impact on non-tourism spending is stronger in Scenario 4. The primary sector suffers most because it gains no direct tourism spending and because primary exports decrease due to increased unit production costs which increase their prices on the export market.

B.4 What can we learn from the simulations?

As incomes in Australia and abroad increase, the relative size of the tourism sector in the Australian economy is increasing. The impact of an increasing tourism sector relative to the rest of the economy depends very much on the condition of the labour market at the time of the increase. Simulation results indicate that an increasing role of tourism in the Australian economy can promote income and employment. However, if labour is not readily available to accommodate the increase in the tourism sector, the resulting pressure on wages can reduce these gains. In an extreme case which was modelled, increased wages may even negate the positive effects of an increase in inbound tourism, which would be expected to benefit the Australian economy.

In fact, the Australian labour market is probably characterised by some flexibility in terms of wages *and* numbers of workers. In some specialised occupations specific to the tourism sector, the supply of labour may be very constrained. Increased tourism would increase wages in such occupations but may not alter wages across the entire economy. In this case, the negative impacts illustrated by the model results would be diminished. However, in the time considered necessary for capital stocks to adjust, some adaptation in the labour market may be expected as some workers would train to fill the job vacancies created in the tourism sector.

Annex B1: Tourism and accommodation in the economy

This section describes the structure of tourism spending in Australia by inbound and domestic tourists. It also details the characteristics of the accommodation industry. This economic picture of the tourism sector and the accommodation industry provides an understanding of the economic implications of increased tourism demand.

Inbound tourism

According to the International Visitors Survey (IVS) (BTR 1995a), 3.1 million inbound tourists stayed for an average of 24 nights and spent \$1886 each while in Australia in 1994, which amounted to \$5.9 billion (1.5 per cent of GDP).⁷ Expenditure on food, drink and accommodation constitutes 35 per cent of spending while in Australia. Length of stay and spending habits differ according to country of origin and the purpose of the visit.

Spending by inbound tourists while they are in Australia is only part of the impact of inbound tourism on the Australian economy. Data from the IVS are adjusted to account for the contribution of package tours, some transportation costs and retail and distribution of imports to inbound tourism spending.

Inbound package tours are generally purchased overseas. Their price typically includes the cost of visiting Australia and other destinations the traveller may visit on the way. The proportion of cost pertaining to days spent in Australia is added to inbound tourism spending in Australia. Fares paid to Australian airlines (including package tours) represent an important element of Australian tourism sales to inbound visitors, and are presented in the balance of payments (ABS 1994). Some spending by foreign airlines on services (such as fuel and navigation) can be attributed to the carriage of inbound tourists.⁸ Sales of imports to inbound tourists mainly affect the Australian economy through their impact on retail and related services. These latter effects are incorporated in this study, but the basic cost of the imported good sold to inbound tourists is excluded.

After including package tours and airfares bought overseas, and excluding imports, inbound tourism spending on Australian goods and services equals \$10.5 billion in 1994. This adjusted figure represents 2.5 per cent of GDP. The composition of this spending is shown in Table B1.1. Accommodation represents 14.1 per cent of sales to inbound tourists.

⁷ An additional 0.2 million visitors were under the age of 15. No spending information is collected for these individuals.

⁸ The remainder is attributed to the carriage of Australian residents and freight.

Domestic tourism

In this analysis, domestic tourism is confined to holiday travel, that is, it excludes domestic business travellers.

In 1992, total spending by domestic tourists was \$28.6 billion, or 7.2 per cent of GDP (DTES 1992), with accommodation accounting for \$3.1 billion (11 per cent of spending) or nearly one per cent of GDP. Of the \$28.6 billion, approximately \$18.2 billion was spent on overnight trips, with the remaining \$10.4 billion on day trips. There were 46.1 million domestic overnight trips with an average expenditure of \$395 per trip.⁹ Accommodation comprised about \$101 per trip (excluding trips spent with friends and relatives), and \$68 per trip including all types of trips.

The DTES (1992) accounts for all spending by travellers, including groceries and other spending which would have occurred even if travel had not been undertaken. The contribution of tourism activities to GDP can not account for all of these expenditures. Also, some costs, like vehicle maintenance and camping equipment are not included in the data gathered on domestic tourist travel, yet are costs incurred for tourism. To provide a more accurate picture of the economic significance of tourism, spending estimates from the DTES (1992) were adjusted for these two factors.¹⁰

After adjustments, domestic holiday travel spending is estimated to have been \$14 billion in 1992 (3.5 per cent of GDP), of which 16.4 per cent was spent on accommodation (see Table B1.1).

⁹ An overnight trip is a journey of at least 40 kilometres from home and up to three months duration. The average trip is 5 nights.

¹⁰ Spending on all groceries, some restaurants and other goods and services is deducted because it would have occurred whether travel occurred or not. A share of car maintenance and boat, caravan and camping equipment costs have been added because the DTES 1992 survey did not capture these costs associated with domestic holiday tourism.

Table B1.1 Structure of domestic holiday and inbound tourism spending in Australia

<i>Commodity type</i>	<i>Composition of inbound spending^a</i> (%)	<i>Composition of domestic holiday spending^b</i> (%)	<i>Composition of inbound plus domestic tourism spending</i> (%)
Food, beverages and tobacco	10.7	2.6	6.1
Other commodities ^c	17.7	34.1	27.1
Transport ^d	37.1	30.1	33.1
Restaurants, entertainment, business and other services	20.3	16.8	18.3
Accommodation	14.2	16.4	15.5
Total	100.0	100.0	100.0

a Inbound tourism spending includes spending by inbound tourists while in Australia, the component of package tours purchased abroad by inbound tourists and paid to Australian service providers, passenger services provided by Australian transport providers to inbound tourists and the proportion of foreign airline spending in Australia that is associated with the transport of inbound visitors. It excludes the value of imports but does account for the value of retail and distribution services associated with their sale.

b Domestic spending includes spending on motor vehicles, caravans and other equipment not captured in the DTES 1992 and excludes business travel and spending that would have occurred even if persons were not travelling.

c Includes souvenirs; published and printed material; glass, clay, leather, plastic and other manufactured products.

d Includes expenditure on road, rail, air and water transport, and transport services including airport and travel agency services.

Source: Based on BTR 1993, BTR 1995a, ABS 1994 and Skene 1993

Characteristics of the accommodation industry

An increase in accommodation spending increases demands for the inputs used to provide accommodation. It should be noted that some meals and beverages consumed in accommodation establishments are included as sales of accommodation. Services and food represent a significant portion of intermediate inputs into the accommodation industry (see Table B1.2).

Labour costs represent 29.4 per cent of all costs in the accommodation industry. This is slightly smaller than the economy-wide average of 31.2 per cent. The ratio of labour to fixed capital is 1.6:1, which is lower than the economy-wide average of 2.2:1. The accommodation industry spends less on imports (4.2 per cent) than the average industry (5.6 per cent).

Domestic holiday travellers represent the largest group of purchasers of accommodation (see Table B1.3). International tourists account for about one

quarter of the sales of accommodation, and the Australian business community about 20 per cent.

Table B1.2 Cost structure of the accommodation industry^a

<i>Costs</i>	<i>Per cent</i>
Domestically produced inputs	
-food	9.4
-utilities including water and electricity	2.4
-business, financial, property and other services	18.3
-other materials	18.2
Imports	4.2
Labour	29.4
Fixed capital ^b	18.1
Total costs	100.0

a In the year of the most recent data (1991–92) the accommodation sector made a loss. Shares are calculated on the basis of zero accounting loss. While this does not allow for a proper remuneration of equity, it reflects a structure that may prevail in the medium term, where depreciation and debt are fully covered.

b The cost of fixed capital is the annual cost of buildings and equipment.

Source: Based on ABS Hospitality survey 1992

Table B1.3 Sales structure of the accommodation industry

<i>Sales</i>	<i>Per cent</i>
Domestic business travellers	19.8
Domestic holiday travellers	54.5
Inbound tourists	25.7
Total sales	100.0

Source: Based on ABS 1994 and ABS Hospitality Survey 1992

Annex B2: Previous economy-wide studies of increased inbound tourism spending

There are several studies of the impacts of inbound tourism on the Australian economy. None of these incorporate specific information about the tourism accommodation industry, and some studies incorporate different assumptions about the economic environment. In addition, an increase in tourism exports is modelled as an increase in industry sales in some of the studies, whereas this study models an increase in tourism exports directly. In general, results in this Appendix confirm the results previously obtained in spite of differences in models and data bases. There have been no studies of the economy-wide impacts of an increase in domestic holiday tourism demand.

Adams and Parmenter (1991 and 1995) model a 10 per cent increase in inbound tourism spending with a constrained labour market (Scenario 3 in this study). However, they allow tax rates to adjust to ensure that the real government borrowing requirement remains fixed, whereas all simulations reported in this Appendix hold tax rates fixed and allow the government to retire or increase its debt. Despite the differences in assumptions, the authors also find that increased inbound tourism generates a small increase in real GDP. As in Scenario 3 of this study, the balance of trade deteriorates. Real consumption decreases in their study due to an increase in taxes, whereas tax rates are assumed fixed and the real government borrowing requirement decreases in Scenario 3 instead. Restaurants and accommodation (combined in Adams and Parmenter) receive the greatest stimulus to output and employment.

Skene (1993) also models the economic impact of a 10 per cent increase in inbound tourism expenditure. This analysis considers the implications under many different economic environment scenarios. Skene's results are similar to those for the scenarios presented in this study. Results change when the assumed economic environment is different. For example, if the real government borrowing requirement is fixed (and tax rates are allowed to adjust), the results are more optimistic than the inbound tourism Scenarios (1 and 3) presented in this Appendix.

The Centre for International Economics Tourism Report (1988) also examines the implications of a 10 per cent increase in inbound tourism spending. The study assumes an economic environment similar to that of Scenario 1 in this study, and generates similar results.

C COSTS AND BENEFITS OF ACCOMMODATION IN THE NATURAL ENVIRONMENT

Tourism accommodation is often located to take advantage of attractions in the natural environment. Although this can be profitable for the developer, it may impose costs on society through its impact on the environment. This Appendix explains an economic approach to weighing up the costs and benefits for society of accommodation located in the natural environment. It is called cost-benefit analysis and, combined with non-economic criteria, can assist decision-making.

This Appendix explains cost-benefit analysis (CBA) and the role it can play in decision-making.¹ Section C.1 discusses principles that apply to CBA. Section C.2 discusses some aspects specific to decisions about accommodation in the natural environment.

C.1 The cost-benefit framework

In general, prices reflect the scarcity and economic value attached to a good or service. In some cases however, market prices are not a good indicator of the value attached to a commodity by society. A developer can generally identify its own (or private) costs and expected revenues, and will make investment decisions based on this information. Private costs depend on current and future prices of land, labour and capital, and expected private revenues depend on the market price charged for accommodation. However, many environmental impacts are not reflected in market prices. Such impacts are called *externalities*. The presence of externalities makes evaluation based only on market prices a poor indicator of the overall net benefit expected from a proposed accommodation development.

¹ The Commonwealth Department of Finance's (1991) *Handbook of Cost-Benefit Analysis* is a useful reference and for a detailed discussion of CBA, see Sugden and Williams (1978).

The objective of a cost-benefit analysis is to assist decision-makers in making decisions that are consistent with *allocative efficiency*.² What this means is that the additional benefit accruing from using an additional unit of a resource must exceed the additional cost to society of using this resource. Put another way, the owners of resources would need to be paid sufficient compensation to give up those resources by those who wished to use the resources for other purposes.

The best project is the one that provides the greatest net benefit to society, given that it must be allocatively efficient. CBA assists in choosing between projects (or policies) by estimating in monetary terms as many of the benefits and costs of a project as possible and calculating their net social benefit. Projects are thus ranked according to the size of net social benefit they generate. As mentioned above, often CBA can not account for all costs or benefits in monetary terms. For example, a reduction in bio-diversity cannot be valued explicitly in monetary terms. In this case, policy-makers may impose a constraint (for example, that irreversible destruction of a valued ecosystem not be permitted) and then undertake a CBA. This is termed ‘constrained optimality’.

Usually, CBA does not consider who bears costs or gains benefits from a decision. In particular, a dollar is valued in the same way whether it is gained (or lost) by a rich or poor individual. Where this is the case, CBA does not deal with issues of income distribution. For this reason it is important to provide an analysis of the incidence of the impacts on different groups: that is, show which members of society gain and which lose if the development goes ahead.

The remainder of this Section concentrates on specific challenges in undertaking CBA.

C.1.1 Discounting

The process of discounting is undertaken to allow comparison of benefits and costs incurred at different dates. As a general rule, people prefer many things sooner rather than later. This is the issue of *time preference*. This phenomenon is demonstrated by the fact that a sum of money received now could be invested to yield that sum plus a rate of return in the future. The discount rate is simply the weight, which is less than one, given to returns or costs that are incurred later rather than sooner.

² As mentioned in Chapter 8, projects should be appraised by considering their effect on society. This is an issue of how widely to draw the geographical boundaries of ‘society’. In practice national boundaries are used; that is, for a CBA, ‘society’ is the Australian population.

In the case of environmental resource valuation, discounting implies that benefits to future generations are valued less than those to current generations. For this reason, it has been argued that discount rates should be very low, or even zero, in order to prevent unfair discrimination against future generations (Goodin 1986). Choosing a low discount rate, however, does not guarantee that project evaluation will favour conservation. For example, the construction of a dam incurs costs in the early years during construction, and the benefits occur over many years at a low annual rate. A low discount rate will inflate the future benefits of the dam relative to the current costs and may result in a decision to construct the dam rather than conserve the original habitat.

Markandya and Pearce (1991) recommend that where the impact on future generations is a concern in project evaluation, this concern should be made an explicit constraint in the analysis, rather than trying to incorporate such concerns by changing the discount rate. This approach makes intergenerational equity decisions explicit — and separate from the CBA. This is another example of constrained optimality. If this approach is adopted, CBA can provide information about the net discounted benefit of projects that meet sustainability criteria.

C.1.2 Uncertainty

There can be uncertainty about the costs or benefits associated with a project. For example, developers will not be certain about the revenues that will be generated in the future. Scientific experts may be uncertain about the effects of a particular tourism facility on the biological or physical environment. Economists may be uncertain about how much people value the natural environment in question, and thus the reduction in its value due to the construction of the facility.

If the likelihood of different outcomes is known, then the probability of occurrence of each outcome can be used to weight the monetary values associated with each outcome. This produces an expected net present value for a project, which, if positive, would lead to recommending the project.

In some cases, a project with positive net benefits on average only (positive expected value, but some negative outcomes possible), may not be acceptable. This would lead to the rejection of such a project on the basis that only projects with strictly positive outcomes are acceptable.

If the likelihood of various outcomes is not known, sensitivity analysis should be undertaken. This requires the net benefit to be calculated for each possible outcome. For example, some scientists might predict inconsequential environmental impacts from the construction of an accommodation facility, and

other scientists major environmental impacts. In this case, the net benefit calculation should be worked out twice — once for each prediction. Policy-makers can then consider both scenarios in their decision-making.

When the impact of a project on the environment is unknown, then precaution may be the best guidance and projects may have to be held up until more precise information can be gathered. In such cases, as where outcomes are uncertain, the onus of proof should be on the developer.

C.1.3 The net present value calculation

The net benefits of a project are measured with the net present value of all benefits and costs over the life of the project. Discounting the flows that occur at different times allows for their comparison in terms of resources available at present.

The cost-benefit calculation incorporates the benefits and costs that can be assigned monetary values. Costs and benefits should be incorporated for as many years as they occur — even those that occur many years in the future (in theory, to infinity, as expressed by the symbol ∞ below). The net present value calculation is:

$$NPV_t = \sum_t \frac{B_t}{(1+r)^t} - \sum_t \frac{C_t}{(1+r)^t},$$

where B_t represents benefits in each time period, C_t represents costs in each time period and r represents the discount rate.

Net present value is usually calculated in *real* terms: the effects of inflation are excluded. It is important that all benefits, costs and the discount rate are measured in real terms. For example, the benefits and costs are converted into the equivalent amounts in a particular year, say 1995, by adjusting the different financial and economic flows by the rate at which prices have changed. The Commonwealth Department of Finance (DOF 1991) recommends using an 8 per cent real discount rate.³

C.2 CBA and tourism accommodation

Cost-benefit analysis can be undertaken in steps. In a CBA of accommodation proposals in the natural environment the first step is to identify and estimate the

³ To accommodate uncertainty about the appropriate discount rate, DOF (1991) recommends that the costs and benefits of a project be discounted at 6 and 10 per cent, in addition to the 8 per cent base rate.

costs and revenues to the developer. The second step is to identify the physical, biological and any other impacts that are not captured in the developer's private financial calculations. The third step is to value these external effects in monetary terms, if that is possible, and incorporate them in the CBA that is presented to decision-makers. In those situations where external costs (or benefits) can not be measured in monetary terms, the decision-maker needs to be informed of their existence and importance.

C.2.1 Step 1 Identify and estimate the market effects

The benefits from an accommodation project are often measured by the receipts from tourists staying at the facility.⁴ Construction and operating costs include the costs of materials, labour, land and capital. If markets are competitive, market prices should represent the costs to the developer, in which case financial profit to the accommodation developer is the basis of the market-based net benefit.

However, a case by case assessment is necessary to determine if there are any distortions. Labour is one factor of production where its price (wage rates) may not represent its true economic cost. There are two situations. First, if the wage paid equals a person's contribution to a firm's revenue, and individuals would be employed even if the project did not occur, the wage represents the economic cost of labour. For example, some workers may leave jobs in other parts of the country to take jobs at the accommodation facility. If they contribute the same amount to output wherever they are located and are paid the same wage, the new project generates no net economic impacts through employment.

In the second situation the going wage is an overestimate of the economic cost of labour. If individuals would otherwise be unemployed and they value leisure, the minimum economic cost of employing them is likely to equal the value of foregone leisure. This is typically less than the going wage, making the economic cost of labour less than that reported in financial forecasts of the developer or operator of the accommodation facility.

Regional impacts

Increased tourism visits attracted by accommodation may result in benefits and costs to the regional economy. While increased tourism spending that is diverted from other regions is a gain to the regional economy, it does not constitute a gain for the national economy. Small accommodation developments are unlikely to change the total amount of tourist spending in

⁴ This abstracts from the different willingness to pay of different individuals and provides a lower bound on the benefits of accommodation.

Australia. In these instances, the effect on the national economy is expected to be insignificant. If projects are of sufficient size to materially affect prices and thus production beyond the immediate area of the development, a general equilibrium approach is required. In theory, results from such a study could be incorporated in the cost-benefit framework.

The regional effects, including those that do not enter the CBA calculation (such as additional spending in the region), should be identified separately. This information indicates some of the distributional effects that would arise from allowing the development of accommodation.

C.2.2 Step 2 Identify the environmental impacts

The environmental effects of a development option or a range of options should be compared with what would happen if the proposed accommodation were not built. The latter is called the base case scenario (or the without-project case). For example, in the North West Cape region of Western Australia, one aspect of the base case scenario is a gradual increase in the number of visitors and minimal management of the environment. Any environmental impacts due to day visitors or visitors that use other accommodation than that being analysed are part of the base case scenario. Only the additional impact of visitors attracted because of new accommodation should be included in the costs and benefits of the project.

The environmental impact of tourism accommodation depends on the nature of the accommodation and on its location. Box C.1 provides an example of the environmental impacts that might be expected from development in the Victorian snow fields.

The time frame for the cost-benefit analysis will depend on the availability of scientific information regarding the effects of development in the natural environment in question. New scientific research can be time consuming and costly and may have to be undertaken before the CBA can be completed. The cost of research on the impact of a project should be an integral part of the costs associated with the project. In general however, there will be areas of uncertainty as information may be too costly to obtain or otherwise inaccessible. Principles for analysis and decision-making under uncertainty must be applied.

Box C.1 Scientific information about the environmental effects of development options at Mt Stirling, Victoria

The Department of Planning and Development (Victoria) has sought an Environment Effects Statement (EES) for a range of development options for Mt Stirling. Six options, ranging from continuation of existing uses to a comprehensive ski resort and village (major impact scenario) have been identified. The team appointed to conduct the EES explored the environmental attributes of the mountain and had forecasts of the number of day visitors and overnight stays. Its next stage is to identify and estimate the expected environmental effects of each option. This includes:

- Effects closely related to the number of visitors: trampling of vegetation; car, four-wheel drive and trail bike emissions;
- Effects of pollutant emissions from power generators for ski lifts;
- Extent of erosion due to removing vegetation and changing land forms;
- Effects of clearing land for downhill ski runs and car parks on animal habitat, water quality and vegetation growth.

Source: ARC (a), (b)

C.2.3 Step 3 Value the impacts

The total economic value of a resource can be divided into three components.

- The current *use value* is the value that people associate with being able to use (observe, consume, inhabit) an environmental resource. It is the counterpart of a value that commodities have in the market. For example, people enjoy walking in tropical rainforests in northern Australia and snorkelling amongst coral and exotic fish at the Great Barrier Reef.
- *Option value* is the future use value. People who do not currently use the resource may value it because of the opportunities for future use, either by themselves or by future generations. The World Heritage Listing of the Great Barrier Reef Marine Park provides potential visitors with the opportunity to visit it in the future,
- *Existence value* is the value which could be attributed to the environment, irrespective of use. Examples are values such as animal rights and preservation of species. If people prefer to leave the environment unchanged, this reflects an implicit economic value, even if it is never used directly.

Accommodation in a rainforest, for example, could affect each of these values by reducing enjoyment of a rainforest, by reducing future enjoyment of a rainforest and by reducing the intrinsic value people place on the existence of the rainforest.

The economic value of a resource or commodity to an individual can be measured as the price they would pay to preserve it (willingness to pay) or the price they would accept if, as owners, they were willing to sacrifice it (willingness to accept). According to the first approach, the cost of environmental damage is measured as the price people would be willing to pay to prevent the damage from occurring.

Attempts by economists to measure the value of environmental resources are based on these willingness to pay (or willingness to accept compensation) principles. Various methods have been used to infer people's willingness to pay for resources that do not have market values. Two of the most common methods used in CBA studies are the travel cost method and the contingent valuation method.

The *travel cost method* has been employed since the 1960s as a means of obtaining direct use values of environmental resources, especially parks and wilderness areas. The method uses observations about people's use of the environmental resource to infer their use value for the resource. It is based on the principle that the costs people incur to use a resource (such as a national park) reflect their willingness to pay to use the park. However, it is not correct to simply use the cost of travel (for example, petrol, and motor vehicle wear and tear). What has to be done is derive a demand function from these costs. The demand function is based on the notion that visitors from more distant regions will pay more in travel costs than those from close-by regions. Thus even though the park does not have an explicit, monetary entrance fee, the various costs associated with enjoying the park can be viewed as the price people are prepared to pay to visit the area.

In this approach information about such costs is obtained by surveys of park visitors. The survey also requires information about people's incomes and access to other environmental resources. These are used to control for other aspects which affect people's usage of the resource.

Travel costs depend on the accessibility of the area and the distance people have to travel. This is not the only cost however. For some people, time cost can be important. This implies a loss of time that could have been used in other activities; it is an opportunity cost. The opportunity cost of time could be measured as the reduction in output due to the person not working. In practice, wage rates are often used (with various adjustments) to value the time spent travelling to visit the park. On the other hand, if travelling is a part of the leisure experience (and being in employment during that period of travel is not a consideration), time spent travelling can be a benefit rather than a cost.

Because the travel cost method focuses only on people who use resources directly, it does not attempt to measure option values and existence values.

Nevertheless, travel cost methods provide a useful lower bound on the economic value of the park.

A second method widely used is the *contingent valuation method* (CVM). In this case a survey is conducted in which people are asked how much they would pay for the preservation of a particular area (willingness to pay), or how much they would want to be compensated if it were damaged (willingness to accept). Thus people can be asked their willingness to pay (through increased taxes, for example) to preserve a wilderness area. The respondents' answers can capture not only the current use value but also the option and existence values. Pearce, Markandya and Barbier (1989) show that existence values can be as large as use values.

An advantage of the CVM is that it can be used in a wide variety of cases. For example, a survey could be conducted to estimate people's willingness to pay for the preservation of a particular bird species. The travel cost method would not be appropriate in this circumstance unless the bird species could only be observed in a well defined geographical region. With the CVM approach, respondents can be asked directly how their value of the environment would change given the introduction of a hotel or resort. This can give a more direct estimate of the environmental costs of tourism development than the travel cost method does.

The disadvantage of the CVM is that it relies amongst other things on a respondent's ability to respond to hypothetical situations. The travel cost method, by contrast, relies on observable behaviour.

A third method that has been used to estimate people's willingness to pay for environmental resources is the *related market* (also known as hedonic pricing) approach. It is based on observing variations in market values. For example, the decrease in property values in noisy environments (due to air or road traffic) compared with quiet ones with the same characteristics can be used to estimate the cost of noise pollution. This method is not readily adapted to valuing remote natural environments due to the lack of appropriate related markets.

C.2.4 Step 4 Present the results to decision-makers

CBA provides information about the costs and benefits of each policy response relative to prohibiting a development. Given that it is highly unlikely that all effects can be assigned a monetary value, it is essential that those impacts not assigned monetary values are explicitly reported. For each policy response, the CBA result can be posed as a question: are the costs that have not been assigned monetary values less than the value of net benefits identified? Any decision clearly indicates the minimum implied value that is assigned by

decision-makers to the non-monetary effects. In the final analysis, the weight given to these non-monetary effects is often resolved by appealing to non-economic decision-making criteria.

D OWNERSHIP AND MANAGEMENT

D.1 Introduction

The owners of tourism accommodation properties are a diverse group ranging from publicly listed companies, that own a number of properties, to individuals with one small property. The majority of properties are small owner-operated businesses, yet it is the relatively small number of larger, more expensive properties which attract the most attention.

Owners of small properties typically manage the property themselves, while owners of many of the larger properties engage management companies to manage their properties. The nature of the agreement between the owner and the manager — particularly the fee structure — has a major effect on the return the owner receives on the investment. As an alternative to a management agreement, some owners lease their property to a management company.

Some accommodation owners and managers choose to join a marketing cooperative, subscribe to the services of a marketing company or become part of a franchise chain. These marketing groups are not involved in the management of the property, but attract additional guests to a property through customer loyalty to the brand name, advertising and reservation systems.

The role of ownership and management in tourism accommodation is a key factor in the financial performance of the properties. The nature of the agreement between the owner and the management company determines the level of risk assumed by the owner of the property, and has a consequent effect on the returns received by the owner. These returns will affect the owner's ability and willingness to undertake further investment in the industry.

D.2 Management companies

The owner of a hotel has a choice of managing the property personally, employing a manager, leasing the property or engaging the services of a management company:

The only reason for engaging a management company rather than engaging a general manager direct is that it is believed that a company will make a better gross operating income from the rooms department because the appropriate guest will be brand conscious and the company has a relevant referral system. (Burchill, sub. 86, p. 4)

Many of the smaller properties are managed by the owners, but with the larger properties it is more common to engage the services of a management company. Once an accommodation property has either been developed or bought, it is the management who determine its profitability:

The financial success of any lodging facility is largely dependent on the skill and ability of on-site management. (Rushmore 1992, s15–2)

D.2.1 History of management companies

In the 1800s and early 1900s, hotels in Europe and America were largely independent and owner-managed, often by families. As hotels became larger and more complex and demand for properties of consistent quality in different destinations grew, hotel owners developed additional properties and so formed ‘chains’ of hotels that were both owned and managed by the same company.

However these hotel companies found it difficult to continue their expansion as they had problems finding the capital to fund the on-going development of new hotels. They began to use franchises, leases and management agreements to facilitate the expansion of their chains. Hotel management, rather than hotel ownership, became the main focus of their operations.

The first major Australian management company was Travelodge Australia which became established in the early 1960s and later became Southern Pacific Hotels Corporation (SPHC). The American management companies, Hilton and Sheraton, became established in Australia in the 1970s. The Australian management companies, Rydges, All Seasons and Country Comfort (now Touraust) were established in the 1980s. In the 1980s and early 1990s, the increased level of hotel development saw the introduction to Australia of more foreign management companies such as Hyatt, Marriott, Meridian, Ramada, Holiday Inn, Nikko, ANA and Accor SA.

D.2.2 Management company services

The main role of management companies is in the day to day operation of an accommodation property, but they can also assist developers and investors with property development and acquisition. In the course of their normal operations, these companies will have amassed a central pool of market information that will give them a good understanding of the state of the accommodation market and of their current operating ratios and profitability. This information on their past and present performance is used when considering expansion of their services and when negotiating management contracts for additional properties.

The advantage for a property owner in engaging the services of an experienced management company is, that in a relatively short time frame, an entire hotel operating system that is established and proven can be provided. According to Rushmore (1992), the range of services that management companies can provide includes:

- staff recruitment, training and development;
- representation in labour negotiations;
- advice on regulatory compliance;
- financial and accounting systems;
- operating systems and procedures;
- marketing and an established market profile, ie a brand name;
- reservation systems; and
- advice on refurbishment, interior decorating and property engineering.

There is some variation in the degree to which the head offices of the management companies are involved in the operation of individual properties. Some have decentralised operations, with the managers of each property being free to use what they wish of the company operating systems and amend them as required.

Hyatt Corporation ... runs its hotels in a very decentralized manner ... managers are allowed wide discretion regarding the manner in which they operate their property. (Rushmore 1992, s15-26)

Conversely, some operate centralised systems that give the head office considerable involvement in purchasing and other expenditure:

All aspects of Marriott's hotel management system are contained in manuals that cover every conceivable eventuality. (Rushmore 1992, s15-26)

With the centralised systems, more detailed and timely information on all aspects of the operation of each property is available to the head office, enabling the company to recognise quickly any aberrations in revenue or costs and take corrective action.

D.2.3 Major management companies

The two largest management companies in Australia are SPHC and Accor Asia Pacific (AAPC) which manage almost 7700 and 6700 rooms respectively. AAPC manages 46 properties and SPHC 40 properties. Table D.1 lists the nine management companies that manage over 2000 rooms in Australia. The table shows that the international companies, Sheraton, Hyatt, Hilton and Holiday Inn

manage a relatively small number of larger properties and the Australian companies, Rydges, Touraust and All Seasons manage a relatively large number of smaller properties.

Table D.1 Management companies with more than 2000 rooms in Australia, 1995

<i>Management company</i>	<i>Rooms (No.)</i>	<i>Properties (No.)</i>
Southern Pacific Hotels Corporation (SPHC)	7 573	42
Accor Asia Pacific (AAPC)	7 114	47
Rydges	3 648	23
Sheraton	2 930	9
All Seasons	2 790	24
Hyatt	2 645	8
Hilton	2 495	7
Holiday Inn	2 247	8
Touraust	2 050	27

Source: Personal communication, April 1996

AAPC manages all the properties that it owns, or part-owns, and a number of other properties.

SPHC is now owned by the US based Pritzker family, which also owns the Hyatt company. SPHC owns two of the properties which it manages.

Touraust, operating as Country Comfort, manages all of the Australian Tourism Group (ATG) owned properties plus four others.

When THG purchased its properties, they were being managed by a number of management companies including AAPC, SPHC and Holiday Inn. The Thakral Holdings Group (THG) has owned All Seasons since 1994, but All Seasons does not manage any of THG 's properties.

D.3 The owner–management company relationship

The nature of the owner–management company agreement can have a significant impact on the operating profits that the property owner receives. This may affect the willingness of an owner to undertake further investment in tourism property.

Recent history appears to indicate that property owners have borne a disproportionate amount of the risk of operating a hotel, when compared to management companies. The financial failure of hotel owners has been considerably more prevalent than that of hotel management companies,

although experienced hotel management companies have also experienced financial problems. It may be the case that hotel ownership has been inherently more risky than hotel management.

The contract between the owner and the management company is usually either a management agreement or a lease. The essential difference between the two is that under a management agreement the owner receives the residual profits (or funds the operating losses), but under a lease, the management company receives the residual profits (or funds the operating losses).

D.3.1 Historical perspective

In the United States, as management companies expanded in the 1940s, the leasing of properties became popular and remained so until the 1970s. Over this time, hotel management companies learnt that they could make almost as much money out of a management agreement as out of a lease, without the responsibility of funding any operating losses. Since the 1970s, management agreements have become more common than leases.

In the 1970s, some American management companies sought to expand internationally and establish worldwide chains. In Australia, as the tourism industry expanded, hotel developers sought the benefits of having a new hotel property managed by an international management company:

The chains provided 'insurance', through the manager's skills and know-how, to local investors with little hotel experience. Developers did not have these skills and lenders were not experienced in hotel financing. The management philosophy of consistency, while still delivering the profit, made the United States chains the best source of management expertise. (Barge 1993, p. 119)

However, some American companies were satisfied with the expansion opportunities available to them in North America and did not seek to expand internationally. Consequently there appears to have been more demand for the services of international management companies than there was supply. The Australian developers, financiers, and financial institutions were inexperienced at negotiating management agreements and, with something of a 'sellers market' for management companies, the overseas management companies were in a strong negotiating position. With the benefit of hindsight, it is generally perceived that the early management agreements were overly favourable to the international chains:

Taking an 'all care and no responsibility' approach to management agreements, the operators sold expertise and sales networks in return for a share of revenue and profit. This was normally in the range of 3 to 5 percent of revenue and 8 to 15 percent of gross operating profit. In addition, the operator charged fees for group services such as

marketing and reservation network, and these tended to be around 3 percent of gross rooms revenue. Additional charges were made for reservations secured, head office visits and, in some cases, head office training levies. (Barge 1993, p. 120)

The international management companies entered into long term agreements with relatively high management fees, yet the owners carried all the risks and received only the residual profits, if there were any:

Developers and owners ultimately found that they did not understand hotel operating models and the effect of fluctuating rates, inflation and occupancies on an owner's return. They soon discovered that their management company ... extracted a large proportion of profits in good times while continuing to draw significant fees even when hotels traded unprofitably. Eventually, hotels came to be perceived by owners as poor investments. (Barge 1993, p. 120)

By the early 1990s, owners had learned some of the lessons of the past and management agreements typically included reduced management fees, guaranteed performance requirements and sometimes equity participation by the management company.

D.3.2 Management agreements

It is usual for a hotel owner to establish a separate operating company for each hotel property. This operating company enters into a management agreement with the management company to operate the hotel on behalf of the owner and provide brand recognition for the property, in return for which it is paid a management fee (See Box D.1). An agreement is usually for a fixed term and may include an option for either party, or for both, to renew the agreement.

The operating company receives the guest revenue and pays all the operating costs of the hotel, including wages, food and beverage expenses, telephone, energy costs and the management fees that are paid to the management company.

Box D.1 Management fees

The management fee can have a number of components. The most common are a base fee, that is a percentage of gross revenue, and an incentive fee that is a percentage of gross operating profit. The incentive fee can be a fixed percentage or it can be on a sliding scale which is dependant on the level of profit achieved. There may also be a systems fee, to cover services provided outside the hotel including marketing, reservation systems and human resources support and training, and a reservation transaction fee that is imposed on reservations provided by the management company. The transaction fee can be a percentage of each transaction or a flat fee.

An agreement may include a performance guarantee that could require the management company to either ensure a minimum level of gross operating profit or make up the difference, or forego the payment of incentive fees.

The property owner is left with a gross operating profit, out of which is paid the owner's costs of insurance, rates and taxes, reserve for replacement of fixtures and fittings, interest and depreciation. The owner receives the remaining profit which is the return on the equity invested.

Management agreements are detailed legal documents that can be over 100 pages long and cover many aspects of the operation of a hotel. Box D.2 outlines some of the main conditions that a management agreement may include.

Recent changes

There have been significant changes in management agreements since 1990 and the main areas of change are outlined below. Unless otherwise stated, the information is from the JLW Transact and Baker & McKenzie publication, *Hotel Management Agreement Trends in Australia and New Zealand* (JLW 1994). JLW Transact undertook a survey of 25 agreements in 1991 and repeated it in 1994 with a survey of 35 agreements. References are to the 1994 survey unless otherwise stated.

The main areas of change have been the emphasis on profits rather than revenue, increased owner involvement and easier termination of agreements. In the past, maximising gross revenue increased the base fee, but did not necessarily produce any operating profit for the owner. Now, maximising gross operating profit increases the owner's return and the management company's incentive fee. Owners are now insisting on greater control over budgets, expenditure and staffing and can more easily terminate an agreement for unsatisfactory performance.

Box D.2 Management agreement conditions

Agreements enable owners to have some control over the budgeting, expenditure and staffing of the hotel. This can include the owner approving the annual business plan and budget, items of expenditure above an agreed limit and the appointment of the general manager. Where agreement cannot be reached there is often provision for recourse to an independent expert. With the introduction of enterprise bargaining, there is a trend for owners to become involved in workforce negotiations.

Termination clauses are an important part of any agreement and can cover a range of events. There are standard termination clauses covering events such as failure to meet the terms of the agreement, insolvency and destruction of the property. There may be provision to terminate the agreement where previously agreed financial targets are not met, such as failing to achieve a certain percentage of budget figures. The owner may be able to terminate the agreement without cause. Were this to happen, the owner would be required to pay compensation, which is usually related to the length of the unexpired term of the agreement. Some agreements provide for termination on sale of the property, giving the new owner the opportunity to bring in its own managers.

If a property goes into receivership, the receiver has the right to terminate the management agreement, unless there is an agreement to the contrary — called a ‘non-disturbance agreement’. Consequently, management companies usually seek an agreement with the financier or inclusion of the financier as a party to the management agreement. This agreement can include provision for the receiver to be bound by the management agreement and to forego the right to cancel the agreement. It can be in the financier’s interest to ensure that the management company does not have the right to terminate the agreement, as the continued operation and branding of the hotel can affect the value the receiver is able to realise from the property.

The survey showed an average term of agreement of 10 years, with most in the 10 to 14 years category, although nine were for 1 to 5 years. This compares with an average of 17 years in the 1991 survey. Renewal option periods were included in 66 per cent of agreements, compared to 92 per cent in 1991.

The average base fee decreased from 3 per cent in 1991 to just over 1 per cent in 1994, with 6 of the 35 agreements having no base fee. All agreements in the survey had an incentive fee that was based on either a sliding or fixed percentage of the gross operating profit. Of the 15 agreements with a fixed percentage, the average was 8 per cent. Approximately 70 per cent of the agreements provided for systems fees and transaction charges (see Box D.1).

Almost half of the agreements in both surveys provided for some form of performance criteria. In over 60 per cent of agreements there was provision for the owner to terminate the agreement where previously agreed financial targets were not met. In nearly 90 per cent of agreements there was provision for the agreement to be terminated without cause by the owner.

Over 80 per cent of the agreements included provision for the owner to approve the annual budget and business plan.

Current status

According to JLW Transact, owners are now in a dominant position compared to hotel management companies. JLW Transact suggest five factors which have led to this change:

- declining profits during the recession exposed the imbalance in earlier owner–manager agreements;
- owners are more sophisticated and negotiate harder;
- some managers are offering fee structures tied only to profits;
- the number of receiverships have led to more short term agreements and sales with vacant possession; and
- the lack of new developments has limited the opportunities for management companies to expand (JLW 1994).

There are now over twenty international and Australian management companies competing for management contracts in Australia and there is a high level of competition between management companies. According to JLW ‘competition between operators over recent months has been almost cut-throat’ (JLW, 1994, p.11).

D.3.3 Leases

During the early development of international standard hotels in Australia, leases were common, and in some cases long term leases are still in force. A hotel lease is similar to any other property lease, whereby the tenant assumes all operating responsibilities and pays rent to the property owner who has a passive role. Under this arrangement the lessee takes all the financial risk and must bear the cost of any short–fall in operating revenue, while having the advantage of retaining the benefits of increased profits:

Under a total property lease, the financial burden is placed on the hotel company, which enjoys some benefits if the property is successful, but suffers all of the losses when operating performance is not adequate. (Rushmore 1992, s15-2)

The lessor has a guaranteed income, does not suffer any operating losses, but may not share in any operating profits. In some agreements, the owner receives a share of the operating profit if it exceeds an agreed minimum. The owner may not benefit directly from owning a hotel that is being leased and operated

successfully, but as capital value is, in part, determined by operating profitability, the opportunity for capital appreciation is presumably enhanced.

A significant difference between a management agreement and a lease is that the latter is registered against a property and gives a management company specific rights of possession. Consequently it is more difficult to terminate than a management agreement. This gives the lessee the advantage of greater certainty of tenure.

It has been suggested that management companies that have leased properties in Australia have done well during good economic times, such as the late 1980s, but have not done so well, and may have incurred losses, during the recession of the early 1990s. In the current economic climate, with occupancy rates and room rates rising, and little likelihood of increased competition from new developments in the short term, some management companies are again entering into leases rather than management agreements (JLW 1994). In these economic conditions, a lease has the advantage of a potentially better 'upside' than a management agreement, but with a 'downside' that is no worse than a management agreement with tight performance criteria.

Some developers are now proposing leasing as a possible way of reducing the risk of investing in new accommodation. AAPC has reportedly agreed to a 15 year lease on the proposed conversion of an office block to a hotel in Auckland, New Zealand (AFR, 4 July 1995). The lease is being offered in an effort to increase investor interest in the project.

D.4 Marketing

Over 1200 hotels and motels are members of a marketing and referral group. The major form of marketing undertaken by these groups is the production of their accommodation directories. Other activities include participation in holiday and travel shows, advertising in motoring association guidebooks and special event sponsorship. Referral services consist of being able to book ahead from one member property to the next and operating a central booking office.

The marketing and referral groups represent 26 per cent of the hotels, motels and guesthouses surveyed by the Australian Bureau of Statistics. The four largest groups are Best Western, Flag, Budget and Golden Chain. Budget, Best Western and Golden Chain are cooperatives and Flag is an unlisted public company. Information on these four groups is contained in Table D.2. Another form of marketing group, which has yet to prove popular in Australia, is franchising.

Table D.2 Major accommodation referral groups

	<i>Number of rooms (No.)</i>	<i>Number of properties (No.)</i>	<i>Average rooms per property (No.)</i>	<i>Percentage of total rooms (%)</i>	<i>Average star rating</i>
Flag	19 583	377	52	12	3.6
Best Western	7 763	242	32	5	3.3
Budget	8 402	442	19	5	2.7
Golden Chain	2 237	106	21	1	3.3
Total	37 985	1 167	33	23	

Source: Flag International, 1995

D.4.1 Cooperatives

The cooperatives, Golden Chain, Budget and Best Western provide marketing and referral services to their members. The members pay for these services on the basis of a flat fee per room, that is not related to the room rate or the occupancy level. Individual members are responsible for operating and managing their properties as they see fit, without involvement by the central office of the cooperative, provided agreed minimum standards are maintained.

The central offices do not collect information on occupancy rates, room rates, changes in property ownership, sale prices or capital appreciation as individual owners and are generally guarded about sharing information about their operating success or failure. Similarly, the central offices do not provide an advocacy service for their members, for example in industrial award negotiations or in dealings with governments. These roles are performed by the Hotels, Motels Accommodation Association of Australia (formerly the Motor Inn Motel and Accommodation Association).

The continued existence of these cooperatives over an extended period is an indication of the value their members place on the services provided. A 50 per cent increase in the membership of the Budget Motel Chain (BMC) over the last two years is attributed to the recession and the difficult trading conditions (BRW 3 August 1995). Business Advisers Australia undertook a survey of BMC members early in 1995 and 83 per cent of the respondents indicated that being a member of the BMC 'was the major asset in attracting guests' (BAA 1995, p. 3).

D.4.2 Marketing companies

Flag International Ltd was originally a marketing cooperative but changed its structure to become an unlisted public company and now operates in a similar

manner to a franchise chain. Flag operates by granting a licence to a property manager (who may also be the owner) to use the Flag 'system' which includes the trade mark, promotional material, operating systems and reservation systems. All of the Flag shareholders are current or former licensees. Similarly to the cooperatives, licensees pay a membership fee. With Flag it is based on the number of rooms and the room rate. The marketing and referral services provided by Flag are similar to those provided by the cooperatives. Flag operates a central reservation system and members pay a commission on any bookings that are provided through this system.

As shown in Table D.2, compared to the cooperatives, Flag properties are generally larger and of a higher star grading. Included in the Flag properties are some five star hotels all of which are managed by All Seasons. The different roles which a hotel management company and a marketing and referral company have in the provision of tourism accommodation is shown by the involvement of both All Seasons and Flag in the management and marketing of a number of properties.

D.4.3 Franchises

There are very few franchised accommodation properties in Australia, yet franchising is common overseas and could become more popular in Australia in the future. A franchise agreement is more like a marketing agreement than a management agreement:

A hotel franchise is essentially an agreement ... whereby the hotel chain allows the owner to make use of the chain's name and services such as a central reservation system and defined operational procedures, in return for which the hotel owner pays the hotel chain a franchise fee. Under such an agreement, the chain has no ownership or financial interest in the hotel and is not directly responsible for its economic success. (Rushmore 1992, s17-2)

Franchising enables a hotel chain to expand rapidly with minimal capital outlay and without the responsibility for generating operating profits from individual properties. Although franchisors' usually endeavour to exercise some control over the standard of properties, they have little control outside the terms of the franchise agreement.

The advantage for the franchisee is that a property achieves instant brand recognition and guidelines for successful operation are usually available. The disadvantage for the franchisee is that, having paid the franchise fee, there is no guarantee of success. As with the cooperatives' membership fees, the franchise fee is likely to be a fixed sum, dependant on the number of rooms.

Choice Hotels International is a United States based company that claims to be the world's largest hotel franchisor with over 3400 properties. Choice Hotels Australia was formed in early 1995 in an effort to establish the franchise in Australia. Currently there are two franchised Choice properties in Western Australia.

D.5 Conclusion

Recent management agreements provide incentives for management companies to maximise gross operating profit rather than concentrating on gross revenue. This has meant that both owners and managers are now primarily focused on the same outcome — increasing operating profitability.

The number of management companies operating in Australia has increased and as there have been limited opportunities to manage new properties, the level of competition between management companies has increased.

E WORKPLACE REGULATION IN THE TOURISM INDUSTRY

Australia's formal industrial relations system has traditionally been highly centralised. Although the recent shift to decentralised enterprise bargaining offers great opportunities for improving workforce productivity and working conditions, the uptake of enterprise bargaining has been slow, particularly in tourism-related and enabling industries. There is also a strong commitment from the Commonwealth Government and ACTU for a continuing role for centralised awards as a 'safety net'. The awards system is therefore still an integral feature of the tourism labour market and is likely to be so for the foreseeable future.

E.1 Australia's industrial relations system

Historically Australia has had a highly centralised and formalised industrial relations system. The Australian Industrial Relations Commission (AIRC) applying the Commonwealth's special power — granted under s.51(35) of the Constitution — made determinations on a series of *National Wage* cases which have existed in various forms since the *Harvester* case in 1907 (Fox *et al* 1995). These decisions were subsequently reflected in variations to the awards which regulate basic wages and working conditions. Many of these awards cover a wide range of occupations and organisation types within an industry.

The award system has provided a policy instrument for ensuring minimum standards in workplace regulation (Buchanan and Callus 1993) and has been the key instrument for the application of a wage policy as part of macro economic management.

The shift towards a more decentralised system of industrial relations from the late 1980s represents a belief that there are productivity and efficiency gains available from a workplace-based industrial relations system (Lansbury and Macdonald 1992). As a means of creating a more decentralised approach to wage determination, the concept of 'enterprise bargaining' has been introduced in Australia. The October 1991 *National Wage* case established the Enterprise Bargaining Principle (EBP). All Commonwealth and State jurisdictions have now introduced legislation aimed at decentralising their respective industrial relations systems by facilitating formalised enterprise agreements (see Section E.3.2). Awards have been recast as a 'safety net' and the role of tribunals in

determining wages and conditions has been reduced, with direct bargaining expected to take place at the enterprise level.

E.2 Awards in tourism-related and enabling industries

In the tourism sector there are two major Commonwealth awards and some 32 state awards — there are no specific industry awards except in the travel sector.

E.2.1 Award coverage

Commonwealth and State awards are listed below by jurisdiction.

Commonwealth awards

The two major federal awards cover enterprises in New South Wales, Victoria, Queensland and Tasmania are:

- The Hospitality Industry — Accommodation, Hotels, Resorts and Gaming Award 1995; and
- Motels, Accommodation and Resorts (Roping-in No. 1) Award 1995.

Other federal awards apply in the Australian Capital Territory and the Northern Territory (DIR, sub 90).

State awards

The major State awards in the hospitality industry are as follows:

New South Wales:

- Caterers Employees (State) Award;
- Club Employees (State) Award;
- Hotel Employees (State) Award;
- Private Hotels, Motels and Guest House etc (State) Award;
- Restaurant Employees Etc. (State) Award; and
- Theatrical Employees, Recreation and Leisure Industry (State) Award.

Victoria

All awards in Victoria were repealed by recent amendments to the *Employee Relations Act 1992*. Minimum conditions of employment are specified in Schedule 1 of the Act. However, the minimum wages and classifications of the repealed awards apply as an interim step. The three repealed awards that are relevant for the tourism industry are:

- Canteen Workers Award;
- Hotel, Restaurant and Boarding Houses Award; and
- Licensed Clubs Employees Award.

Queensland:

- Boarding House, Etc, Employees' Award — South-Eastern Division;
- Boarding House Employees' Award — State (Excluding South-East Queensland);
- Cafe, Restaurant and Catering Award — South-Eastern Division;
- Cafe, Restaurant and Catering Award — State (Excluding South-East Queensland);
- Club Employees' Award — State (Excluding South-East Queensland);
- Clubs Etc. Employees' Award — South-East Queensland;
- Hotels, Resorts and Certain Other Licensed Premises Award — State (Excluding South-East Queensland);
- Hotels, Resorts and Accommodation Industry Award — South-East Division;
- Motel Industry Award — Southern Division (Eastern District);
- Motel Industry Industrial Agreement;
- Offshore Island Resorts Industrial Agreement; and
- Sanctuary Cove Employees Award.

South Australia:

- Boarding and Guesthouse Award;
- Cafes and Restaurants Etc. (SA) Award;
- Canteens, Dine-Ins & Buffets (In Theatres) Award;
- Delicatessen, Industrial and Commercial Canteens, Unlicensed Cafes and Restaurants Award
- Hotels, Clubs Etc. Award; and
- Motels (SA) Award.

Western Australia:

- Catering Workers Award;
- Club Workers Award;
- Hotel and Tavern Workers Award;
- Licensed Establishments (Retail & Wholesale) Award;
- Motel, Hostel, Serviced Flats & Boarding House Workers Award; and

- Restaurant, Tea-Room & Catering Workers Award.

Tasmania:

- Hotel and Motel Keepers Award;
- Licensed Clubs Award; and
- Restaurant Keepers Award.

E.2.2 Workplace reform process

Award restructuring

The first major move towards greater flexibility in the workplace emerged from the *National Wage* case of March 1987. This awarded all federal award employees an increase of \$10 a week. In addition, they could access a ‘second tier’ increase of up to 4 per cent in return for agreeing to improvements in working arrangements. Most of these second tier agreements were negotiated at the enterprise level under the Restructuring and Efficiency Principle (REP) (Fox *et al* 1995). Common issues covered in these agreements were changes to work practices, working time arrangements and dispute settling procedures.

By August 1988, the AIRC considered the benefits of the REP to be exhausted. In response, the August 1988 *National Wage* case introduced the Structural Efficiency Principle (SEP). Under the 1988 SEP, wage increases or improvements in working conditions were conditional on award parties agreeing to review the award ‘... with a view to implementing measures to improve the efficiency of industry and provide workers with access to more varied, fulfilling and better paid jobs’ (Fox *et al* 1995, p. 612).

The two major Federal tourism awards have been restructured following lengthy negotiations between key stakeholders (see Box E.1). Key areas of change relate to career paths, employment classifications and flexibility in a range of employment provisions. A major change to the Federal Hotels Award was the insertion of an ‘Enterprise Flexibility Clause’ that was intended to provide a further avenue for the industry to implement workplace reform within the existing award (see Appendix F, Section F.4 for a full discussion of changes the the Federal Hotels Award).

A shift to decentralised restructuring

The *Industrial Relations Act* 1988 included a provision for certified agreements. This provision allowed unions and employers to negotiate outcomes that could vary from awards, as long as employees were not disadvantaged relative to their

award entitlements. The AIRC also had to be satisfied that an agreement was not contrary to the public interest before it could be certified.

Box E.1 Key stakeholders in tourism industrial relations

Unions

The main industry unions are the Australian Liquor, Hospitality and Miscellaneous Workers Union (LHMWU) which has national membership of around 250 000, and the Australian Workers Union (AWU) which has coverage of the industry in North Queensland and a membership of around 170 000 (DIR, sub. 90, p. 7).

Other unions which have coverage in the industry are the Shop Distributive and Allied Employees Association (SDA), the Transport Workers Union of Australia (TWU), the Australian Services Union (ASU), the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia (CEPU) and the Automotive, Food, Metals and Engineering Union (AFMEU).

Union membership varies across tourism-related and enabling industries. Anecdotal evidence suggests that union membership is higher among the larger, more established businesses and lower among smaller businesses. Union membership is also high in more traditional male dominated industries. For example, for the three tourism-related and enabling sectors, *hotels and catering*, *tourism and leisure* and *travel and passenger transport* union membership is approximately 16, 12 and 60 per cent respectively (unpublished ABS data).

Employer associations

The major employer associations in the tourism sector are the Australian Hotels Association (AHA), the Hotel, Motel and Accommodation Association of Australia (HMAAA), the Restaurant and Caterers' Association (RCA) and the Registered Clubs Association of NSW. Membership ranges from 6000 for the AHA to 1400 for the Registered Clubs Association of NSW (DIR, sub. 90, p. 6).

Source: Information supplied by the Commonwealth Department of Industrial Relations

The next major development in workplace reform occurred in October 1991 when the AIRC introduced the Enterprise Bargaining Principle (EBP). Under the EBP, parties were allowed to negotiate agreements at the enterprise level, but any wage rises had to be based on real gains in productivity. Despite the introduction of the EBP, there was a perception that enterprise bargaining was not being widely adopted. In a move designed to speed up the spread of agreements the Government amended the Industrial Relations Act in July 1992 to remove the public interest test from agreements covering a single business. This meant that it was now up to the parties negotiating agreements to ensure they were delivering productivity gains.

The increasing emphasis on agreements did not mean that the award system was being abandoned; rather it was the intention that awards would be a benchmark for agreements, as well as continuing to regulate work conditions for those employees who would be unable to negotiate agreements. This benchmark role

for awards was expressed in the legislation by a requirement that when considered as a whole, the terms of agreements should not place employees at a disadvantage, relative to pre-existing award conditions, the so-called 'no disadvantage test'.

E.3 The benefits from decentralised bargaining

The centralised award system has been criticised as being inflexible and unable to accommodate the characteristics of the tourism industry which needs to meet the requirements of tourists when they occur — some on a 24 hour basis, seven days a week.

Timo (1995) argues that issues which impact on profitability — such as wage relativities, penalty rates, performance based salary and skills formation — can be more effectively achieved through enterprise based agreements than through industry based awards. Timo also suggests there are potential advantages for workers:

The centralised award system has been increasingly criticised in that awards include comprehensive details regarding the employee's rewards for performing work while the quality and quantity of the work required is rarely spelled out. Awards concentrate on 'hygiene' factors which may minimise employee dissatisfaction but do little to act as incentives to achieve greater output. Awards in the past have neglected factors such as training and skill formation, multi-skilling, career structures, performance related pay and broad banding. (Timo 1995, p. 235)

E.3.1 Enterprise bargaining

The shift towards a more decentralised system represents a belief that there are gains from enterprise based bargaining over conditions of employment. Enterprise specific agreements are intended to reflect the operating environments of individual enterprises.

An historical perspective

Bargaining for conditions of employment over and above those contained within awards has always been an important element of the industrial relations system.

The traditional method for bargaining has been 'over-award' bargaining. Such agreements could take the form of unregistered written agreements, registered industrial agreements or enterprise awards. Although mechanisms were available under the awards system to negotiate enterprise specific conditions of employment, employers were still obliged to comply with the parent award.

Enterprise bargaining since 1987

The second half of the 1980s saw dramatic legislative changes designed to formally move away from centralism — a move which has been largely supported by all key stakeholders including unions, employer bodies and government. Commonwealth and State governments throughout Australia have introduced legislation aimed at shifting the determination of basic employment conditions from the tribunals and awards, towards a formalised form of ‘enterprise bargaining’ (see Section E.3.2). Under this emerging system, employers and employees (with or without the involvement of their union) negotiate enterprise specific conditions of employment.

The benefits of an enterprise specific approach to bargaining are said to include:

- greater responsiveness of wage outcomes to labour market conditions;
- a greater commitment of the parties to each other and to the outcomes of bargaining;
- increased flexibility within the organisation; and
- a greater focus on efficiency and productivity.

In addition, an enterprise focus may mean that working conditions can be customised to better suit the specific needs of the workforce.

The costs of an enterprise specific approach include the removal of a major instrument of macro economic policy, namely wage policy.

Enterprise bargaining can take many forms and may range from a ‘stand alone’ comprehensive agreement to ones with only minor changes to certain award conditions. At the same time that enterprise bargaining was introduced, awards have been recast as a ‘safety net’ and the role of tribunals has been reduced in determining wages and conditions, with direct bargaining expected to take place at the enterprise level.

Although enterprise agreements are being registered in all Commonwealth and State jurisdictions, their incidence in these jurisdictions varies. The Commonwealth jurisdiction has the highest number of award employees covered by enterprise agreements (57 per cent) with the Tasmanian and Western Australian jurisdiction having the lowest (8 per cent and 3 per cent respectively).¹ Research undertaken by the Australian Centre for Industrial Relations Research and Teaching (ACIRRT) has found that the majority of agreements registered, across all jurisdictions, are from manufacturing and construction organisations.

¹ Information on the number of agreements registered by industry is not available for public scrutiny in Victoria.

E.3.2 Enterprise bargaining jurisdictions in Australia

All jurisdictions in the Australian industrial relations system have legislation that allows for enterprise agreements between employers and their employees. This section outlines the industrial relations legislation for these jurisdictions.

Commonwealth

The recent round of enterprise bargaining reforms at the Commonwealth level took place through the ‘second tier’ negotiations in 1987 and the introduction of ‘Section 115’² agreements in 1989. The second tier involved direct negotiations between the parties in line with the AIRC’s principles aimed at reforming awards. ‘Section 115’ agreements provided for a tightly regulated method under which unions and employers could fashion enterprise agreements. However, the legislation required the AIRC to review the agreements within the ‘public interest’³ test, restricting outcomes to remain within *National Wage* case guidelines. Despite expectations, only about one hundred such agreements were ever registered.

In 1991, the ‘Enterprise Bargaining Principle’ and Certified Agreements under Section 134 of the *Industrial Relations Act* 1988 became the means by which enterprise bargaining took shape at the Commonwealth level. These ‘Section 134’ agreements changed the AIRC’s review powers from a concern with the public interest to a less restrictive ‘no disadvantage’ test.⁴

The Commonwealth *Industrial Relations Reform Act* 1993 represents a further legislative promotion of enterprise bargaining within the Commonwealth industrial relations system.⁵ In the earlier Commonwealth reforms, awards remained the core feature of the system. Now, awards primarily function as a ‘safety net’, with most improvements in wages and working conditions to be obtained through an agreement.

² Section 115 agreements were registered under the *Industrial Relations Act* 1988.

³ The ‘public interest’ test allows reductions in award conditions and entitlements, if on the whole, they are not against the public interest. For example, an agreement may trade off overtime rates for an increased weekly wage rate.

⁴ The ‘no disadvantage’ test ensures that the contents of certified agreements are limited so that employees suffer no disadvantage when compared to their rights under the relevant parent award. The test means that the enterprise agreement as a whole must not disadvantage employees with respect to the award and must not reduce entitlements due to employees under any relevant award or relevant state or Federal legislation.

⁵ The *Industrial Relations Reform Act* 1993 introduced a range of dramatic changes to the existing Federal *Industrial Relations Act* 1988 including a wide reworking of the powers of the Australian Industrial Relations Commission, the creation of a new Industrial Relations Court, and new provisions related to termination, parental leave, pay equity and minimum standards. Most provisions of this act came into effect in March 1994.

The *Industrial Relations Reform Act 1993* now provides for two types of enterprise agreements:

1. Certified Agreements (CAs) which involve a union; and
2. Enterprise Flexibility Agreements (EFAs) which permit agreement between an employer and employees without the involvement of a trade union as a party.

Certified Agreements are similar to former 'Section 134' agreements and must involve a union as a party. The AIRC has very limited powers in reviewing such agreements. EFAs are the new 'non-union' agreements which may be negotiated within the Commonwealth system. Unlike CAs, EFAs must undergo a more onerous review process, but once approved they can dramatically alter award conditions.

In its pre-election industrial relations policy document *Better Pay for Better Work*, the recently elected Coalition Government identified industrial relations reform as a high priority. The key elements of this policy that influence the awards system and enterprise bargaining in tourism are:

- the awards system and safety net wage increases for employees who choose to stay with that system will be maintained;
- Awards will continue to act as the benchmark of minimum standards for enterprise agreements;
- the Australian Industrial Relations Commission is to expedite a more efficient review of awards to remove obsolete or excessively prescriptive provisions;
- the existing system of Certified Agreements will be retained;
- Australian Workplace Agreements will be introduced to replace Enterprise Flexibility Agreements;
- Australian Workplace Agreements will be simpler than Enterprise Flexibility Agreements and will exclude uninvited union involvement. Furthermore employees will be able to enter into Australian Workplace Agreements individually

New South Wales

The *Industrial Relations Act (NSW) 1991* provides access to enterprise bargaining. As with the Commonwealth and Queensland legislation, the NSW

Act includes procedural and substantive requirements for the registration of an enterprise agreement.⁶

Enterprise agreements in NSW can potentially involve three types of employee representation. Unions can be a bargaining agent and party to an agreement. However the legislation also provides for non-union agreements where employees may either represent themselves or be represented by a ‘works committee’.

The NSW jurisdiction permits the parties to effectively ‘opt out’ of award conditions. The only substantive test to be met is that an agreement meets minimum standards, namely one week’s sick leave, ordinary hours of work capped at 40 averaged over a 52 week period, and an hourly rate not less than that set out in the award. There are procedural requirements that an agreement must be approved by 65 per cent of employees. The Commissioner for Enterprise Agreements must ensure the parties support the rights and obligations under the agreement in a compulsory conference.

Victoria

The movement towards enterprise agreements in the Victorian jurisdiction came as a result of a change of Government in Victoria in 1992. The *Employee Relations Act 1992* ended compulsory arbitration in the Victorian jurisdiction and introduced employment conditions negotiated by employers and employees. Awards still exist in Victoria where all parties agree to their maintenance — where some parties are in disagreement, conditions of employment are governed by an employment agreement.

The Victorian legislation allows for the use of ‘collective’ or ‘individual’ agreements. Collective agreements may be made at an enterprise, industry or occupational level between one or more employers and two or more employees. The agreement may partially regulate the conditions of employment with other collective agreements governing other conditions. Registration of agreements is compulsory and failure to register an agreement is an offence. Individual agreements may exist between an employee and their employer and operate under similar conditions as a contract of employment under common law. Victorian jurisdiction enterprise agreements are not public documents and are only available to the parties to the agreement.

⁶ As with the Federal reforms, the NSW legislation saw a fundamental reworking of industrial relations in areas such as the processing of disputes, restrictions on the varying of awards, new parental leave conditions and the creation of the Industrial Court.

Queensland

The enterprise bargaining system within the Queensland jurisdiction has closely followed the reforms that have taken place at the Commonwealth level. The *Industrial Relations Reform Act 1994* amended the *Industrial Relations Act 1990* so that changes in the Commonwealth jurisdiction were reflected in the Queensland legislation. This recent Act provides the same protection for employees as the Commonwealth Act and introduced enterprise flexibility agreements to the Queensland jurisdiction.

South Australian

The *Industrial Relations Act 1972 (SA)* was repealed on the 8 August 1994 by the *Industrial and Employee Relations Act 1994 (SA)*. Enterprise bargaining became a central feature of South Australian's industrial system with the introduction of the new Act.

The Act established three major roles for the Enterprise Agreement Commissioner:

- to consider and approve enterprise agreements;
- to promote community awareness of enterprise agreements and the requirements of the legislation; and
- to monitor the operation of agreements and assist in resolving disputes arising from enterprise agreements.

The Act also created the Office of the Employee Ombudsman, which has functions in relation to the making and approval of enterprise agreements that include advising employees of their rights and obligations and investigating claims of coercion.

Enterprise agreements must satisfy certain criteria before they are approved. The Commissioner must be satisfied that the agreement is in the best interest of employees. The conditions and remuneration must be no less than those of the relevant award. This condition may be waived if all of the following are met:

- two-thirds of the employees covered by the agreement approve the agreement;
- the enterprise is in financial difficulties and the agreement would help alleviate this situation (assuming that the economic prospects are expected to improve); and
- the agreement does not disadvantage the employees covered by the agreement IRCSA (1994).

Western Australia

In line with developments in other jurisdictions, the Western Australian jurisdiction introduced enterprise bargaining with the *Workplace Agreements Act 1993*. This legislation allows for the registration of 'industrial' or 'workplace' agreements. Parties to these agreements must comply with the *Minimum Conditions of Employment Act 1993*. The major difference between the two types of agreements is that workplace agreements take the parties out of the jurisdiction of the Commission and the award system, whereas industrial agreements still operate with the relevant awards.

Workplace agreements may be of two types; collective or individual. Individual agreements may operate in conjunction with collective agreements, although the individual agreements override the collective agreements where there are inconsistencies.

Tasmania

The *Industrial Relations Amendment (Enterprise Agreements and Workplace Freedom) Act 1992* commenced on 1 March 1993. The Tasmanian enterprise agreements legislation is similar to the NSW Act. Enterprise agreements in Tasmania were not intended to replace the awards system but to offer the parties an alternative. Minimum conditions and a minimum wage are established which can not be overridden by an enterprise agreement. Enterprise Agreements that are not registered are not binding.

Northern Territory and Australian Capital Territory

Organisations in the Northern Territory and the Australian Capital Territory may register enterprise agreements in the Commonwealth jurisdiction. Agreements from these territories must comply with industrial relations legislation from the Commonwealth jurisdiction.

F FLEXIBILITY IN TOURISM AWARDS

Since the mid 1980s the pursuit of workplace flexibility has gained increasing attention in economic policy discussions. In particular, this discussion has focused on how the industrial relations system influences the way labour can be employed and organised. It has been argued by some that industrial awards represent a serious impediment to the flexibility firms need to compete in the contemporary economic environment. There is no doubt that any enforceable instrument such as an award restricts employers' and employees' free choice of action, and thereby restricts flexibility. Awards can be used to pursue social and economic objectives. This Appendix examines the major industrial awards in the tourism industry and their influence on the flexibility of tourism enterprises.

F.1 Origins of the interest in flexibility

The pursuit of flexibility in work practices and employment has been a major theme of industrial relations reform in Australia since the mid 1980s. Flexibility in the general sense is not a new issue. Flexibility can be thought of as the ability and willingness to change that underpins the working of a competitive economy. To remain competitive firms '... have always had to adapt to economic developments, think up new products, introduce or adopt new techniques, open, close, transfer or restructure factories, and hire and fire labour' (Gaudier 1987, p. 37). It is this general flexibility that is of interest here, but only one component of it. Specifically, the discussion does not cover the responsiveness of the overall level of real wages to the macro-economic environment. Nor does it consider flexibility in the supply of labour. It focuses rather on those types of flexibility which are most likely to be affected by the content of the main tourism awards

For some, a concern with greater labour force flexibility has been seen as a response to '... high unemployment, inflation, serious balance of payments and international debt difficulties, and the need to restructure industry' (Isaac 1989, p. 51). At the same time, it is argued that there is a need for greater flexibility because of changes to the structure of markets, production and management. These changes include:

... an accelerated rate of product obsolescence; rapid technological change; the saturation of certain product markets; falling levels of real productivity; a shift from

price competition in 'mass markets' towards non-price competition (upon quality, after sales service, and reliable delivery) in 'niche markets'; a move away from traditional mass production techniques towards small scale batch production; and intensified pressure to respond more immediately to demand change. (Rimmer and Zappala 1988, pp. 564–565)

The main arguments put forward to support the pursuit of greater labour flexibility have been that it will improve efficiency and productivity, lower unit labour costs and thereby raise the standard of living.

The changes that have occurred in Australia to date have largely occurred in a cooperative environment. Nonetheless, the type of flexibility achieved has probably been influenced by the relative bargaining strength of unions and employers and their understanding of flexibility.

What exactly is meant by flexibility?

The two main schools of thought about flexibility are commonly referred to in the literature as neo-managerialism¹ and post-fordism.² Each school provides a quite distinctive account of the nature of flexibility and its implications for employers, employees and unions.

Neo-managerialism is associated with the idea of giving the employer considerable freedom of action. The emphasis is on flexibility that increases management prerogative, including the capacity '... of managers to shift workers between jobs and tasks, to take on and lay off labour and to vary pay rates and working hours in line with the economic needs of the workplace' (Harley 1995, p. 1). The emphasis is on labour as an input, the management of which is simply about adjusting the quantity and price to suit the demands at the time.

The post-fordist school emphasises the need for labour process flexibility as a response to changes in technology and product markets. In particular, it argues that movements towards service-based economies and the development of knowledge-based technologies have made the scientific management approaches to work organisation espoused by Frederick Taylor obsolete. Post-fordism argues that economic performance can be enhanced by increasing the flexibility of labour to adapt to new processes (in today's terms this would be called multi-skilling). This requires workers to be relatively highly skilled and autonomous and to play a greater role in determining how work is organised. The post-fordist form of flexibility is said to deliver economic benefits, empower labour and enhance the quality of working life.

¹ Neo-managerialist has much in common with the scientific management theories of Frederick Taylor.

² The term 'post-fordism' arises from a view that the production line process pioneered by Henry Ford is no longer sufficient for contemporary economic systems.

Although these schools represent two extremes neither of which is likely to exist in the real world, they provide one explanation of why flexibility can be interpreted differently. The next section considers labour market flexibility in more detail.

F.1.1 Labour market flexibility — a typology

Labour market flexibility can have many meanings. The *Dahrendorf Report*³ defined labour flexibility in its most general form as ‘... the ability of individuals in the economy and notably in the labour market, to abandon established ways and adapt to new circumstances’ (OECD 1986 in Sloan 1989, p. 2). The National Labour Consultative Council response to the *Dahrendorf Report* explicitly expanded the reference to both employers and employees by defining labour market flexibility as:

... the ability and willingness of institutions and individuals in the labour market, employers as well as workers, to respond appropriately to the economic and social needs of the country. (NLCC 1987, p. 1).

Employers and employees — through the labour market — adapt to changing circumstances in a number of ways such as adjusting wage levels or wage relativities, non-wage costs, work practices or patterns, or through changing their attitudes to education and training (NLCC 1987). Although these adjustments can take place both within the firm or in the wider labour market, the remainder of this section will concentrate on developing a taxonomy of workplace flexibility (that is, flexibility within the firm). This taxonomy is a means of describing and differentiating various interpretations of what can be meant by flexibility. It is also a useful framework for examining the influence of award provisions on labour market flexibility by giving more precise meaning to the term flexibility.

A number of authors have discussed elements of workplace flexibility (see OECD 1989, Rimmer and Zappala 1988, Sloan 1989, Harley 1995). In general, these point toward a taxonomy involving five different types of flexibility:

- external numerical flexibility;
- internal numerical flexibility;

³ The seminal report on labour market flexibility in the 1980s was the *Dahrendorf Report* (OECD 1986), which examined policy options for enhancing structural adjustment in the labour markets in the OECD countries. However, because of the institutional and economic variations between OECD countries, the conclusions of the report were general in nature. The implications of the *Dahrendorf Report* for Australia were examined in a report released by the National Labour Consultative Council in 1987 (NLCC 1987).

- functional flexibility;
- wage flexibility; and
- procedural flexibility.

These five categories are discussed in detail below.

External numerical flexibility

External numerical flexibility refers to the firm's ability to increase or decrease the size of its workforce to meet changes in demand. Strategies to increase external numerical flexibility basically fall into two categories.

On the one hand are strategies such as '... more flexible redundancy procedures, short-term contracts, and greater use of casual and part-time workers. Such practices facilitate short-term adjustments to the numbers of employees ...' (Rimmer and Zappala 1988, p. 567), allowing firms to implement 'just-in-time' labour management strategies that match workforce size to demand. Casual and part-time work can also give employees greater flexibility to reconcile life style preferences (such as study, travel or family) with the desire to work.

The other form that external numerical flexibility can take is the devolution of part of the firm's work to external enterprises or individuals. This can take a variety of forms such as: contracting out, hiring temporary staff from employment agencies, or using self-employed workers. Although such practices can be used to fill gaps in skill or capacity, they can also be used as a strategy for transferring some of the business risks from the firm's owner to workers and contractors. For example, the OECD (1989) argues that a major aim of such practices is to replace employment contracts by commercial contracts:

Labour law governing employment contracts is primarily concerned with protecting wage-earners' rights; the employer may therefore consider that it places the wage earner at an advantage; in contrast, commercial law governing commercial contracts places the same rights and duties of the contracting parties on an equal footing: an enterprise is free to choose its delivery times and conditions, to terminate a fixed-term contract and to change suppliers, and to order from a subcontractor the exact number of parts it needs. No collective agreement or trade union action will prevent an employer from doing so, and he will not have to pay surplus workers when business turns down. What this means in fact is that the risks associated with the uncertainties and fluctuations of production are transferred to another enterprise. (OECD 1989, p. 14)

These processes are likely to produce both costs and benefits for employees. For example, existing employees of the firm may gain increased job security through the increased competitiveness of a firm that has managed to lower its cost structure and shift risk to third parties. However, those who bear greater costs might not consider themselves better off. Employers may be willing to pay a premium to shift risk outside the firm. If so, contract workers and

employees of temporary agencies will gain through higher wages, while sharing the risks.

Internal numerical flexibility

Internal numerical flexibility refers to the firm's '... ability to adjust quantity and timing of labour input (for example, the number of working hours and the timing of work) without modifying the number of employees (Rimmer and Zappala 1988, p. 567). Typical strategies to increase internal numerical flexibility include: increased span of hours, reduced minimum number of hours per employment period, overtime and shift working arrangements, adjustments to annual leave and other leave. Such strategies allow the firm to make more intensive use of employees and their skills and to meet fluctuations in demand. These are forms of 'just-in-time' labour arrangements for existing employees and transfer the consequences of variability in the pattern of demand from the firm to the employees.

Harley (1995) argues that internal numerical flexibility is significant because:

... it acknowledges that flexibility of labour input can be achieved by means other than variations in staff numbers. (Harley 1995, p. 37)

Flexibility in hours may also allow employees to match their work commitments to other dimensions of their lives, in a similar way that external numerical flexibility does. For this to occur, it is necessary for employees to be able to take the initiative in varying hours worked.

Functional flexibility

A concept closely related to internal numerical flexibility is functional flexibility. Harley (1995) suggests that functional flexibility:

... entails strategies which seek to ensure 'that employees can be redeployed quickly and smoothly between activities and tasks'. (Harley 1995, p. 8)

Such strategies include multi-skilling workers, broad-banding or job redesign, the removal of job demarcations and training. Breaking down demarcations between jobs allows workers to be more easily redeployed. That is, multi-skilled workers can be deployed to a range of tasks, while appropriate training allows workers to adapt to technological change more easily. Similarly, reorganising jobs to include a wide range of tasks represents a shift away from the strategy of enhancing productivity through job and skill specialisation.

The OECD (1989) describes the importance of functional flexibility as follows:

Broadly speaking, an enterprise's ability to ride out market and technological changes depends primarily on its ability to redeploy resources in the medium and long term, and thus to a considerable extent on the ability of workers to change jobs during their

working life within the same enterprise. Obviously to do so they need to have acquired the necessary skills, and thus to have undergone thorough, and as broad as possible, initial and continuing training. (OECD 1989, p. 16)

For an employee, functional flexibility may increase job security and satisfaction. That is, employees who are multi-skilled are less likely to become redundant and more likely to be re-employed. Similarly, many, though not all, employees are likely to prefer the variety provided by doing a range of tasks.

Wage flexibility

Harley (1995) argues that wage flexibility can take three forms.

In the first instance, wages could vary according to labour market conditions. That is, employers and employees have more or less flexibility to negotiate wages according to the prevailing labour demand and supply conditions. Wage flexibility may raise or lower a firm's labour costs. However, greater wage responsiveness to the state of the labour market may help reduce unemployment.

The second form of wage flexibility links wage levels to the performance of individual workers, workgroups or workplaces. There are numerous strategies for linking remuneration to performance, for example, piecework, bonus and profit sharing schemes (OECD 1989). Rimmer and Zappala (1988) suggest that this type of wage flexibility provides an incentive for workers to raise their productivity, and at the same time establishes '... a nexus between the product and labour markets' (Rimmer and Zappala 1988, p. 568).

The final form of wage flexibility is the ability of employers and employees to vary wages in response to changes in the product market. This type of flexibility involves employees accepting wage or condition cuts for the long-term survival of the firm and the firm raising wages in periods of high profitability.⁴ For some employees ensuring the survival of the firm may be the only alternative to unemployment. Co-operation from employees for such flexibility will be greater where employees have some security of employment with the firm and therefore might reasonably expect to be compensated when profitability improves.

Procedural flexibility

Sloan (1989) has defined procedural flexibility as:

⁴ An example is the SPC Ltd, a co-operative fruit canner in Shepparton. Faced with a forecast operating loss of \$10 million for 1990, the company formed an agreement with employees (unions) to temporarily reduce pay or conditions and thus ensure the survival of the firm.

... arrangements developed to provide for consultation and negotiating procedures between management and workers (or their representative) on the various elements of labour market flexibility ... (Sloan 1989, p. 3)

These arrangements are likely to take different forms in different organisations and situations. They:

... may be widespread (as with a general disputes procedure) or restricted to a single issue (such as technological change); the machinery may be fixed or temporary (the latter is often found with *ad hoc* working parties dealing with a particular issue); and its powers may be weak (consultation) or strong (decision making). (Rimmer and Zappala 1988, p. 568)

Rimmer and Zappala (1988) also argue that a focus on procedural flexibility represents a shift away from unilateral decisions based on managerial prerogative and external regulation (for example, by industrial tribunals), towards a commitment to participative management — which weakens flexibility that derives from the ability of management to take unilateral action, but nonetheless may enhance productivity and profitability.

F.1.2 The policy response in Australia

Since the mid 1980s, there has been a shift away from the centralised system for setting wages and working conditions to a more decentralised enterprise level approach.

In 1988, the Federal Government identified greater labour market flexibility as high on the Government's microeconomic reform agenda. Although acknowledging the need for reform, the Federal Government maintained the centralised industrial relations system, arguing that:

... greater flexibility does not mean total deregulation. This approach would be extremely short-sighted; jettisoning the beneficial elements of our current system and, in particular, jeopardising the co-operation so essential for the success of labour market reforms. (DIR 1988, p. 8)

The position was taken that greater labour market flexibility:

... needs to be pursued at a number of different levels: institutional, industry or award, and enterprise. A sole focus on the enterprise will not be sufficient. Industry and award level reform, supported by institutional and educational change, is needed to encourage and assist reform at the workplace level. (DIR 1988, p. 9)

The policy response was to maintain the centralised system and modify it to encourage change at individual workplaces. The introduction of the two-tier wage system in the March 1987 National Wage case was the first major attempt to use the federal centralised system to promote workplace reform. Under the two-tier system, workers received a first tier wage increase that was automatic

and universal. An additional second tier wage increase was to be achieved through negotiation by employer and unions on an industry-by-industry or award-by-award basis. These negotiations were meant to conform with the reform principles laid down by the Australian Industrial Relations Commission (AIRC).

The first of these reform principles, introduced in the March 1987 National Wage case, was referred to as the Restructuring and Efficiency Principle (REP). Under this principle, the second tier wage increase was only to be available on condition that employers and employees reached agreement on implementing measures to improve efficiency, such as multi-skilling, broad-banding and the reduction of demarcation barriers.

Although some agreements under the REP embodied real gains in internal numerical and functional flexibility (Rimmer and Zappala 1988), the spread of such agreements was slow. One reason for this may have been the REP's focus on changes to work and management practices that were not necessarily covered by awards. As a result, 'in many cases the bargaining structure which existed for an award may not have been appropriate in dealing with the Restructuring and Efficiency Principle' (Fox *et al* 1995, p. 609).

In the August 1988 National Wage case, the REP was replaced by the Structural Efficiency Principle (SEP). The introduction of the SEP represented an attempt by the AIRC to encourage workplace reform through award restructuring. Under the SEP, the second tier wage increase was conditional on the union(s) party to an award, formally agreeing to:

... co-operate positively in a fundamental review of the award with a view to implementing measures to improve the efficiency of industry and provide workers with access to more varied, fulfilling and better paid jobs. (1988 National Wage Case)

The process of workplace and award restructuring that took place under the guidance of the AIRC through REP and SEP has been described as a system of 'managed decentralism', characterised by:

... the maintenance of a key role for tribunals, the preservation of awards as the primary instrument of employment regulation and the maintenance of trade unions as the sole representatives of employee interests in the formal processes of decentralised bargaining. (Ronfeldt and McCallum 1995, p. 10)

By the beginning of the 1990s the dominant view among employers, government and unions was that greater labour market flexibility would require an even more decentralised form of bargaining. Debate was largely restricted to which form of decentralism was most appropriate. The strategy adopted by the Federal Government was to '... maintain and reform the centralised system of award regulation and provide the opportunity for unions and employers to

negotiate about a prescribed range of changes at the industry and workplace level' (Ronfeldt and McCallum 1995, p. 11).

The decision of the October 1991 National Wage case reflected these views by establishing the Enterprise Bargaining Principle (EBP) while maintaining the SEP. Under the EBP, certified agreements or consent awards could be negotiated between employers with a single bargaining unit representing all employees affected by the agreement. However, these agreements were still required to meet certain minimum standards. The AIRC also withdrew somewhat by abandoning attempts to control aggregate wage outcomes, adopting a conciliation role in the negotiation of agreements and devolving the responsibility for the outcomes of agreements to the parties involved.

However, the substantive and procedural requirements of the SEP made use of provisions in the *Industrial Relations Act 1988* (Cwth) that gave the AIRC the discretion to refuse certification of agreements that were against the public-interest or which fell outside the national wage case principles.

In July 1992 the Federal Government introduced certified agreements legislation under Division 3A of the *Industrial Relations Act 1988* (Cwth). The AIRC no longer had the discretion to refuse certification on the grounds of public interest or national wage case principles where the agreement covered a single enterprise or part of a single enterprise. For such agreements, the AIRC's role was limited to ensuring compliance with a series of statutory conditions.

Legislation for certified agreements represented a deliberate move to greater decentralisation of the industrial relations system by making '... enterprise ('single business') or workplace agreements available as a real alternative to the mainstream award system and not reserved for exceptional circumstances' (Fox *et al* 1995, p. 620). The legislation was criticised on two grounds. First there were now two (potentially inconsistent) processes for registering agreements under the EBP.⁵ Second, the legislation had the potential to undermine the safety net role of the award system '... if the disparate outcomes of enterprise bargaining were to feed back into the award system' (Fox *et al* 1995, p. 621).

After a review of wage fixing principles in October 1993, the EBP was replaced by the Enterprise Awards Principle (EAP). This was in part a response to these criticisms. The key differences between the EBP and the newer EAP are:

⁵ The Federal legislation contained two sections, with different requirements, for processing negotiating enterprise agreements. That is, one for certified agreements and one for consent awards.

- agreements under the EBP could be processed using either consent award or certified agreement provisions. Agreements under the EAP could only be processed using consent award provisions;
- the EBP prescribed substantive rules that prohibited reductions in ordinary time earnings or departures from the AIRC's standards on hours of work, annual leave with pay or long service leave with pay. The EAP extended these substantive rules to prohibit departures from the AIRC's standards on parental leave, termination and redundancy standards that had been previously determined in test case proceedings;
- unlike the EBP, the EAP makes no reference to the term of agreement;
- while the EBP prohibited unions from pursuing any general wage increase other than an increase consistent with a National Wage case decision, the EAP contains no prohibition on wage increases; and
- the EAP reintroduced the use of arbitration as a final resort.

The EAP principle was overshadowed by the changes to the *Industrial Relations Act 1988* (Cwth) that occurred when the *Industrial Relations Reform Act 1993* (Cwth) received Royal Assent on 22 December 1993. One of the main aspects of the reform introduced by these legislative changes is the promotion of decentralised bargaining. In particular, the changes to the Act provided:

- a new set of objects for the Act which posit enterprise agreements as the primary means of settling industrial disputes and regulating terms and conditions of work;
- the reformulation of the requirements for the ratification of certified agreements. In the main however, the requirements for certified agreements follow those established by the July 1992 amendments;
- the creation of a separate Bargaining Division in the AIRC. This Bargaining Division was given specific powers to facilitate the making of agreements including the making of orders directing the parties to negotiate in good faith and supervising industrial action taken during the negotiation of agreements;
- the introduction of Enterprise Flexibility Agreements (EFAs) which allow employers to negotiate changes to award conditions without the involvement of trade unions (although unions with members at the workplace must be notified and given opportunity to participate in bargaining);
- the creation of an immunity for unions and employers in relation to industrial action taken during the bargaining period for certified agreements;

- the establishment of s.150A, a process of reviewing the content of awards in relation to their role as a safety net underpinning enterprise bargaining and to ensure that they are free of discriminatory provisions (see Chapter 13, Box 13.6); and
- The creation of a set of minimum statutory employment entitlements in Part VIA of the Act which, along with existing awards, serve as a safety net for bargaining under the Federal Act and provide the means of protecting these rights in relation to employees covered by State laws. These minimum conditions relate to minimum wages, termination of employment, equal remuneration for women, parental leave and family leave. (Ronfeldt and McCallum 1995, p. 13)

The contemporary role of awards

The recently elected Federal Coalition Government outlined its vision for the short-term future of the Australian industrial relations system in its policy document titled *Better Pay for Better Work: The Coalition's Industrial Relations Policy*. This policy statement places a high priority on workplace reform that enhances 'personal freedom and flexibility'. The emphasis identifies workplace bargaining, in the form of Australian Workplace Agreements (AWAs), as the primary instrument for governing employment conditions. However, there is an explicit acknowledgment of a continuing role for the awards system in two respects. The first is as an alternative to workplace agreements, the second is as a safety net of minimum conditions against which workplace bargains will be measured. AWAs must comply with a set of minimum standards, including paid leave and take home pay which, for the same hours worked, must be no less than that prescribed in the award. This includes the casual premium and piece rates. The policy also contains an intention to continue the process of award restructuring and simplification.

F.2 A framework for examining the influence of awards on workplace flexibility

The principal purpose of this section is to construct a framework that will allow the impact of tourism award provisions on labour market flexibility to be examined.

Awards are essentially comprehensive employment regulations prescribing minimum enforceable wage rates and other employment conditions such as: required period of notice; redundancy entitlements; restrictions on unfair

dismissal;⁶ overtime, shift and penalty rates; shift arrangements and working hours; rostered days off; restrictions on the use of casual employees; and allowances.

It has been argued that the process for determination of award conditions restricts labour market flexibility, in particular, where ‘multi-employer’ awards apply through ‘roping in’ or ‘common rule’,⁷ it is unlikely that the provisions will reflect the flexibility requirements of individual workplaces (Sloan 1989). It has also been argued by some that some award provisions are obsolete, reflecting historic economic and social conditions (such as high penalty rates for working weekends). Another criticism has been the rapid flow-on of conditions between different awards. The general conclusion drawn by critics of the award system is that award provisions may have little relation to what employers’ and employees’ desire or need to achieve in terms of flexibility in working conditions.

Sloan (1989) provides a partial framework for examining the impact of award provisions on an enterprise’s ability to achieve flexibility, by linking typical award provisions to the five elements of labour market flexibility identified earlier (see Table F.1). This framework provides a useful summary of where awards restrict flexibility. It does not, however, facilitate evaluation of the absolute level of flexibility or whether there is the ‘right’ level of flexibility. For example, although it implies that excessive ‘periods of notice’ will limit external numerical flexibility, it gives no guide as to what a reasonable period of notice would be. The typology is purely descriptive. Evaluation necessarily involves subjective judgements made according to values and beliefs which are likely to differ according to one’s perspective. Evaluation against purely objective or quantitative criteria is not possible because of the implicit social objectives embodied in labour market regulation.

This Appendix uses the above framework to examine the impact of award provisions on flexibility in two stages. First, Section F.3 examines and compares the provisions contained in the two major Federal awards. This helps identify the key areas where award provisions influence workplace flexibility. Second, Section F.4 examines the changes in provisions in the Federal Hotels award between 1983 and 1995. This allows an assessment of how the impact of

⁶ In the federal jurisdiction unfair dismissal is dealt within in the *Industrial Relations Act* 1988 (Cwth). Although awards can extend these provisions, they can not over-ride them.

⁷ *Roping in* is a process where, in the federal jurisdiction, a new award is created which extends the coverage of an existing award to employers not previously subject to the award. *Common rule* refers to the process where, in State jurisdictions (and in the federal jurisdiction in the ACT and Northern Territory), the terms and decisions of conciliation and arbitration are generalised to all parties in an industry, regardless of whether they were involved in the dispute.

award provisions on flexibility has changed over time. It may also illustrate the potential for awards that are still only in early stages of restructuring.

Table F.1 Award provisions and labour market flexibility

<i>Element of Flexibility</i>	<i>Award Provisions likely to have an influence</i>
External numerical flexibility <i>(Meeting changes in demand by adjusting the workforce size.)</i>	<ul style="list-style-type: none"> • Period of notice • Redundancy payments • Unfair dismissal
Internal numerical flexibility <i>(Meeting changes in demand by adjusting the quantity and timing of labour, but without engaging or dismissing labour.)</i>	<ul style="list-style-type: none"> • Overtime provisions • Shift arrangements • Rostered days off • Annual leave • Starting and finishing • Use of casuals
Functional flexibility <i>(Meeting changes in demand by moving labour between functional areas within the organisation.)</i>	<ul style="list-style-type: none"> • Classifications • Training requirements • Demarcation issues
Wage flexibility <i>(Linking remuneration to the market forces of supply and demand. Also involves linking wages to the performance of the individual and the firm.)</i>	<ul style="list-style-type: none"> • Minimum pay rates • Superannuation • Shift/penalty rates • State/National Wage Case decisions
Procedural flexibility <i>(Establishing consultative mechanisms capable of negotiating the implementation the other forms of flexibility.)</i>	<ul style="list-style-type: none"> • Consultation deterred because of conditions laid down <i>(For example, a requirement that unions be involved in all negotiations)</i>

Source: Sloan 1989, p. 6

F.3. Flexibility in tourism awards

Awards inevitably reduce flexibility. That is, any instrument that binds parties to a course of behaviour (including individual employment contracts and enterprise agreements) by definition restricts their subsequent choice of action. Although most restrictions in contracts are the result of negotiation, employment contracts (awards) often have provisions that reflect social values (for example, paternity leave).

This section uses the framework presented in Table F.1 to examine the influence that provisions in the two major tourism industrial awards⁸ have on

⁸ The two major Federal tourism industrial awards are the Hospitality Industry — Accommodation, Hotels, Resorts and Gaming Award 1995 (Hotels award) and the Motels, Accommodation and Resorts (Roping-in No. 1) Award 1995 (Motels award).

workplace flexibility. However this framework does not provide a benchmark for assessing whether provisions are excessively restrictive. Thus, although it is possible to draw broad conclusions such about the impact of various provisions on types of flexibility, judgments about whether award provisions are excessively restrictive must be made separately.

F.3.1 External numerical flexibility

For employers, the ability to meet changes in demand by adjusting the workforce size. For some employees, this may give them the ability to reconcile work and non-work commitments.

Award provisions that make dismissing workers more difficult or expensive are likely to reduce external numerical flexibility. Examples include provisions covering notice of termination, termination payments and unlawful dismissal.

- *period of notice.* Most awards require employers (and sometimes employees) to give a minimum period of notice before breaking the employment contract. Alternatively employees (employers) may be entitled to be paid (withhold wages) in lieu of such notice;
- *termination payments.* In some circumstances awards provide for employees to receive benefits and payments on termination that are additional to accrued earnings, leave and allowances.
- *unfair (unlawful) dismissal.* Awards may contain provisions that explicitly extend provisions concerning the procedural and substantive nature of a lawful termination of the employment contract. However, in all jurisdictions the main instrument determining unfair (unlawful) dismissal is contained in the industrial relations legislation, which takes precedence over the award.

Mandated periods of notice, termination payments and unfair dismissal clauses will raise the cost of replacing employees. This is likely to influence external numerical flexibility in a number of ways. For instance, it may reduce employers' propensity to hire staff (in favour of investing in capital), or change the type of staff they hire (that is, casual instead of permanent employees). Alternatively, depending on labour market conditions, employers may be able to shift some of the higher turnover costs onto employees in the form of lower wages.

Greater external numerical flexibility will enhance the ability of some employees to reconcile work and non-work commitments. For example, it may give some employees greater short-term employment opportunities. On the

other hand, it may reduce job security or employment opportunities for workers whose non-work commitments are inconsistent to the needs of the workplace.

Period of notice

Both Federal tourism industrial awards link the period of notice required from employers to the employment classification,⁹ length of service and age of the employee. Employees must give the same notice as employers (except for additional notice relating to age). In each case, the employee (employer) is entitled to payment (withhold monies owing) in lieu of notice.

For full-time and part-time employees the notice required from employers is:

- employees can be summarily dismissed within the first fourteen days of employment for ‘inefficiency, neglect of duty or misconduct’;
- two days (three days for the Motels award) for employees with less than one year of service;¹⁰
- two weeks for employees with between one and three years of service;
- three weeks for employees with between three and five years of service; and
- four weeks for employees with more than five years of service.

In addition, full-time and part-time employees over 45 years of age are entitled to an additional week of notice provided they have more than two years of service.

Casual employees on the other hand are employed on an hourly basis and can be dismissed with an hour’s notice provided they are paid a minimum of two hours (three hours for the motels award) per engagement.

Termination payments

Under both Federal awards, employees are entitled to a range of payments on termination of the employment contract. These payments include wages owing and payment in lieu of un-used annual leave. Employees are also entitled to payment in lieu of any termination notice entitlement, provided they have not been dismissed for misconduct or negligence.

⁹ Awards usually contain provisions detailing the ‘contract of employment’. These provisions generally specify employment classifications (that is, full-time, part-time and casual employees), and the basis of tenure (for example, hourly, weekly or monthly).

¹⁰ This provision is inconsistent with the *Industrial Relations Act 1988* (Cwth). The Act specifies two weeks notice which over-rides the award provision (s.170DB(2)). There is currently action by the parties to have this provision amended.

Employees who are terminated as a result of redundancy (that is, the job in which they were employed no longer exists) receive additional severance pay based on the length of service. For the two Federal awards employees receive:

- no additional pay for less than one year of service;
- four weeks pay for one to two years of service;
- six weeks pay for two to three years of service;
- seven weeks pay for three to four years of service; and
- eight weeks pay for more than four years of service;

However, the severance pay an employee receives will not exceed the amount which the employee would have earned if employed until normal retirement.

Unfair dismissal

Both Federal awards contain provisions prohibiting the termination of an employee in a ‘harsh, unjust or unreasonable’ manner.¹¹ These provisions are applied equally for normal dismissal, dismissal due to redundancy and summary dismissal. Further, casual employees are not excluded from these provisions.

F.3.2 Internal numerical flexibility

For employers, the ability to meet changes in demand by adjusting the quantity and timing of labour without engaging or dismissing labour. For employees, the ability to reconcile work and non-work commitments by adjusting the timing and duration of work.

A range of provisions influence when employees are able to work and how much they will be paid for their effort. If these provisions are too prescriptive they not only limit the employers’ ability to manage efficiently their workforces, but can also limit opportunities for employees who are happy to accommodate the employers’ needs. Examples include provisions covering overtime, shift arrangements, rostered days off (RDOs), leave, starting and finishing times, and restrictions on the use of casuals.

- *overtime provisions.* Most awards specify ordinary hours for different employment classifications (casual, full-time and part-time). Any work in excess of ordinary hours is over-time and generally attracts a higher rate of pay to compensate the employee.

¹¹ These provisions are in addition to the unfair dismissal provisions in the *Industrial Relations Act 1988* (Cwth).

- *shift arrangements.* Where awards allow shift work, they generally have provisions covering issues such as notice for changes to rosters, maximum and minimum shift lengths and breaks between split shifts.
- *rostered days off.* Many awards have provisions relating to rostered days off.
- *leave.* Awards contain various provisions governing a range of paid and unpaid leave entitlements. These provisions specify procedural elements such as the entitlement and timing of leave.
- *starting and finishing.* Awards specify the ordinary working hours and days of the week. Work outside ordinary hours attracts a premium on the normal wage.
- *use of casuals.* Award provisions may specify restriction on the use of casual employees in certain areas or place restrictions on hours of work. In addition, they often specify loadings on normal hourly pay rates for casuals.

Restrictive provisions in these areas are likely to have the greatest impact on firms with atypical demand patterns (that is, demand that is seasonal, unpredictable or occurs at non-standard business hours). Restrictions on internal numerical flexibility may raise labour costs (because of shift loadings for example) and lower productivity (because of reduced ability to match labour supply to demand). Such restrictions can also result in a relatively higher reliance on external numerical flexibility.

Greater internal numerical flexibility may provide some employees with more flexibility to reconcile work and non-work commitments. For example, it may allow a parent to work part-time or on a casual basis and still meet family commitments (such as picking the kids up from school). On the other hand, it may have a negative effect if this type of flexibility introduces rotating shifts or the flexibility of employers to unilaterally extend shifts.

Overtime provisions

Each of the two Federal awards specifies the ordinary hours for full-time, part-time and casual employees. Any work in excess of ordinary hours is overtime and attracts a higher hourly rate of pay.¹² Both awards contain provisions that require an employer:

... if practicable, [to] offer his or her employees the opportunity to work overtime in preference to employing casuals. (Hotels award, clause 28.1)

¹² Note overtime provisions do not apply to casual employees.

The two Federal awards have rather different provisions governing the ordinary hours for full-time employees.

The Hotels award appears less prescriptive than the Motels award. Although ordinary hours must average 38 hours per week, there are a number of ways of achieving this. Combinations range from a fixed seven hour, thirty six minute day to 160 hours over a four week period with the option of banking of rostered days off. The Motels award on the other hand specifies a 40 hour ordinary working week which must be worked in five, eight hour days. Further, each ordinary eight hour day (including meal breaks) must be finished within twelve hours of starting time, restricting the options for split shifts.

Ordinary hours for part-time employees are similar for the two awards. That is, between 15 and 30 hours per week and between three and eight hours per day. The main difference occurs in the minimum number of days per week. While the Hotels award specifies that ordinary hours must be worked between three and five days per week, the Motels award specifies that ordinary hours must be worked over 'not more than' five days per week.

In each award employers may require their full-time and part-time staff to work 'reasonable overtime', with work outside ordinary hours attracting higher hourly rates of pay. In addition, if the finish time is too late for the employee to use normal public transport, employers are required to provide transport home for the employee or provide accommodation for the night free of charge.

Under the Hotels award, there is also an option for employees to take time off in lieu of overtime payments, provided the dollar value of the time off matches the overtime payment forgone.

Shift arrangements

Both Federal awards have provisions covering shift arrangements. In each award, employers are required to post a roster that shows the normal starting and finishing time of all full-time permanent and part-time employees. Each award also specifies the minimum notice required for changes to shift rosters. For both awards this is usually seven days. However, under the Hotels award, fourteen days' notice must be given for employees whose hours are averaged over a four week period. In addition, the Hotels award specifies maximum and minimum hours for shifts, the minimum spread of hours for split-shifts, and breaks between shifts.

Rostered days off

Provisions governing RDOs vary between the two Federal awards. Under the Hotels award, employees are entitled to nine days per four week period, or two

days per week for employees working a 38 hour week. This is provided they do not work more than ten days in succession without a rostered day off. In addition, the Hotels award has provisions for banking of RDOs that fall on public holidays, and for taking paid time off in lieu of overtime owing. Under the Motels award, full-time employees are entitled to two RDOs per week. The only restriction on part-time employees is that they not work more than ten days in succession without an RDO. In addition, employees are entitled to full pay for RDOs that fall on public holidays.

Leave provisions

Both awards include provisions for annual, sick, maternity and bereavement or compassionate leave for permanent full-time employees. Leave entitlements for part-time workers are on a pro rata basis. Under each award, employees are entitled to:

- four weeks paid annual leave per year;
- twelve months unpaid maternity leave;
- two weeks paid sick leave per year (cumulative) for the Hotels award, and ten working days sick leave per year (six in the first year of service) for the Motels award; and
- two days paid bereavement (Hotels award) or compassionate (Motels award) leave.

Annual and maternity leave are available after 12 months' service. Sick leave accumulates incrementally after the first month of service.

Under both awards employees are required to give fourteen days' notice of their intention to take annual leave. Furthermore, all leave must be taken within four months after it is due unless agreement is reached between employer and employees to extend this to six months. Annual leave is paid at ordinary rates plus 17.5 per cent.

Starting and finishing times

Neither Federal award has restrictions on starting and finishing times for employees provided they are posted in the roster and meet the requirements for separation of shifts and minimum and maximum shift duration. However, permanent employees are rostered to work between 7:00 pm and 7:00 am, Monday to Friday and work between midnight Friday and midnight Sunday attract penalty payments at various rates (see Table F.4). Both awards indicate that hourly loadings are not cumulative for permanent employees. That is, if a permanent employee works from 7:00 pm to midnight on a Tuesday and that happens to be a public holiday, they do not receive both the holiday loading

(double time) and the non-standard hour loading (\$1.03 per hour). Rather, they receive whichever of the two loadings benefits the employee most (in this case the double time loading).

Table F.2 Hourly loadings for casual employees under the two major Federal awards

	<i>Additions to normal hourly rate (cumulative)</i>	
	<i>Hotels award</i>	<i>Motels award</i>
Ordinary time between 7:00 am and 7:00 pm, Monday to Friday	25 per cent of ordinary hourly rate	33 1/3 per cent of ordinary hourly rate ^a
Ordinary time between 7:00 pm and midnight, Monday to Friday	\$1.03 per hour ^b	na
Ordinary time between midnight and 7:00 am, Monday to Friday	\$1.50 per hour ^b	na
Ordinary time between midnight Friday and midnight Saturday	50 per cent of ordinary hourly rate	50 per cent of ordinary hourly rate
Ordinary time between midnight Saturday and midnight Sunday	75 per cent of ordinary hourly rate	100 per cent of ordinary hourly rate
Public holidays	150 per cent of ordinary hourly rate	100 per cent of ordinary hourly rate

a Plus an additional pro rata loading in lieu of annual leave.

b A minimum of 1.57 per day.

Use of casuals

Provisions for casuals are similar in the two Federal awards. The restrictions on the use of casuals include the length of engagement and wage loadings which accrue at different rates for different days and hours of the week. Casuals work a minimum of two hours (three hours for the Motels award) per engagement and a maximum of 38 hours per week (40 hours for the Motels award). In addition, casual work attracts hourly loadings which accrue differently for different days and hours of the week (see Table F.2). For casual employees these loadings are cumulative. That is, a casual who works on a public holiday receives time and a half plus the standard casual loading of twenty five per cent above the ordinary time hourly rate for permanent employees.

A further restriction that is placed on casuals is that both Federal awards prohibit permanent employees from being multi-hired as casuals. However, there are currently negotiations between employers and the union to remove this provision. In addition, the Hotels award requires employers, if practicable, to offer overtime to permanent employees in preference to hiring casuals.

F.3.3 Functional flexibility

Employers meet changes in demand by moving labour between functional areas within the organisation.

The concept of functional flexibility is closely related to internal numerical flexibility. Award provisions that reduce the ability for employees to move between functional areas at short notice are likely to restrict functional flexibility. Examples include provisions covering job classifications, training requirements and union/award demarcation.

- *classifications*. Historically, many awards contained a large number of specific job classifications. Narrow classifications can limit functional flexibility if there are demarcation restrictions.
- *training requirements*. One requirement for functional mobility is the skills to perform a wide range of tasks.
- *demarcation issues*. Mobility between job classifications can be restricted by provisions that restrict multi-tasking or by demarcation issues between multiple awards and unions in a single workplace.

Provisions that are restrictive or prescriptive will limit functional flexibility in individual firms. Such provisions are likely to lower employee satisfaction, opportunity and productivity, and encourage employers to use external numerical flexibility to meet their needs. They also protect employees from ‘competition’ from other employees within the workplace.

Classifications

Each of the two Federal awards has a limited number of ‘career’ path streams and a number of skill levels within each stream. The Hotels award for example has 37 job classifications and five career streams. The Motels award on the other hand, has 14 job classifications in three career streams (see Table F.3). In each award, employment classifications are defined by skill requirements and general task descriptions.

Importantly, both awards contain facilitative provisions that allow employees to move between classifications. In the Hotels award, clause 19.4 states:

Notwithstanding the recognition of five career path streams, such streaming does not prevent employees undertaking duties across different streams ...

Similarly, clause 9(a)(ii) of the Motels award states:

Notwithstanding the recognition of three career path streams, such streaming does not prevent employees undertaking duties as are within the limits of the employee’s skill, competence and training ...

Thus the Federal awards appear to offer no restrictions to functional flexibility between job classifications, other than those related to the ability of the employee to do the job.

Training requirements

All job classifications in the two Federal awards (except level 1 and introductory classifications) have skill requirements as defined by the Australian Hospitality Review Panel (AHRP) and Tourism Training Australia (TTA). In addition, both awards have provisions for traineeships and apprenticeships. However, it is difficult to ascertain from the awards whether these training requirements provide employees with the necessary skills to be functionally flexible. The implications of specifying training requirements in awards is discussed in detail in Chapter 15, Section 15.6.1.

Table F.3 Job classifications in the Federal awards

<i>Hotels award</i>		<i>Motels award</i>	
<i>Career stream</i>	<i>Job classifications</i>	<i>Career stream</i>	<i>Job classifications</i>
Food and beverage services	4	Food, beverage and housekeeping services	7
Kitchen services	8	Administration and front office services	4
Guest services	9	Leisure activities	3 ^a
Administration and general	12		
Leisure activities	4 ^a		

a Including one introductory level.

Demarcation issues

Most tourism establishments are covered by a single award and a single union. Because of this, demarcation between awards and union (that is separation of jobs by award coverage or union membership) is not an issue in the industry.

Similarly, there is no overlap between the two Federal awards. The Hotels award, for instance, binds the Liquor, Hospitality and Miscellaneous Workers Union (LHMWU), the Australian Hotels Association (AHA) and the individual respondents listed in Schedule A of the award. This award covers Victoria, Tasmania, New South Wales and the South East Division of Queensland, and applies to: hotels, casinos, taverns, wine saloons and other listed licensed establishments retailing to the public or 'in connection with accommodation'. The Motels award on the other hand binds the LHMWU, the AHA and the Hotel, Motel and Accommodation Association of Australia¹³ (HMAAA), as

¹³ Formerly the Motor Inn, Motel and Accommodation Association (MIMA)

well as those individual respondents listed in Schedule A of the award. This award also covers Victoria, Tasmania, New South Wales and the South East Division of Queensland¹⁴ but excludes the County of Yancowinna (that is, Broken Hill) and the ACT. This award applies to: motor inns or motels, unlicensed private hotels, serviced apartments, resorts, time share facilities, health or recreation farms, guest houses, ski lodges, holiday flats or units, holiday ranches or farms, condominiums *etcetera* with restaurants, function areas and convention centres.

F.3.4 Wage flexibility

Linking remuneration to the market forces of supply and demand. Also involves linking wages to the performance of the individual and the firm.

There are a number of award provisions that can limit wage flexibility within a firm, including provisions that limit the ability of employers and employees to negotiate a reduction in wages. Other examples are provisions that prevent the performance of the firm or employee being taken into consideration in wage determination. Typical provisions that are likely to reduce wage flexibility include: minimum pay rates, superannuation, shift and penalty rates, and national wage case decisions.

- *minimum pay rates.* Most awards specify minimum pay rates for the various employment classifications. Although employers and employees are free to negotiate wages above the minimum, they cannot negotiate a wage below the minimum.
- *superannuation.* Superannuation raises the price of labour to employers. It may not raise the return (in the short term) to employees, but employer contributions do represent a form of remuneration.
- *shift and penalty rates.* Work conducted during non-standard hours or under arduous conditions (such as split shifts) usually attracts a premium on the standard hourly rate. Where these premiums are fixed in awards, they may or may not reflect the outcome that would be generated by the forces of supply and demand.

¹⁴ The South East Division of Queensland is defined as ‘... commencing at Point Danger, and bounded thence by the southern boundary of the State westerly to 151 degrees of east longitude; thence by that degree of longitude bearing true north to 24 degrees 30 minutes of south latitude; thence by that parallel of latitude bearing true east to the sea coast; and thence by the sea coast southly to the point of commencement and all islands comprised in any State or Federal electorate in the South East Division of Queensland.’

- *national wage case decisions.* Awards occasionally include clauses that adjust the minimum pay rates in line with the *National Wage Case*. Such adjustments are not negotiated at the individual workplace and may not reflect market outcome.

Award minimum rates of pay restrict the ability of employers to pay less than these rates even if market conditions would make it profitable to do so. This is the very purpose of the award, and it clearly reduces flexibility. Whether it reduces flexibility by a lot or a little is unclear in individual circumstances.

Minimum pay rates

Both Federal awards specify minimum weekly pay rates for all job classifications as well as for juniors, apprentices and trainees (see Table F.4).

Table F.4 Minimum wage rates for employees under the Federal Hotels Award, 4 July 1995

<i>Level</i>	<i>Classifications</i>	<i>(\$ week)</i>	<i>(\$ hour)</i>
Intro	Employees unable to meet the competency requirements of level 1	341.40	8.98
Level 1	Includes: food & beverage attendant grade 1, kitchen attendant grade 1, guest service grade 1 and persons not otherwise provided for.	358.10	9.42
Level 2	Includes: food & beverage attendant grade 2, cook grade 1, kitchen attendant grade 2 and other similar classifications.	383.20	10.08
Level 3	Includes: food & beverage attendant grade 3, cook grade 2, kitchen attendant grade 3 and other similar classifications.	401.50	10.57
Level 4	Includes: leisure attendant grade 3, cook grade 3, guest services grade 4 and other similar classifications.	433.20	11.40
Level 5	Includes: food & beverage supervisor, cook grade 4, guest service supervisor and other similar classifications.	474.90	12.50
Level 6	Includes cook grade 5 only.	495.80	13.05

Source: The *Hotels, Resorts and Hospitality Industry Award 1995* (23 May 1995)

Superannuation

Both Federal awards specify a contribution to superannuation for all employees of 3 per cent of their ordinary time earnings. In addition, they specify the conditions under which employees are entitled to: tool, uniform maintenance, and meal allowances.

Shift and penalty rates

The two federal awards specify loadings for night (7:00 pm to 7:00 am) and weekend work, as well as rates for work on public holidays, rostered days off and normal over-time (see Table F.5). The awards also specify the loadings for casual employees (see Table F.2).

Table F.5 Hourly loadings for permanent employees under the two major Federal awards

	<i>Hotels award</i>	<i>Motels award</i>
Ordinary time between midnight Friday and midnight Saturday	150 (125 ^a) per cent of ordinary hourly rate	150 per cent of ordinary hourly rate
Ordinary time between 7:00 pm and Midnight, Monday to Friday	\$1.03 per hour ^b	\$0.95 per hour ^d
Ordinary time between Midnight and 7:00 am, Monday to Friday	\$1.50 per hour ^b	\$0.95 per hour ^d
Ordinary time between midnight Saturday and midnight Sunday	175 per cent of ordinary hourly rate	175 per cent of ordinary hourly rate
Over-time worked between midnight Friday and midnight Sunday	200 per cent of ordinary hourly rate	175 per cent of ordinary hourly rate for the first three hours and 200 per cent thereafter.
Over-time worked between midnight Sunday and midnight Friday	150 per cent of ordinary hourly rate for the first two hours and 200 per cent thereafter.	150 per cent of ordinary hourly rate for the first two hours and 200 per cent thereafter.
Over-time worked between midnight Saturday and midnight Sunday	200 per cent of ordinary hourly rate	200 per cent of ordinary hourly rate
Overtime on a rostered days off	200 per cent of ordinary hourly rate ^c	
Public holidays	200 per cent of ordinary hourly rate	250 per cent of ordinary hourly rate ^c

a Workers employed after 6 May 1993.

b A minimum of 1.57 per day.

c Employees must be paid for a minimum of four hours (unless the overtime is a continuation of a normal roster, Hotels award only)

d A minimum of \$1.42 per day.

National wage case decisions

Both Federal awards include provisions that adjust the minimum pay rates for the various job classification in line with the national wage case.

F.3.5 Procedural flexibility

Procedural flexibility relates to the ability of employers and employees to establish consultative mechanisms that are appropriate to a firm's individual circumstances and capable of negotiating the implementation of the other forms of flexibility.

The key to workplace flexibility that benefits both employers and employees is award provisions that allow each party to tailor working conditions to their individual needs and desires without duress. There is a need for consultation and negotiation between employers and employees (or their representatives) on issues of substance and implementation. Award provisions that restrict procedural flexibility are likely to undermine other flexibility provisions.

Awards generally have provisions relating to communication, consultation or dispute resolution. Such provision may influence procedural flexibility. In addition, various provisions in awards that do involve flexibility may require agreement by employer, employee or union.

Consultation in tourism awards

Both Federal awards specify formal consultation procedures that require employers to consult with employees and their union when a decision has been made to:

... introduce changes in production, program, organisation, structure or technology that are likely to have significant effects on employees ...

The awards also include dispute or grievance procedures that place primary focus on conflict resolution between employer and employee. If agreement cannot be reached at this level, unions and employer representatives may become involved. Intervention by the Australian Industrial Relations Commission is a final resort.

Part two of the Hotels award requires the parties to ‘... establish at each enterprise a consultative mechanism and procedures appropriate to the size, structure and needs of the enterprise’ (clause 9.1). The focus of these consultative arrangements is to promote flexibility within the award through enterprise flexibility provisions that:

... may involve a variation in the application of award provisions in order to meet the requirements of individual enterprises and their employees ... provided that:

- (a) a majority of the employees affected genuinely agree; and
- (b) such arrangement is consistent with the current *National Wage Case* principles.

Clause 57 of the Motels award details the role of a joint working party established by the parties to the award to:

... bring about more flexible working arrangements, an improved quality of working life and job satisfaction and enhanced skills and job opportunities.

In each award, a number of provisions require the involvement or notification of the union when implementing facilitative provisions.¹⁵ One example from the Hotels award provides for working hours to be 152 hours per four week period, provided there is:

... agreement between the employer and the employee and/or the State branch of the union. ... [However], **where the union has not been involved ... they should be notified** by the employer in writing no less than 28 days before implementation ... (clause 26.1)

F.4 Changes in the Federal Hotels award

Another way of assessing the implications of award provisions for workplace flexibility is to examine the pattern of changes in an award over time. That is, have changes in the award tended to increase or decrease the degree of flexibility in the workplace? This section examines changes in the Hotels, Resorts and Hospitality Industry Award 1995 (Hotels award), which serves as template for other tourism awards (Romeyn 1992). That is, the character of the Hotels award has historically been reflected — to greater and lesser extents — in other Federal and State awards over time.

Origin of the Hotels award

Originally the Hotels award (then known as the Hotels and Retail Liquor Industry Award 1975) was developed to respond to the needs of smaller hotels and pubs (Hilton, sub. 154). Since then, the award has been amended and has changed its name to reflect the broader scope of the industry it covers (LHMWU, sub. 171). Hilton Hotels suggests that because of its origins, the Hotels award has avoided many of the problems inherent in other craft and industry awards. For instance, Hilton Hotels argued that although the metal industry is:

... characterised by a multiplicity of unions (demarcation issues) and a complicated and restrictive classification structure (no career paths or training opportunities), ... [these problems] have no parallel in our industry. (Hilton, sub. 154, p. 24)

As a result, the focus of restructuring of the Hotels award has been different to awards covering the metal industry and other industries in general.

¹⁵ A facilitative provision provides that the standard approach in an award provision may be departed from by agreement between an individual employer and the Union and/or employee, or the majority of employees, in the enterprise concerned.

F.4.1 Key changes in the Hotels award between 1983 and 1995

One way of examining the types of changes that have taken place in the Hotels award is to compare the award provisions of the 1983 award with those of the 1995 award. These changes are categorised according to the flexibility typology outlined earlier in this appendix. This section begins however with four general observations about the changes in the Hotels award between 1983 and 1995.

First, there are a number of provisions that have changed little between the two awards, including provisions governing: accommodation, annual leave, apprentices, award compliance matters, bereavement leave, days off coinciding with public holidays, holidays, juniors, meals, sick leave, standing down of employees and travel. Although the award has been reformatted into plain English, these provisions are for the most part unchanged. For example, the only change to the provision on juniors is the addition of the requirement that:

No employee under the age of 18 years shall be required to work more than ten hours in a shift. (1995 award, clause 16.5.3(vi))

Similarly, the only change to the provision on apprentices is the addition of a section governing apprentices in the Victorian jurisdiction.

The second observation is that some provisions have been deleted from the award completely, or absorbed into other provisions during the award reformatting process. One provision that was deleted related to flexibility in wages for 'aged and infirm workers', and allowed:

... any worker who by reason of old age or infirmity is unable to earn the wage rates prescribed by their award, may be employed at a lesser rate agreed upon by the employer, the employee and the union ... (1983 award, clause 35)

The third observation is that a number of clauses have been inserted into the award since 1983. These include provisions covering: alternative methods of payment, enterprise flexibility provision, family and parental leave, notice of change, redundancy and termination, superannuation, and training wages. The majority of these inclusions are the result of flow-on from National Wage and Test Case decisions.

The fourth observation is that in addition to changes in the scope, structure and title of the award, there are a number of provisions that have undergone substantive modification. This includes provisions covering the types of workplace flexibility discussed above:

- external numerical flexibility (notice of dismissal);
- internal numerical flexibility (hours of work, part-time and casual employees);
- functional flexibility (job and skill classifications);

- wage flexibility (penalty rates); and
- procedural flexibility (dispute resolution).

Changes influencing external numerical flexibility

Provisions concerning termination of employment influence external numerical flexibility.

Provisions covering termination of employment have become more onerous between the 1983 and 1995 awards. For example, the two days notice for permanent employees contained in the 1983 award has been replaced by provisions that link notice of dismissal to the age and length of service of employees, with a maximum of five weeks. The award has also incorporated provisions covering redundancy.

Changes influencing internal numerical flexibility

A number of changes to provisions between the 1983 and 1995 awards have increased internal numerical flexibility. These include changes to provisions covering hours of work and part-time and casual employees.

The major changes to hours of work relate to ordinary hours, rostering arrangements and the timing of meal breaks.

The 1983 award contained relatively restrictive provisions covering ordinary hours of work. Specifically, in the 1983 award ordinary hours of work for permanent employees were 40 hours per week, five days per week with the maximum spread of hours restricted to nine and a half hours for front office staff and a maximum of thirteen hours for back office staff. In addition, employees were entitled to two days off per week (1983 award, clause 12). Although the 1995 award reduces the ordinary working week to an 'average' of 38 hours, it provides a wide range of combinations to achieve this. Methods available range from a standard five days of seven hours, 36 minutes to 160 hours per four week period with a banked rostered day off.

The changes to rostering arrangements in the 1995 award reflect the changes to ordinary hours provisions. That is, they provide a longer period of notification before changes to the roster for workers employed on a 160 hour, four week roster (14 days rather than seven).

The final change to provisions covering hours of work is the timing of meal breaks. Under the 1995 award, meal breaks are now available after completing between one and six hours of work (compared to between one and a half and five hours in the 1983 award).

The principle changes to provisions covering part-time and casual employees between the 1983 and 1995 awards relate to hourly penalty rates and the spread of ordinary working hours.

The changes in penalty rates discussed below also apply to part-time employees. In addition, changes in provisions between the 1983 and 1995 awards have increased the spread of ordinary hours and days for part-time employees. In the 1983 award ordinary hours for part-time employees were:

Not less than four hours and not longer than six hours per day, not more than five days each week, and not less than twenty hours each week, nor in excess of thirty hours per week. (1983 award, clause 24(a))

However in the 1995 award ordinary hours for part-time workers are:

Not less than **three** hours and not longer than **eight** hours per day, not **less than three nor** more than five days each week, and not less than **fifteen** hours each week, nor in excess of thirty hours per week. (1995 award, clause 16.3.1(a))

The 1995 award also includes a facilitative provision that allow part-time employees to work between 48 and 128 hours over a four week period. This provision is subject to agreement by both parties and bounds on: hours per day, days per period and successive days without a rostered day off.

Penalty rates for casual employees have also changed between the 1983 and 1995 awards. The change in casual premiums for work on public holidays and weekends is shown in Table F.6. However, the changes to penalty rates for work outside core hours (7:00 am to 7:00 pm) that are shown in Table F.7 also apply to casual employees. In addition the maximum ordinary week has been reduced from 40 to 38 hours.

Table F.6 Casual loadings for public holidays and weekends

	<i>1983 award</i>	<i>1995 award</i>
Saturday	time-and-three-quarters	time-and-a-half
Sunday	double-time	time-and-three-quarters
Public holidays	double-time-and-a-half	double-time-and-a-half

Changes influencing functional flexibility

Changes to job classifications and provisions covering demarcation can influence functional flexibility.

The changes in job and skill classifications between the 1983 and 1995 award have reduced the likelihood of demarcation conflicts through broad-banding, and attempted to provide career paths for employees. The 1995 award contains five employment streams with up to seven skill levels (compared to 32 job

classifications in the 1983 award). In addition the 1995 award contains a provision that specifically removes demarcation between streams:

Notwithstanding the recognition of five career path streams, such streaming does not prevent employees undertaking duties across different streams ... (1995 award, clause 19.4)

Anecdotal evidence suggests that this:

Broad banding of classification levels and alignment of levels with broader requirements of skill acquisition have been generally well received in the industry. (LHMWU, sub. 171, p. 2)

Table F.7 Penalty rates for weekend work by permanent employees

		<i>1983 award</i>	<i>1995 award</i>
Saturday		time-and-a-half	time-and-a-quarter
Sunday	back office	time-and-three-quarter	time-and-three-quarter
	front office	double time	time-and-three-quarter

a These rates apply to staff employed on or after 6 May 1993 only.

Changes influencing wage flexibility

Wage flexibility allows employers and employees to link remuneration to the market forces of supply and demand of labour, or to vary wages in other ways. The awards restrict wage flexibility by specifying minimum rates of pay, by job classification and by timing of hours worked. There has been no change in the freedom of employers to pay above the award. Penalty rates for unsociable hours and overtime are an important influence on wage flexibility in the tourism industry.

The penalty rates for weekend, split-shifts and work outside core hours (7:00 am to 7:00 pm) have changed between the 1983 and 1995 awards. These changes are in part a result of changes to provisions and in part the action of inflation on fixed dollar premiums.

The penalty rates for weekend work are lower in the 1995 award for employees who started work on or after 6 May 1993 (see Table F.7). In addition, the 1995 award no longer requires a minimum eight hour payment for Sunday work by front office staff.

The penalty rate for employees whose ordinary hours extend outside the 7:00 am to 7:00 pm block has also changed. This change is especially evident when inflation is taken into account by expressing the fixed rates in 1995 dollars (see Table F.8).

The final change in penalty rates between the two awards relates to compensation for broken periods of work (see Table F.9). The 1995 award has

reduced the number of increments for calculating the penalty rate and placed an upper bound on the spread of hours. That is, ‘... no spread of hours shall be greater than twelve hours per day’ (1995 award, clause 26.3).

Table F.8 Penalty rates for permanent employees for ordinary hours outside the 7:00 am to 7:00 pm block

	<i>1983 award</i>		<i>1995 award</i>	
	<i>Hourly rate (\$1995)</i>	<i>Min payment (\$1995)</i>	<i>Hourly rate (\$1995)</i>	<i>Min payment (\$1995)</i>
midnight to 7:00 am	1.28	1.92	1.50	1.57
7:00 pm to midnight	1.28	1.95	1.03	1.57

Table F.9 Real compensation for broken periods of work by permanent employees

<i>1983 award</i>		<i>1995 award</i>	
<i>Break in shift (Hours)</i>	<i>Compensation (\$1995)</i>	<i>Break in shift (Hours)</i>	<i>Compensation (\$1995)</i>
less than 2.0	nil	less than 2.0	nil
2.0 to 2.5	1.07	2.0 to 3.0	1.30
2.5 to 3.5	2.16	3.0	2.10
3.5 to 4.5	3.23		
4.5 or more	4.28		

The overtime rates and conditions have not changed between awards. However, the 1995 award provides an exemption from the minimum payment of four hours for work on a rostered day off when the time worked is the continuance of a previous shift, or at the start of a new roster (1995 award, clause 28.3). In addition, the 1995 award has introduced a clause that allows for time off in lieu of overtime payments.

The award also has a provision that penalty rates can be simplified by annualising the wage (1995 award, clause 10). Under this provision employers would pay 25 per cent or more above the minimum weekly wage prescribed in the award, but would be exempt from overtime and other penalty rates. This provision is subject to a no disadvantage test.

Changes influencing procedural flexibility

Procedural flexibility has an important role in implementing workplace flexibility and promoting positive relations between management and staff. Procedural flexibility refers to the ability of management and staff to tailor communication and dispute settlement mechanisms to the needs of the firm. One significant step in this direction is the change in the dispute settlement provisions between the 1983 and 1995 awards. In the 1983 award, disputes

between employers and employees necessarily involved both the union and employer association. The 1995 award places the emphasis on dispute resolution between the parties, with the first stage of resolution being discussion between the employer and employee.

However on alongside these changes are provisions that increase the uninvited involvement of third parties. For example, clause 11 sets out obligations on employers to discuss in advance the introduction of major change that is likely to have significant effects on employees. Any change for which the award makes provision is exempt. The employer is required to discuss major changes with employees who may be affected and with their union. The clause does not impose a requirement that agreement be reached, only that employees and their union be informed. Further examples are union and employer association involvement in enterprise flexibility arrangements that alter the award as discussed below.

The combined effect of these clauses is to provide considerable scope for tailoring employment conditions to the circumstances of the workplace. However, where changes are major, the union must be invited into the process, in the sense that it is consulted although not required to consent.

Facilitative and enterprise flexibility provisions

Many of the variations between the 1983 and 1995 awards involve the introduction of facilitative provisions:

A facilitative provision provides that the standard approach in an award provision may be departed from by agreement between an individual employer and the Union and/or employee, or the majority of employees, in the enterprise concerned. (1995 award, clause 9A.1)

A recent amendment to the award (18 Dec 1995), inserts an index of facilitative provisions (see Box F.1). Such an index may encourage greater use of these provisions.

Another variation between the 1983 and 1995 awards is the insertion of an enterprise flexibility provision that allows an individual enterprise to negotiate arrangements that:

... may involve a variation in the application of award provisions in order to meet the requirements of individual enterprises and their employees ... provided that:

- (a) a majority of employees effected genuinely agree; and
- (b) such arrangement is consistent with the current National Wage Case principles. (1995 award, clause 9.2)

Box F.1 Index of facilitative provisions
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9A.2 Facilitative provisions in this award are contained in the following clauses:	
<i>Clause Title</i>	<i>Clause Number</i>
Alternative method of payment	10.1
Part-time employees — hours of work	16.3.7
Public holidays — payment	20.2.1
Payment of wages — time of payment	22.1
Payment of wages — method of payment	22.2
Hours of work — method of working prescribed hours	26.1.4
Spread of hours	26.3
Fortnightly pay	26.5.2
Overtime — time off in lieu of payment for overtime	28.6
Rosters — alteration	29
Annual Leave — time of taking	30.4
Maternity leave — variation of period	33.4
Public holidays — coinciding with RDO's	34.8
Clothing	41.1
<i>Source:</i>	1995 award, clause 9

Where these arrangements do not require a variation of the award, the procedure for processing the arrangement is decided by the enterprise consultative body. Where the arrangements do require a variation of the award the procedure for processing the arrangement is specified in the award. The salient features of this process are:

- an opportunity for employees to assess changes;
- an option for employees to have a representative (who may or may not be a union official);
- arrangements to be committed to writing upon agreement;
- copies of arrangement to be forwarded to the employer associations and unions of which the employer or employees are members;
- employer association or union has a right to object within fourteen days but cannot '... unreasonably withhold consent to the arrangements agreed upon' (1995 award, clause 9.4.6);
- if no party objects, a consent application is forward to the AIRC to have the award varied in line with the arrangements agreed upon. Where an employer association or union has objected and the objection cannot be resolved, the employer may still make an application to the AIRC to have the award varied to give effect to the arrangements agreed upon. (1995 award, clauses 9.4.5 and 9.4.7).

Overall, it is clear that the Federal Hotels award has become considerably more flexible over the last 12 years. With the exception of termination payments and some provisions that have increased the passive involvement of third parties, all the significant changes have increased flexibility. The main changes have been the introduction of facilitative provisions, reductions in penalty rates, increased span of hours and flexibility in rostering, broad-banding and provisions for the firm to tailor the award to its own requirements.

These increases in flexibility have occurred in an award which already had few of the major problems which arise elsewhere and which have a strong potential to reduce efficiency, namely demarcation of work by task or union coverage, narrowly defined job classifications and the requirement for an employer to deal with a multiplicity of awards and unions.

F.5 Conclusion

Although it is possible to examine the influence of award provisions on workplace flexibility, for a number of reasons it is difficult to make objective judgements on whether provisions are excessively restrictive or the converse.

1. any contract or agreement that binds parties to a course of behaviour reduces flexibility. Thus it is inherent in awards that they reduce flexibility, but this is true also of individual employment contracts and enterprise agreements.
2. it is possible to substitute one form of flexibility for another. For example, external numerical flexibility can be substituted for internal numerical flexibility.
3. awards are not static documents. Each of the awards examined was undergoing restructuring through negotiation.

Ultimately it is a matter of judgment as to whether award provisions are excessively restrictive. The perceptions of participants in the inquiry are important in this regard, while not the only views of interest. Participants' perceptions point toward three broad conclusions with regard to the two Federal awards:

1. both awards contain a reasonable level of flexibility within the overall constraints of the industrial relations system;
2. there is an important role for continuing award restructuring to increase the flexibility of the awards; and
3. there may be limits to the gains in flexibility that can be achieved through award restructuring alone.

Flexibility in the Federal awards

There was general agreement among participants that the two federal awards provided a reasonable degree of flexibility. For example, the Hotel, Motel and Accommodation Association of Australia (HMAAA) — party to the Federal Motels award — said that:

The Motels Federal Award has been specifically tailored to meet the requirements of both medium to small and large accommodation operators with a reasonable degree of flexibility. There is at the present stage negotiations taking place to further vary the award to provide greater flexibility in respect of hours etc. (sub. 78, p. 6)

And:

It should be clearly understood from the outset that the Motels award was first made in 1972 and as a consequence, a lot of the inflexible issues that you may find in awards that have been about for many years, were not incorporated in the Motels award. It is as flexible within the system as we believe it can be. (sub. 166, p. 2)

Similarly, the Australian Hotels Association (AHA) — party to the Federal Hotels award — said that:

In many hotels they looked at the award and they say, 'We're happy. It doesn't present an impediment' ... So for a lot of the smaller employers why would you change the arrangements if they're working satisfactorily for you? But obviously people should look and see whether that is the case. (AHA, trans. p. 966)

Hilton Hotels also commented on the Federal Hotels award, arguing that:

Our federal award is a multi-functional one. There are no impediments to multi-skilling (as long as people are paid at the highest rate for the work performed), or to providing career paths and training opportunities. It is an industry award and, generally speaking, within defined geographic boundaries, with single union coverage and hence, no demarcation issues. It is a minimum rates award so there is equally no impediment to paying over-award payments to attract quality staff or to reward those who so merit it. (Hilton, sub. 154, p. 24)

This position was also supported by the Department of Industrial Relations (DIR) at the public hearings in Canberra:

[For smaller operations] ... it may be that the award arrangements provide sufficient flexibility, but there is still scope through the government's legislation to achieve greater flexibilities in individual workplaces without entering into a specific enterprise agreement. In the Hotels Award, for example, there is an enterprise flexibility clause, which means that the award arrangements broadly apply but you can reach agreement to have specific flexibilities at that individual workplace. (DIR, trans. p. 908)

Recognition of further gains through continuing the restructuring process

Notwithstanding the general satisfaction with the awards, there was a recognition that further flexibility can be achieved through individual negotiations and through the s.150A review process. For example DIR said:

... [T]he industry has been moving to modernise the parent federal award in the industry, the Hotels Award. They have modernised that under the guidance of the Industrial Relations Commission by putting it in plain English, removing obsolete clauses and generally making it more user-friendly. They have done a new version of the award, which came down at the end of May [1995]. They have got further work to do, the parties admit, to tackle some of the more heavy industrial issues related to the award, and that work will continue. That's not separate to the enterprise bargaining process, but aligned to it. (DIR, trans. p. 907)

Similarly, although the Australian Hotels Association (AHA) acknowledged the progress in making:

... the award more readily available to the modern industry, ... there are still many restrictions that hamper individual business goals and, because it is of necessity an industry award, many individual businesses in this category find it complex and not totally relevant. (AHA, sub. 91, p. 10)

The major gains that can be achieved through continuing the restructuring process arise from:

1. addressing the issues that have not been satisfactorily resolved thus far; and
2. extending the process to those State and Federal awards that are as yet in the early stages of restructuring.

Unresolved issues

The major criticisms directed at tourism awards (not just the Hotels award) related to flexibility of hours, excessive penalty rates, the flow-on of Test Case and National Wage case decisions and the administrative difficulty of using the awards. For example, the AHA argued that in current provisions in the Hotels award:

... in regard to hours of work for part-time employees and spread of hours make it difficult to provide greater flexibility in the workplace. The AHA is seeking a review of such clauses under the 150A Review. (AHA, sub. 157, p. 43)

With regard to penalty rates, the Restaurant and Catering Industry Association of Australia (RCIAA) argued in the Federal Motels award that:

Rates such as time and a half for Saturday and time and three quarters for Sunday are too high and lead to rostering inefficiencies. (RCIAA, sub. 143, p. 4)

This view was supported by Hilton Hotels with regard to the Hotels award:

It is our view that, over time, penalty rates could and should be reduced with the value of benefits flowing onto the base rate but that, in the Australian context, there will always have to be an 'incentive' (a better word than 'penalty') to work weekends. (Hilton, sub. 154, p. 17)

Ultimately, penalty rates are part of the remuneration and only influence flexibility through the cost of labour. However, the RCIAA argue that because of the complexity of the issue, penalty rates would be most appropriately dealt with at an enterprise level because:

... experience has indicated that there is a large pool of labour that is very comfortable (in fact seeks) weekend and evening work, and thus the incentive for these people does not need to be great. However, it is certainly a strong argument that, at an industry level, some level of penalty rates is required, with it being a question of quantum. (RCIAA, sub. 143, p. 4)

The issues of working hours and penalty rates are likely to be contentious because they can potentially involve an income transfer between employers and employees. There is an important difference between restructuring that increases productivity and restructuring that simply reduces wages and entitlements. An example of the former is multi-skilling. This allows flexibility in the deployment of labour but does not reduce remuneration or working conditions. However, a reduction in penalty rates (either through amendment or through the action of inflation) represents an income transfer to the employer if there are no offsetting changes in other working conditions and has no direct impact on the efficiency of the enterprise.

The need to extend the process

The Federal Hotels award has historically been the benchmark for the other awards in the industry and provisions that appear in the Hotels award are likely to be reflected in other awards as they are restructured. However, a number of the State awards (of which there are about 30 covering the industry) still contain many of the obsolete and more restrictive provisions that have been amended in the Federal Hotels award.¹⁶ Similarly, as the HMAAA indicated:

... award restructuring in the Motels award is only in its very early days ... [and] all clauses are potentially the subject of some change or modification or eradication. (sub. 166, p. 3)

Possible limits to gains from award restructuring

There may be limits to what can be achieved through award restructuring (or enterprise bargaining) for three key reasons. First, employers and employees

¹⁶ Section F.4 of this Appendix discusses the changes to the Federal Hotels award between 1983 and 1995.

must be committed to taking advantage of arrangement that allow greater flexibility for the benefits to be realised. For example, DIR argues that:

... often the restrictions to improved productivity are not contained in awards, but are as a result of practices that have developed over the years and have been enforced by either unions or management. (DIR, sub. 145, p. 3)

An example of workplace custom that may impede flexibility in the tourism industry could be a reluctance by management to adopt rostering techniques that allow the facilitative provisions of the award to be used.

Second, some restriction on flexibility arise from outside the award system. That is, firm must comply with a wide range of legislation at the State and Federal level that possible restricts workplace practices, including for: industrial relations legislation, Trade Practices legislation, anti-discrimination legislation, occupational health and safety legislation, liquor licensing legislation, *etcetera*.

Finally it should be remembered that awards are agreements between employers and unions as the representatives of workers. It is unlikely that either party will ever achieve all the flexibility they seek. For example, Hilton Hotels argues that:

Some employers' wish lists, of course, include: slashing penalty rates (without offsets), completely unfettered rostering (including excessive broken shifts, short breaks between shifts, long periods without breaks, *etcetera*), attending training on the employee's own time, and so on. In the real world, and in the current social and political climate, anyone who believes the clock can be wound back is sadly deluded. (Hilton, sub. 154, p. 26)

Similarly, there will always be constraints on the flexibility that employees can realistically hope to achieve.

G ENTERPRISE BARGAINING IN TOURISM

Enterprise bargaining has the potential to achieve increased productivity, and through that improvements in wages and conditions for Australian workers. It offers both employers and employees the opportunity to tailor individual workplace conditions to meet their needs. However, despite these promised benefits, the uptake of enterprise agreements has been particularly slow in sections of the tourism industry.

G.1 Introduction

This Appendix draws on research undertaken for the Commission by the Australian Centre for Industrial Relations Research and Teaching (ACIRRT). It provides a description of current state of enterprise bargaining in tourism-related and enabling industries (see Chapter 12, Section 12.1.1). The study used a computerised database to describe and contrast the enterprise agreements in the tourism-related and enabling industries with those in the rest of the economy and to the two major federal awards covering hospitality.

G.1.1 Methodology

The primary resource used to analyse agreements is the Agreements Database and Monitor (ADAM). ADAM is a comprehensive computerised database used for monitoring the contents of registered enterprise agreements throughout the Australian economy. The ADAM coding framework has the capability of capturing information on over 800 variables commonly included in enterprise agreements. This permits the differences and similarities in enterprise agreements to be assessed in detail and is also suitable for tracking changes in the contents of enterprise agreements over time.

Analysis of this type, however, has some limitations. For example, it does not capture developments in unregistered agreements or the persistence of informal custom and practice. Further, although this type of analysis may capture up to 800 variables, some of these are merely statements of intent, and therefore their appearance or absence in agreements does not necessarily record the success or failure of implementation.

The total number of tourism related and enabling industry enterprise agreements used in this sample is 82. This is a sizeable proportion of the operational

agreements as at January 1996. These agreements were drawn from the New South Wales, Queensland, South Australian and Federal jurisdictions and are presented in Attachment G1.¹ This sample is segregated into *hotels and catering*² and *other tourism and related industries*. The former category approximates the accommodation sector.

As at January 1996, the ADAM contained detailed information on 1057 currently registered agreements in the New South Wales, Queensland, Western Australian and Federal jurisdictions. These agreements represent the sample of agreements in all other industries.

The *Hotels, Resorts and Hospitality Industry Award 1995* and *Motels, Accommodation and Resorts (Roping-in No. 1) Award 1995* were analysed and coded using the same coding framework as used for enterprise agreements to enable comparison between the award provisions and the terms and conditions contained in the enterprise agreements in the sample.

G.1.2 Incidence of enterprise agreements

It is important to note that registered enterprise agreements only cover a very limited number of workers and tourism enterprises. Although precise data are difficult to obtain there appears to have been a gradual increase in enterprise agreements in tourism over time. For example, there were 25 agreements from the cultural and recreational services registered in the two years before the *Industrial Relations Reform Act 1993* compared to 20 registered by the end of 1994 (DIR 1995, p. 25).

G.1.3 Union participation in enterprise agreements

Union participation in the 82 enterprise agreements in the sample was lower than the average for all other industries in the database. Of the three groupings in Table G.1, the hotels and catering industry and the other related industries had slightly lower levels of union participation in the enterprise agreements,

¹ Only these jurisdictions were represented in the sample for this report for the following reasons:

- Enterprise agreements from the Northern Territory and the Australian Capital Territory are formed within the Federal jurisdiction.
- Western Australian jurisdiction enterprise agreements were available but none were in the tourism-related and enabling industries and Victorian and Tasmanian enterprise agreements are private documents not available for public scrutiny.

² Under *hotels and catering* are those agreements that fall within the ASIC codes 9200–9244.

with 52 per cent of agreements and 54 per cent respectively, negotiated by a union.

The two dominant unions in hotels and catering are the Australian Liquor, Hospitality and Miscellaneous Workers' Union (LHMWU) and the Australian Worker's Union (AWU). These two unions were party to 41 and 15 per cent respectively, of all hotels and catering agreements in the sample with union involvement.

Table G.1 Trade union as a party to the agreement

<i>Industry</i>	<i>Sample agreements with union as a party (per cent)</i>
Hotels and catering	52
Other tourism and related industries	54
All other industries	72

Source: ADAM Database, ACIRRT, University of Sydney, January 1996

G.1.4 Relationship of agreements to parent award

Few enterprise agreements completely replace the provisions of the parent award. In most cases the award and agreement function together to determine the conditions of employment at a workplace. Table G.2 indicates that only 11 per cent of enterprise agreements from the all other industries category replace the parent award compared to 20 per cent of hotels and catering agreements and 14 per cent of other tourism and related industries agreements.

Table G.2 Agreement replaces the parent award

<i>Industry</i>	<i>Sample agreements that replace parent award (per cent)</i>
Hotels and catering	20
Other tourism and related industries	14
All other industries	11

Source: ADAM Database, ACIRRT, University of Sydney, January 1996

As noted two major awards in the hospitality industry are the *Hotels, Resorts and Hospitality Industry Award 1995* (the Hospitality Award) and the *Motels, Accommodation and Resorts (Roping-in No. 1) Award 1995* (the Motels Award). The main differences are in the area of penalty rates paid to casual staff and remuneration systems for employees. The Motels Award pays an extra 8 1/3 per cent loading to casual employees working on Monday to Friday shifts. The recently registered Hospitality Award 1995 has a provision for the annualisation of salaries at the rate of 52 times the weekly rate (as contained in the award) plus 25 per cent. Where this formula is used employers need not pay

overtime or penalty rates in addition to the weekly wage on the condition that the salary paid over the year is sufficient to cover penalty and overtime payment obligations that would have accrued otherwise.

G.2 Agreements content in detail

Provisions in enterprise agreements generally fall into two groups:

1. provisions that aim to reduce operating costs and often reduce the award entitlement or replace the provisions of the parent award. These agreements focus on the traditional industrial relations aspects of hours, payment system and penalty rates; and
2. provisions that often represent an improvement on award conditions and are aimed at productivity enhancement through a commitment to skills development, career paths, security of employment and more productive forms of work organisation.

Many agreements contain elements of both types of approaches. A summary of the basic characteristics of tourism enterprise agreements is presented in Table G.3

Table G.3 Basic characteristics of tourism enterprise agreements

Provision	Industry (per cent of agreements with provision)			
	Hotels & catering n=49 (per cent)	Sheraton agreements n=5 (per cent)	Other related n=28 (per cent)	All other industries n=984 (per cent)
Union party to agreement	45	100	54	72
Agreement replaces award	22	0	14	11
Deployment of labour	63	100	54	31
Performance indicators	8	20	14	21

Source: ADAM Database, ACIRRT, University of Sydney, January 1996

The five Sheraton enterprise agreements in the sample are examples of enterprise agreements that have improved conditions of employment for employees beyond those specified in the parent award. The Sheraton agreements are characterised by high levels of union involvement, commitment to security of employment, skill development and improved arrangements for the organisation of work. The sample clauses in this report are drawn from the *Sheraton Towers Southgate Employee Relations Agreement 1992* (the Sheraton Agreement).

The enterprises that negotiated these agreements are covered by the Hotels Award. They are all large workplaces providing a range of tourist facilities,

including restaurants, entertainment facilities, catering and conferencing facilities.

Union involvement

The Australian Liquor Hospitality and Miscellaneous Workers' Union is a party to all Sheraton agreements. The agreements provide for a high level of union consultation with management and employees through the life of the agreement (see Box G.1). Indeed, under the agreement the union is the exclusive representative of all employees covered by the agreement (see Case Study CS3).

The composition of consultative committees represents a commitment to union involvement at Sheraton hotels. These committees are to comprise three management representatives and three elected employees who are members of the union.

Box G.1 Union involvement

It is a policy of the company that all its employees shall be encouraged to join the union. Accordingly, the company undertakes to positively promote the union at the point of recruitment by strongly recommending that all employees join the union.

Source: Sheraton Agreement, Clause 30.1, part (b)

Contract of employment

The Sheraton agreements have attempted to provide employees with security of employment by reducing the casual workforce where possible and employing both permanent and part-time staff on a monthly roster (see Box G.2). This is unusual because most agreements, across all industries, tend to hire permanent employees on a weekly basis.

Box G.2 Contract of employment

Monthly Hire

Subject to the successful completion of a one month induction period all permanent full time or part time employees shall be employed in a monthly roster. As such, the terms focus on the long term security of employment for the employee.

Casual employees

Except in exceptional circumstances, there will be no positions offered to casual employees. Where casuals are hired, they will be engaged by the hour and paid as such. These employees will be engaged for a minimum of two hours at any one time.

Source: Sheraton Agreement, Clause 6.1 and Clause 6.2

Training and career paths

Of the enterprise agreements in the sample, 80 per cent of those in hotels and catering and 54 per cent in the other tourism and related industries category contained some provisions for training. This compares with 67 per cent for all agreements. However, many workplaces merely make a provision for training without specifying its nature.

An analysis of hospitality industry agreements reveals that more structured training can be found in hotels and catering enterprise agreements, especially in the Sheraton agreements, and that the other tourism sector is much more likely to use informal, unstructured training at the workplace. In the latter case training is more likely to be on-the-job, or where it is external training, it is as a response to the immediate needs of the firm. Across almost all aspects of training, hotel and catering agreements tend to address training issues more comprehensively than agreements from both the other tourism industries and all other industries categories on the ADAM database.

The Sheraton enterprise agreements contain a genuine commitment to the development of skills for their employees (see Box G.3). Unlike other tourism enterprise agreements these agreements contain more than a general statement about the need for training at the enterprise. Training in the Sheraton agreements is structured, based on the four classification levels contained in the agreement.

Box G.3 Training and career paths

Skills Based Structure

A skills development career structure will apply. The prerequisite for promotion through the classification will be on the basis of an employee reaching the clearly defined competency skills of each level. Following this, actual progression to any vacancy in higher levels will be on the basis of merit.

Promotion

An employee obtains the competency skills by obtaining certification Tourism Training Accredited Company training modules established for the next level and by further demonstrating consistently multi-skilling in all the competency skills in the performance of his or her work at the current level.

Source: Sheraton Agreement, Clause 12.1 and Clause 12.2

These four classifications cover all occupational groups employed at Sheraton hotels. The agreement states that all employees will have the opportunity to move through each level. The training program at the Sheraton hotels is based on the development of a skills based progression through the career path.

Sheraton agreements tend to use both on-the-job and off-the-job training with all employees having access to some form of training. This includes both structured and unstructured on-the-job training and accreditation of portable training if it meets the Australian Hospitality Review Panel guidelines. The agreements also specify the resources that are to be devoted to training at the company (see Box G.4).

Box G.4 Training resources

Training and Development

- (a) All required company training will be conducted at the company's expense and in paid time, whether during or after normal rostered hours. Where practical, such training will be conducted during an employee's normal hours. Where training is conducted after normal working hours, overtime rates will not be payable, employees will be paid at normal rates.
- (b) In support of the hospitality industry's objective of developing a set of portable recognisable training guidelines and qualifications, the company will institute structured on-the-job training standards and procedures for all employees. The content of these training standards and procedures will, in many cases exceed the content of relevant modules in Tourism Training Australia's guidelines. It is the intent of the company that these training standards and procedures will be accredited by the Hospitality Review Panel as soon as possible.
- (c) In order to facilitate the achievement of the various levels of multi-skilling and progression through the career path, the concept of training on-the-job will be introduced for those wishing to gain experience during roster periods outside the work area assigned to them by their present roster. Such work would be part of a structured training program outside normal rostered hours, be limited to twelve hours in any week and be payable at their normal hourly rate of pay. The training would be at the option of the employee at all times.

Source: Sheraton Agreement, Clause 13.3

Hours of work and work organisation

Deployment of labour clauses give employers discretion to deploy labour to suit the requirements of the enterprise. All the Sheraton agreements contain some form of changes to work organisation (see Table G.3). In these agreements the employer is attempting to use labour in a more flexible manner in order to maximise the productivity of its labour. These provisions include:

- employees to do a range of tasks of a flexible nature;
- employees may be directed to carry out duties within the limits of their skills and training;
- employer may temporarily move personnel to different sections; and

- demarcation barriers to employees performing jobs of a varied nature to be removed.

In the Sheraton agreements all employees are to be multi-skilled and perform any task within their classification, providing they have the necessary training to do the task (see Box G.5).

Box G.5 Multi-skilling

Level 1 employees

Level 1 employees will be skilled in basic manual duties across all work areas of the hotel. These duties will involve Pantryhand, Kitchen, Steward, Room Attendants, Houseman, Cleaners and Laundry Attendants.

Rosters will rotate these employees across all work areas in order to provide diversified work experience and on-the-job training.

Source: Sheraton Agreement, Clause 11.3, part (a)

Changes to hours of work provisions are a common feature of enterprise agreements. All the Sheraton agreements have made some change to the starting and finishing hours of employees in order to increase the flexibility of the firm. These changes however have not included changes to overtime rates which have remained a feature of the enterprise agreement. However, penalty rates have been removed with the introduction of an annualised wages system. The agreement guarantees that should the annualised salary paid in the agreement fall below that which employees would have been entitled to under the previous remuneration system, the company will provide make-up pay equal to the difference.

The restaurant and cafe enterprise agreements under the New South Wales jurisdiction are an example of an approach to enterprise agreements that focuses on changes to working time arrangements and remuneration as a means of cost cutting for the firm. They are characterised by low or non-existent levels of union participation in the agreement, compared to Sheraton Hotels, and have undeveloped and unstructured training commitments. These agreements are driven by cost cutting initiatives of the firm which place the burden for increased flexibility in the enterprise on to employees.

Agreements of any kind are unusual among small cafes and restaurants in the Sydney metropolitan area, as most are still operating under their parent award. Consequently the findings in this analysis can only be used to indicate the extent to which enterprise bargaining is often dichotomised, with some employees receiving above award conditions and others with conditions of employment less than those prescribed in the parent award.

Comparison with the award

The number of enterprise agreements that completely replace the parent award is 20 per cent in the hotel and catering industry. This compares with 14 per cent for other related industries and 11 per cent for all other agreements on the ADAM database. Most of the agreements in the sample for this industry are small establishments offering either food or accommodation. The New South Wales cafe and restaurant agreements are covered by the *Restaurant Employees (State) Award*. The cafe agreements are from workplaces with a small staff size and are often owner-operated. The sector is highly competitive and as a result flexibility in hours of work and remuneration systems are critical to employer attempts to cut costs and remain competitive.

Union involvement

The level of union involvement in hotel and catering agreements is low (52 per cent of agreements) compared with both the other related industries and all other industry groups (54 per cent and 72 per cent of agreements respectively contain a union as a party to the agreement). None of the New South Wales cafe and restaurant agreements in this sample contained a union as a party to the agreement. Low levels of formalised consultation with employees are also a feature of the agreements although, because of the nature of these (small) workplaces, informal channels of communication are most probably quite appropriate.

Contract of employment

The part of the industry these agreements represents is characterised by a high degree of casual and part time labour. The Cafe Margo agreement, for example, has all staff working on a part-time basis. The part-time employees may effectively work full-time if required by the employer, but are not given the security of employment of a full-time position. This agreement also removes any penalty payments for employees (see Box G.6).

Hours of work

The most notable characteristic of working time provisions in the cafe and restaurant agreements and indeed most agreements from the tourism industry, is that they have become more flexible in response to the needs of the industry.

Table G.4 shows that 93 per cent of agreements in the hotels and catering and 58 per cent of agreements in other tourism and related industries have flexible starting and finishing times. A feature of the cafe and restaurant agreements is that it is becoming increasingly common for employees to bear the costs of this increase in flexibility. An example of this is the introduction of the

annualisation of hours over a period. This is a feature of the Fountain Restaurant Agreement where the maximum ordinary hours of employment are 40 per week averaged over a 52 week period. This agreement does not describe how inequities in hours will be managed at the end of the period and the result is that employees have no recourse to overtime payments for additional hours worked even at the end of the period.

Box G.6 Contract of employment (Cafe Margo)

- (a) All employees to be considered 'part time' and to receive the same rate of pay immaterial of the hours worked, as set out in the wage rates contained in this agreement.
- (b) All employees to receive a minimum of ten hours work per week, subject only to any contrary arrangement with an individual employee at the request of the employee.
- (c) All employees to receive a maximum of thirty nine hours per week, subject only to any contrary arrangement with an individual employee at the request of and agreement of that employee.
- (e) Hours of work in excess of thirty nine per week may be recorded and such time to be calculated at overtime rates here-in and may be taken as time off in future weeks or may be added to annual leave. Alternatively such hours may be paid with weekly wage if elected to do so by the individual employee.
- (f) The ordinary hours per week for all employees shall not exceed 39 worked in maximum of 6 days.
- (g) late finish allowance and broken shift allowance are not payable under this agreement.

Source: Cafe Margo Enterprise Agreement No. 2, Clause 7:

The Bathers Pavilion agreement was one of the first restaurant agreements registered in the New South Wales jurisdiction. This agreement requires employees to be available for work even on their days off. This agreement, however, does compensate employees for this provision in the base rate of pay (see Box G.7).

Box G.7 Hours of work (narrow agreements)

Employees who are not rostered for duty may be required by the employer, without extra payment, to hold themselves available to be called in to work, provided that an employee so required shall not be obliged to hold themselves available after 12.00 midday or 6.30 pm as the case may be.

Source: The Bathers Pavilion Enterprise Agreement, Clause 4.4

Work organisation clauses are one of the most common forms of labour flexibility use in tourism enterprise agreements. About 63 per cent of hotels and

catering agreements, compared with 46 per cent of the other tourism and related industries agreements, use deployment of labour changes in their enterprise agreements (see Table G.3). These practices were not found in either of the awards examined in this study.

Other initiatives that allow flexibility involve the allocation of hours at the workplace (see Table G.4). Examples of these clauses can be found in the Palm Royale Cairns Enterprise Agreement and the Radisson Plaza Cairns Enterprise Agreement (see Box G.8). Although these are not restaurant or cafe agreements, they do illustrate the wide range of flexibility provisions being introduced with enterprise agreements.

Table G.4 Hours of work

	<i>Industry (per cent of agreements with provision)</i>			
	<i>Hotels & catering n=49 (per cent)</i>	<i>Sheraton agreements n=5 (per cent)</i>	<i>Other related n=28 (per cent)</i>	<i>All other industries n=984 (per cent)</i>
Flexibility in starting and finishing times	93	100	58	65
Ordinary wages include overtime component	10	0	4	1
Time off in lieu of overtime at single rate	25	0	10	6
Public holidays not paid at higher rate	18	0	3	2

Source: ADAM Database, ACIRRT, University of Sydney, January 1996

Other flexibility clauses used in restaurant and cafe enterprise agreements affect an employer's ability to nominate the rate of pay an employee will receive; for example the Fountain Restaurant Agreement (see Box G.9).

The Hog's Breath Cafe agreement does not permit employees to take their annual leave between 1 November and 15 January (see Box G.10).

Training and career paths

Restaurant and cafe agreements, like many agreements in the tourism industry, tend not to specify the type of training employees are to receive, where it is to take place or the rights of employees with respect to training. They are more likely to have a broader commitment to training without detailing all aspects of how it is to be achieved. For example, 80 per cent of hotels and catering agreements have a commitment to some form of training at the workplace, but only 15 per cent specify the resources that are to be used for this training. This can be partially explained by the fact that 48 per cent of hotels and catering agreements specify on-the-job training in their agreements. On-the-job training

is most likely to be unstructured and may simply involve instruction from other employees or the employer. But this may be adequate given the nature of the workplaces.

Box G.8 Multi-hiring and flexible working hours**Multi-hiring**

Permanent employees may be engaged separately on a casual basis within the company in a separate function from that of their permanent employment.

Such casual engagement shall be paid at the rate for that class of work for the function in which engaged on a casual basis.

For the purposes of this clause, separate function means duties and responsibilities distinct from those which the employee performs in their permanent capacity. This means wholly or substantially performed in the employee's usual work and will not apply to work where overtime would ordinarily be performed.

Source: Palm Royale Cairns Certified Agreement, Clause 7.8

Flexible Hours of Work

The intention of the parties is to 'bank time worked' through Flexible Hours of Work arrangements rather than restrict both the employer and employee into working a strict 38 hours per week. This will be achieved through the nomination of minimum and maximum hours that may be worked on a daily, weekly and monthly basis. It will be at the discretion of the employee whether they want to be paid for the extra hours worked at their normal hourly rate or have time off in lieu. Further, it is the intention of all parties to protect and show concern for all health and safety factors affecting all parties.

Flexible Hours of Work arrangements have been sought by the majority of employees. There shall be three main features of the Flexible Hours of Work arrangement:

- (i) The full time employee must have sought permission to work the arrangement in writing to the employer or it must be by mutual agreement between the employee and the employer.
- (ii) The employer cannot guarantee such hours available but shall offer them to existing full time employees if requested by the employee to do so and if the employee is suitably qualified and/or experienced to do the work.
- (iii) This arrangement will operate with due consideration being given to health and safety matters.

Source: Radisson Plaza Hotel, Cairns Certified Agreement, Clause 8.12

These general commitments to training are often contained in the objectives of the agreement but are not necessarily reinforced with provisions that ensure that the objective is carried out. Melba's Chocolates is an example of an enterprise agreement that contains a general provision for training at the workplace (see Box G.11).

Box G.9 Pay provisions

Each employee shall have his or her personal wage rate reviewed every six months. As a result of each review each employee may have his or her wage rate increased or decreased at the discretion of the employer.

Source: Fountain Restaurant Agreement, Clause 7.6

Box G.10 Leave provisions

Annual leave falling due to an employee during the period 1st November and 15th January shall, at the option of the management of HOG'S BREATH be postponed until after 15th January.

Source: Hog's Breath Cafe Port Macquarie, Clause 12

Agreements that specify specific rights and obligations for employers and employees are common to 56 per cent of hotels and catering and 34 per cent of other tourism related agreements.

The trend towards multi-skilled employees in the tourism industries reflects an increasing need by employers and desire by employees for workers to perform a range of jobs in an enterprise. This may be achieved by removing traditional demarcations between areas of work through multi-skilling employees. This is demonstrated with clauses from the Bathers' Pavilion and Long Island — Palm Bay agreements (see Box G.12).

Box G.11 Training provisions

Training

An undertaking is made to provide/conduct paid training for all regular staff, in a range of areas pertaining to the job descriptions. Enrolment, transportation and accommodation costs to be shared equally by both parties

Source: Melba's Chocolates Tourism Factory Workers Enterprise Agreement, Clause 17

The Fountain Restaurant Agreement is an example of where the employer pays the costs of training in ordinary hours but employees are not paid for training outside normal work time (see Box G.13).

G.2.3 Productivity or performance measures

Productivity and performance measures are an increasingly common feature of enterprise agreements. The most common forms of performance or productivity measures are performance indicators and performance-based pay.

Box G.12 Multi-skilling provisions

With the approval of the employer, employees engaged in serving customers may from time to time work in the kitchen, and staff employed in the kitchen may from time to time work in serving customers. The multi-skilling shall be for the purpose of broadening the skills of the employees concerned, who shall receive no extra remuneration during periods of multi-skilling.

With the approval of the employer, employee may at the employer's expense enrol in relevant courses. In addition, employees may be required from time to time to undertake internal training devised by the employer.

Source: The Bathers' Pavilion Enterprise Agreement, Clause 14

In recognition of the operational and efficiency requirements of the employer, and to create more varied and, better paid and interesting work, it shall be a condition of employment, subject to appropriate training and competency, that each employee shall be available as required work within his or her skill, competence and training consistent with the classification structure of this agreement (subject to prevailing statutory requirements) and that each employee shall acquire the skills and learn any other job as directed and shall provide instruction and or training as appropriate to another employee as required.

Source: Long Island - Palm Bay Certified Agreement, Clause 2.7

Box G.13 Training outside normal hours

Employer initiated training - Employees shall undertake training and retraining as required by the employer. The employer will pay all costs associated with training whether it is formal, internal, external or on-the-job. However, if external training extends beyond the ordinary hours of work the employees shall make the time available without payment.

Source: Fountain Restaurant Agreement

Performance indicators

Performance indicator provisions are a feature of 9 per cent of hotel and catering agreements, 14 per cent of other tourism and related industries agreements and 34 per cent of all other industries agreements. Many agreements state that performance indicators will be used but fail to specify what these are. This can be seen by examining Table G.5, which shows that when agreements are examined for specific indicators, hotels and catering agreements are the least likely of the industry groupings to use performance indicators. Where indicators are mentioned in an agreement, they tend to refer to only one or two indicators (see Box G.14).

Table G.5 Use of specific performance indicators in agreements

<i>Industry</i>	<i>Proportion of agreements that specific performance indicators</i>	
	<i>Input indicators^a</i> <i>(per cent)</i>	<i>Output indicators^b</i> <i>(per cent)</i>
Hotels and catering	0	6
Other tourism and related industries	11	14
All other industries	18	16

a For example, absenteeism, safety, levels of management, labour per product.

b For example, customer service indicators, level of rejects, delivery performance.

Source: ADAM Database, ACIRRT, University of Sydney, January 1996

Box G.14 Performance indicators

It is agreed that the Consultative Committee in consultation with the Work Groups will select and benchmark key performance indicators, which may include but are not limited to:-

- safety
- training
- staff turnover and absenteeism
- customer service
- quality
- timeliness of delivery
- employee/customer satisfaction
- wastage/recycling

These performance indicators are to be set in a fully consultative manner and all parties agree that they are worthwhile, appropriate and the targets set are achievable.

It is recognised that performance indicators are not an end in themselves but are a means of identifying trends and efficiency against Best Practice benchmarks. They enable the identification of areas where there is potential for further improvements.

Source: Adelaide Casino Maintenance Agreement 1994, Clause 11

Performance and productivity-based remuneration systems

Performance and productivity-based remuneration systems link an employee's wages to a movement in an agreed indicator. These may be a defined performance indicator or more informal measurements. Performance-based pay is not a common feature of tourism enterprise agreements, with only 21 per cent of agreements in hotels and catering and 22 per cent of agreements in other tourism and related industries using this system (see Table G.6).

Table G.6 Productivity or performance based pay

<i>Industry</i>	<i>Percentage of agreements with variable present (per cent)</i>	<i>Present in Hotels, Resorts and Hospitality Industry Award 1995</i>	<i>Present in Motels, Accommodation and Resorts (Roping-in No. 1) Award 1995</i>
Hotels and catering	21	no	no
Other tourism and related industries	22	na	na
All other industries	27	na	na

na Not applicable.

Source: ADAM Database, ACIRRT, University of Sydney, January 1996

The Regency Food Services Agreement uses profit sharing as a performance based payment system for employees, whilst the Holiday Inn Cairns has introduced an annualised salary system with performance-based pay (see Box G.15).

G.3 Conclusion

Although there have been relatively few enterprise agreements formed by tourism firms, this appendix provides some insight into the character of existing agreements.

The character of agreements and the type of flexibility achieved depends on the labour management philosophy of the individual firm. Although individual firms are likely to develop their own forms of management, philosophies and strategies can generally be seen to fall between the extremes of:

- strong internal labour markets. The firm has a high proportion of permanent employees, with short-term shortages being met through contract or casual staff. The focus is on functional and internal numerical flexibility. As such, agreements focus on increasing productivity and quality and lowering cost through training, reduced turnover, flexibility in hours of work, multi-skilling provisions and strong consultation arrangements (with or without union involvement).
- weak internal labour markets. The firm may still maintain a core of permanent staff but most variations in the demand for labour will be met through hiring and firing labour. The focus is on external numerical and wage flexibility. Because the employment relationship is likely to be short-term, agreements focus on productivity and cost reduction through the use of casuals, flexibility in hiring and firing, flexibility in hours and rosters, minimal investments in training, multi-hiring provisions and an emphasis on managerial prerogative rather than consultation.

Box G.15 Performance based pay

The company will make available to the employees a percentage of the annual profits made by the company on a return on investment basis. This pool of money will be split amongst the employees, by a method recommended by the M.A.C [Management Advisory Committee], in the first week of December following the period in which the profit was made. The percentage available to the pool will be recalculated as follows;

- 10 per cent return on investment ~ 5 per cent of Profit to Pool
- 15 per cent return on investment ~ 7.5 per cent of Profit to Pool
- 20 per cent return on investment ~ 11 per cent of Profit to Pool
- 25 per cent return on investment ~ 15 per cent of Profit to Pool
- 30 per cent return on investment ~ 20 per cent of Profit to Pool

Return on investment is calculated by; annual profit/capital investment in the company. eg 1993– 94 (\$250,000/\$960,000)

Holiday Inn Cairns

The salary ranges to be paid to employees shall be as follows:

	Salary		
	Entry	Mid Point	Maximum
Level 2 Competent/Skilled Level	\$19 826.20	\$21 650.04	\$24 697.831
per hour	\$10.0335	\$10.9565	\$12.4989

These rates are inclusive of weekend penalties, public holiday penalties as defined in clause 5.6, other allowances and 17.5 per cent annual leave loading.

Provided that employees may be paid at rates in excess of these levels subject to their personal performance in any year of employment. Personal performance payments will be assessed in accordance with the Holiday Inn Cairns Performance Management Appraisal System which is available to all employees of the Hotel. The details of the Holiday Inn Cairns Performance Management Appraisal system are confidential to employees of the Hotel and the Company representatives.

Source: Regency Food Services Agreement

The analysis suggested that most of the registered agreements in the sample fell between these two extremes.

At one extreme are agreements such as the *Sheraton Towers South Gate Employee Relations Agreement 1995* (see Case Study 3) which is typical of agreements intended to encourage a strong internal labour market. They are seeking a relatively highly paid, permanent workforce with productivity being enhanced through improving the quality and commitment of their workforce.

The other extreme is represented by agreements like the *Fountain Restaurants Enterprise Agreement* which is typical of agreements in workplaces that rely heavily on weak internal labour markets; that is, the firm has a relatively casual or short-term workforce that is likely to be lower skilled and lower paid.

Productivity and profitability are enhanced by matching staff size to demand through rostering and the use of casuals. Profitability is also promoted by minimising wage costs.

Different firms may rationally choose different management strategies. However, most agreements have characteristics of both extremes in practice.

Attachment G1

Agreements used in the sample

Table G1.1 Hotel and catering agreements (n=52) ASIC 9230 – 9244

Federal jurisdiction

A1202	All Seasons Hotel Swanston — Melbourne Agreement 1995
A1203	All Seasons Welcome Hotel — Melbourne Agreement 1995
A1310	Adventure World (Western Australia) Enterprise Flexibility Agreement
B263	Berrimah Hotel Motel P/L Enterprise Agreement 1993 ^a
C460	Caterair Airport Services(Liquor Union) Enterprise Agreement 1993 ^a
C480	Caterair Airport Services Enterprise Agreement 1993 ^a
C0596	Crown Casino Ltd Melbourne Employees Agreement 1994
D106	Desna Pty Ltd (Katherine Hotel Motel) Enterprise Agreement 1993 ^a
H0242	Hotel Diana — Certified Agreement 1995
J099	JTR Investments Parap Hotel Enterprise Agreement 1993 ^a
L131	Lancer P/L (Nightcliff Hotel) Enterprise Agreement 1993 ^a
L132	Lapel Nominees P/L Hotel Darwin, Enterprise Agreement 1993 ^a
Q027	QANTAS Flight Catering Limited Enterprise Agreement ^a
S0457	Sheraton Hobart Hotel Employee Relations Agreement 1994 ^a
S0463	Sheraton Noosa Resort Employee Relations Agreement 1994 ^a
S0464	Sheraton Brisbane Hotel & Towers Employee Relations Agreement 1994 ^a
S0748	Sheraton Towers Southgate Employee Relations Agreement 1995
S367	Sheraton Sydney Airport Hotel Employee Relations Agreement 1993 ^a
T0394	Top End Hotel P/L Enterprise Agreement 1993 ^a
T0485	Tasmanian Country Club Casino Employee Relations Agreement 1994 ^a

New South Wales jurisdiction

47/1992	The Bathers' Pavilion Enterprise Agreement ^a
41/1993	Murramarang Caravan & Camping Resort Enterprise Agreement
277/1993	Hog's Breath Cafe Port Macquarie
341/1993	Fountain Restaurants Enterprise Agreement ^a
37/1994	Ordlon Enterprise Agreement ^a
47/1994	Western Suburbs (Newcastle) Leagues-Maintenance Department
354/1994	Route 66 Burgers and Associates Enterprise Agreement
427/1995	Luna Park Enterprise Agreement
2/1995	Feasty's Family Restaurant Enterprise Agreement
5/1995	Watermark Restaurant Enterprise Agreement
58/1995	Aspley Riverview Hostel Personal Care Enterprise Agreement
101/1995	Cafe Margo Enterprise Agreement No. 2

Table continued over page

Table G1.1 (Continued)

New South Wales jurisdiction (continued)

135/1995	Buckanderra Holiday Village Enterprise Agreement
136/1995	Coachhouse Caravan Park Enterprise Agreement
137/1995	La Mancha Caravan Park Enterprise Agreement
165/1995	Karuah Jetty Village Enterprise Agreement
174/1995	North Star Enterprise Agreement
175/1995	Highway Tourist Village Enterprise Agreement
188/1995	Austin Caravan Park Enterprise Agreement
261/1995	Wollongong Surf Leisure Resort

Queensland jurisdiction

Ca105/1994	Long Island — Palm Bay Certified Agreement
Ca118/1994	Palm Royale Cairns Certified Agreement
Ca121/1993	Mona's Pasta and Pizza Take Away Certified Agreement 1994 ^a
Ca16/1994	Eurong Beach Resort Certified Agreement ^a
Ca168/1995	Twin-Waters Resort P/L Certified Agreement
Ca17/1994	Happy Valley Resort Certified Agreement ^a
Ca19/1995	Holiday Inn Cairns Certified Agreement
Ca245/1995	Fast Food Industry — Brodie's Enterprises Certified Agreement
Ca62/1995	Radisson Plaza Hotel, Cairns Certified Agreement
Ca76/1994	Catering Industry Albion Park Trust Employees Certified Agreement ^a
Ca82/1993	Daikyo Enterprises Certified Agreement ^a
EFA4/1994	Hog's Breath Cafe Airlie Beach EFA

South Australian jurisdiction

1337/1994	The Adelaide Casino Maintenance Agreement 1994
485/1995	Adelaide Casino Enterprise Agreement 1995
68/1995	Wisteria Lodge Enterprise Agreement

a These agreements have expired as at January 1996. However, in many cases they continue to operate as interim agreements until new agreements are formed, or reflect the content of the replacement agreements. As such they are representative of the trend in agreement content being pursued.

Table G1.2 Other related industries (n=28)

<i>Federal jurisdiction</i>	
A1151	Village Seaworld ^a
A0830	AWU-Warner Bros Movie World Agreement ^a
E0181	Down Town Duty Free ^a
T0493	Territory Wildlife Park (NT) Enterprise Agreement 1994 ^a
<i>New South Wales jurisdiction</i>	
113/1993	Field Officers — NSW National Parks and Wildlife Service Enterprise Agreement ^a
19/1992	Flight Operations Pilots and Crew, National Parks and Wildlife Service, Enterprise Agreement ^a
75/1994	Glenorie Bus Company Enterprise Agreement ^a
44/1993	Golf Course Maintenance Agreement ^a
34/1993	Nurses QANTAS Airways Ltd Enterprise Agreement ^a
37/1994	Ordlon Enterprise Agreement
86/1993	Parks and Gardens Horticultural and Ranger Staff Agreement ^a
29/1994	Peninsula Bus Company Agreement
43/1992	Rangers Project/ Research Officers & Aboriginal Suite Officers - National Parks and Wildlife Enterprise Agreement ^a
32/1992	Sydney City Library Restructuring Enterprise Agreement ^a
300/1993	Sydney Cricket & Sports Ground Trust Agreement ^a
254/1993	Terrey Hills Golf & Country Club Enterprise Agreement No.1 ^a
37/1992	The Australian Museum Exhibition Project Officers Agreement ^a
60/1994	Theatrical Employees (Stanmore Cinema) Agreement
314/1993	Upper Hunter Regional Library Enterprise Agreement ^a
26/1993	Westies Enterprise Agreement ^a
350/1993	Works and Trades Employees Western Plains Zoo ^a
<i>Queensland jurisdiction</i>	
Ca063/1993	Amazons Aquatics Adventureland ^a
Ca110/1993	Handcroft Pty Ltd & Associated Companies (Whitsunday All Over) ^a
Ca105/1993	Long Island — Palm Bay
Ca162/94	Shangri La Cruises ^a
EFA5/1995	Underwater World Enterprise Flexibility Agreement
<i>South Australian jurisdiction</i>	
1370/1994	Melba's Chocolates Tourism Factory Workers Enterprise Agreement
267/1995	Regency Food Services ^a

a These agreements have expired as at January 1996. However, in many cases they continue to operate as interim agreements until new agreements are formed, or reflect the content of the replacement agreements. As such they are representative of the trend in agreement content being pursued.

H SKILLS DEVELOPMENT

Training and education are perceived in the community as being inherently good — with more being better than less. However, different groups in the community are subject to different incentives to obtain or provide skills through training or education. The Appendix defines different types of training, identifies the characteristics that distinguish training from education and discusses some theoretical issues associated with training and education.

H.1 Introduction

A high standard of living normally requires a highly skilled workforce (in conjunction with clever management and quality capital equipment). This is true of industries and firms as well as nations. Thus, the way in which workers obtain their skills, and the level and type of those skills, are matters of great importance.

H.2 Training and education in skills development

In discussing skills development, there is a need to distinguish ‘training’ from ‘education’. A useful distinction is that training refers to the process of developing vocational skills, whereas education refers to developing generic knowledge, understanding, problem solving skills and general intellectual capacity.

In Australia (as with most other countries) most of what is covered in the school system can be thought of as education but with some subjects having a deliberate vocational orientation. In the post-secondary school education environment, that is the Technical and Further Education (TAFE) colleges, private providers and universities, there are both educational programs and vocational programs. Much of TAFE learning can be viewed as having a vocational orientation, while only some university degrees tend toward the vocational end of the continuum.

In practice, most courses offered by education institutions include components of both training and education. It is difficult to argue for example, that a person completing a degree in medicine and surgery received purely vocational training — as a strict interpretation of the definitions of education and training may

suggest. The students also develop problem solving, intellectual and other skills.

Education and training are gained through formal and informal processes. With respect to training, informal training occurs on-the-job, whereas formal training can occur either on-the-job or at a location removed from the workplace. The Australian Bureau of Statistics (ABS) defines *formal training* as:

All training activities which have a structured plan and format designed to develop employment related skills and competencies. (ABS Cat. No. 6353.0, p. 33)

Courses may be general, industry-specific, or even enterprise-specific. Examples of formal training at locations removed from the workplace include TAFE courses, university studies and training provided by external consultants.

A formal training course developed to meet the skill requirements of employees at a particular establishment, is referred to as in-house training. Whether training is in-house or external is determined by whether or not it is enterprise specific, nor by the site at which it is delivered. *In-house training* is defined by the ABS as:

Organised by employers primarily for their own employees, using the employers' own staff, or consultants eg where a consultant designs a program specifically for the employer. Note that in-house training could be conducted at an off-site location. (ABS Cat. No. 6353.0, p. 34)

Some training received by employees does not have a structured plan. It is referred to as informal or on-the-job training. The ABS defines *informal or on-the-job training* as:

Any unstructured on-the-job training, being shown how to do things as the need arises, learning by doing a job. (ABS Cat. No. 6353.0 p. 34)

Education and training are of particular economic interest because of their strong link with productivity — of the individual, the enterprise and the nation.

H.3 Some theory on skills development

In order to discuss training in tourism or any other sector of the economy, it is useful to consider the nature of training and any theoretical perspectives that might help to explain the training attitudes and decisions of employers and employees more generally.

Economic theory associated with skills development suggests that the process of gaining skills can be treated as an investment decision which produces a return to employers and employees in the form of higher productivity and higher wages, respectively. The theory has evolved in response to the observed

relationship between employee productivity, wages and the level of training and education. This relationship was commented on by Adam Smith (1776) in *The Wealth of Nations*:

It is reasonable, therefore that in Europe the wages of mechanics, artificers, and manufacturers, should be somewhat higher than those of common labourers. ... Their employment, indeed, is more steady and uniform, and the superiority of their earnings, taking the whole year together, may be somewhat greater. It seems evidently, however, to be no greater than what is sufficient to compensate the superior expense of their education. (p. 91)

Thus, a theory of skills development can provide a useful framework within which to develop a generalised explanation of training incentives, provision and responses. A critical assumption of the theory is that worker productivity is related to worker training and is accurately reflected in an employee's wage.

Skills development theory uses a rate of return analysis, where the benefits of education and training to the individual and society are compared to the costs of attaining that level of education or training.

From a broad perspective, the best combination of training and education will occur when two criteria are met. First, an employee's wage reflects their value to the enterprise and provides an appropriate return for the cost associated with obtaining his or her education or training. Second, each person gets all the education and training that has a rate of return equal to or in excess of the average rate of return on investment.

There are many reasons why the actual type and quantity of training and education which occurs is not always what is required. Over-supply and shortages of specifically skilled people can be an indication of an inappropriate mix of training and education.

H.4 Different types of training

Training and education can provide general skills, industry-specific skills and enterprise-specific skills. This categorisation of training and education provides a useful way to think of both informal and formal training. Becker (1975) defined different types of skills in the context of on-the-job training. He proposed that completely general training:

... increases the marginal productivity of trainees by exactly the same amount in the firms providing the training as in other firms. (Becker, 1975, p. 26)

General skills or competencies are equally applicable in a wide range of jobs. Because of their potential for widespread application in a range of occupations, the skills can be thought of as being closer to 'education' than 'training' on the

continuum. The nature of general skills are nonetheless such that they are fairly directly applicable in enhancing current or expected future income from employment. Examples are reliability, ability to work in a team, and word processing skills.

Some education or training will be directed at developing industry-specific or even enterprise-specific skills. Becker (1975) has identified completely specific training as training that:

... has no effect on the productivity of trainees that would be useful to other firms.
(Becker, 1975, p. 26)

These types of skills are more limited in their application than general skills or competencies. Trade based occupations, such as cooking, are typical of industry-specific skills that are portable within an industry. Enterprise-specific skills on the other hand will not be useful outside the particular enterprise. They include knowledge of the processes and customers of the enterprise.

However, Becker (1975) goes on to note that it is unlikely that training provided on-the-job will be either completely general or specific.

Much on-the-job training is neither completely specific nor completely general but increases productivity more in the firms providing it and falls within the definition of specific training. The rest increases productivity by at least as much as in other firms and falls within a definition of general training. (p. 26)

Often, the type of training will influence where the costs and benefits accrue. Psacharopoulos (1985) has used the theory of skills development to come to some general conclusions about the relative benefits of different levels and types of training. Box H.1 presents some conclusions from his work.

Box H.1 Variation in the rates of return to education

Psacharopoulos (1985) presents information on rates of return to education both by level and type of education and by country.

Primary schooling is found to have the highest rate of return for the different levels of education. The rate of return declines for secondary education and declines further for post-secondary education.

There is a general pattern of returns to education being higher in developing countries and declining as countries become more industrially advanced.

Returns to educating women are higher than the returns to educating men.

Returns to general education are greater than the returns to more technical or vocational education. Psacharopoulos reports that the average return to general secondary school curricula is 16 per cent, compared to 12 per cent for vocational secondary school curricula. A similar pattern was found for university education.

Source: Psacharopoulos (1985)

H.5 The incentives to train

The distinction between general and specific training is important in determining the incentives for the provision of training by employers and the choices made by employees in undertaking training. It is also particularly important when considering issues of who should pay for training.

Employers will want to provide enterprise or job-specific training. To the extent that they can do this they will be prepared to finance the training at least in part because some or even all benefits from training accrue to the enterprise.

From the employees perspective, the skills gained are not transferable to another workplace. Employees will not be willing to pay for enterprise-specific training because it does not increase their mobility outside the enterprise nor allow them necessarily to command a higher wage with-in the enterprise. They would normally however, be willing to pay for general training, because this will increase their attractiveness to a range of employers.

However, employers may choose not to invest in training. They may decide to buy the skills they need directly, recruiting only skilled workers. Or they may decide to employ low-productivity staff at a relatively low-wage. In contrast, an employer who chooses to provide more training, and incur the associated costs, is choosing to employ a high-productivity staff at a relatively high-cost.

H.6 Training as a screen and a signal

An alternative to the theory that education and training improve productivity is the theory that training merely helps the employer identify more productive workers. Hence, employees may perceive training and education as a way of signalling to future employers that they are interested in a particular industry or type of work and in learning new skills. The content of training and education is not important to this argument. Freeman (1985) explains:

Assume that education does not increase productivity but that persons who are innately more productive than others have a comparative advantage in obtaining education. Then, all else the same, firms can use education as a means for sorting out more/less able workers, and workers will have an incentive to get educated to signal employers that they are more able. ... [It has been shown that] this process can lead to an equilibrium in which education sorts out workers by ability but where increases in the mean level of education have no productive value. (Freeman 1985, p. 359)

Employees need to evaluate the advantage gained from undertaking training or education, which may then be as a signal to gain higher wages against the costs associated with undertaking the additional training or education.

In a similar way employers may use training and education as a method of screening prospective employees. Knowledge that someone has undertaken training may be an important and relatively simple way for employers to obtain information about potential employees. Some of the positive perceptions associated with a person who has completed additional training or education are that they are a more productive person. In addition by successfully completing a course of study, they have displayed characteristics desirable in a workplace, such as dedication, application to a task and ability to learn.

If the only use of training or education is as a signal, then a significant cost is imposed on society. This situation is referred to as 'credentialism'. The Department of Employment, Education and Training (DEET) notes the problems associated with credentialism:

... it is important to ensure that the increase in the skill base represents a genuine improvement in the productivity of the workforce and is not simply feeding growing credentialism. An increase in the skill base in response to the latter would result in a costly over-investment in public resources in education and training systems. (DEET 1991, p.73)

Put simply, credentialism is a form of waste. However, DEET (1991) also notes that it is difficult to differentiate between 'skills deepening' and credentialism. Because of this, credentialism needs to be differentiated from skills deepening and only a case-by-case assessment will determine which of the two it is. The issue of credentialism is discussed in the context of the tourism industry in Chapter 16.

H.7 The benefits and costs of training

A highly and appropriately skilled workforce can facilitate improvements in the competitive performance of firms, in both domestic and overseas markets. As such, the benefits of training can accrue to the individual, the firm and society as a whole.

The cost of training borne by society is measured by the level of support provided by the public to training institutions, and the way in which the training supplied is subsequently used. It is possible that a person who has undertaken training in a specific field is not subsequently employed in that field. There is a potential cost to society in this instance if the skills gained during training are not found to be useful once in the workforce.

H.7.1 Employees

There are decided advantages which accrue to people undertaking pre-employment training and education. As a group, people with a formal qualifications experience lower rates of unemployment, shorter periods out of the workforce and higher rates of pay. In addition, people with formal qualifications tend to undertake more training, than people without formal qualifications.

As discussed in Section H.6, employees may undertake training or education as a means of signalling to future employers that they are interested in a career in a that industry or that they have particular aptitudes. Thus, having a formal qualification may assist employees obtain employment.

Costs to people undertaking full-time training include income given up for the period of training and direct costs associated with undertaking a course, such as the Higher Education Contribution Scheme (HECS) or course fees and the cost of text books. Many full-time students are employed part time. This reduces the financial cost of study, but exacts it in terms of lost leisure or productive work done at home. People undertaking part-time training while working full-time will incur similar direct costs. They will also be making a trade-off between leisure time and home production and study time.

H.7.2 Employers

Increased productivity is the primary benefit of training and education for employers. The process of undertaking training is essentially designed to teach skills and provide knowledge that is of use in the workplace. The outcomes of education will be applicable both at and outside the workplace.

Employers expect to experience greater returns from employees who have completed enterprise-specific training. If training is not enterprise-specific, the trainee's improved productivity is transferable to other enterprises. Consequently, the incentive for employers to provide non-enterprise specific training can be limited by the threat of worker 'poaching' by other enterprises.

Employers will incur training costs in many ways. All enterprises provide informal on-the-job training, which can be as simple as showing a new employee how to serve a customer. In this case, the cost is associated with the decreased output of the employee responsible for demonstrating the skills. Such training may be provided at 'slack' periods, where the impact on enterprise operations is minimised.

Employers may be more active in training and provide a formal induction to their establishment. They may have developed courses in conjunction with

educators which are particular to their firm. In this case, costs include time spent in consultation with educators and the direct cost of the course. Employers may also support staff who are undertaking formal external study by payment of HECS, or text book allowances or provide time-off from work to attend courses and take examinations. Employees who are learning also make mistakes, which can be costly for the employer.

The extent to which a firm experiences net benefits or costs associated with training will be partly determined by rates of staff turnover. The benefits of a more productive workforce will accrue over time. Consequently, a high rate of staff turnover will limit a firm's opportunity to gain the benefits of increased productivity resulting from training. This is a factor that discourages employers from providing training.

However, the provision of training by employers may encourage increased staff loyalty and decrease rates of staff turnover. The issue of staff turnover in the tourism industry is discussed in Chapter 13.

I THE NATIONAL VOCATIONAL EDUCATION AND TRAINING SYSTEM

Vocational education and training is delivered by both public and private educational institutions, industry associations and by employers at the workplace. There is an array of structural arrangements that exist to facilitate the delivery of this training. This appendix describes those factors which influenced the development of the existing training system and the structural arrangements currently in place to deliver vocational education and training in Australia.

I.1 Introduction

The current National Vocational Education and Training System (NVETS) has emerged from a range of policy initiatives and institutional arrangements collectively referred to as the National Training Reform Agenda (NTRA), that were developed in response to the need to reform the system.

The process of introducing reform to the vocational education and training (VET) system required agreement between Commonwealth, State and Territory Governments, on both the need for and type of reform. The NVETS has taken shape, with input from industry, unions and VET providers.

The broad aims of Australia's VET system are identified in the Mission Statement, agreed to by Commonwealth, State and Territory Ministers, in *Common and Agreed National Goals for Vocational Education and Training in Australia*. It states that:

Australia's vocational education and training system aims to:

- provide an educated, skilled and flexible workforce to enable Australian industry to be competitive in domestic and international markets
- improve the knowledge, skills and quality of life for Australians, having regard to the particular needs of disadvantaged groups. (ANTA, 1994e)

I.1.1 Background to existing training policy in Australia

In the mid-1980s, Australia was experiencing high levels of unemployment, currency devaluation, high inflation and a long-term decline in its terms of trade. There was a widespread belief that fundamental restructuring of the economy was required to improve its international competitiveness. Part of the

response to improve Australia's international competitiveness was agreement by the ACTU to restrain wage levels through the Accord process. However, in addition to restraining wage levels, the union movement was concerned to generate more and better paying jobs by lifting the skills base of the Australian workforce.

A high level joint ACTU, Trade Development Council Mission travelled to Western Europe to study countries that seemed to have overcome similar economic problems to those outlined above.

In June 1987, the Mission produced an influential report *Australia Reconstructed*. The report noted that as early as 1965, the Vernon Committee of Economic Inquiry had expressed concern about the likely shortage of workforce skills in Australia and that in the intervening period, Australia had been slower than most other developed countries in strengthening its education and skill base. It noted that a high proportion of school leavers were entering the workforce with no substantial vocational preparation. The report suggested there was a lack of management support for on-the-job training and skills upgrading and recommended a range of measures to expand vocational training in Australia.

Along with several other reports on vocational training in the 1985–86 period, *Australia Reconstructed* helped in the development of a vocational training culture and government commitment to training as one of the essential requirements of a more productive workforce.

1.1.2 The evolution of the NTRA

The Government's commitment to training is evident in the development of a suite of policies designed to improve skill formation and enhancement in the Australian workforce.

In the late 1980s, the Commonwealth Government released four documents relating to the state of skills development in Australia. The fourth document, *Improving Australia's Training System*, was released by the Hon. John Dawkins, then Commonwealth Minister for Employment, Education and Training, in 1989. This document identified the following five factors as evidence that reform of the VET system was necessary:

1. the need for workers to obtain higher-level skills to facilitate structural change occurring within the economy;
2. on-going skill shortages;
3. an increase in the role of training resulting from the award restructuring process;

4. the need for people already in the workforce to cope with technical and demographic changes occurring in the workplace; and
5. inequalities in the ability of all people to access education and training (Dawkins, 1989, p. 2).

Dawkins (1989) went on to set the broad objectives of what is now known as the NTRA. These were to:

- increase the level of national investment in training;
- improve the quality and flexibility of the VET sector;
- ensure greater consistency between VET courses, to allow national portability of qualifications;
- increase access to training and education for disadvantaged groups; and
- streamline the process of recognising qualifications obtained overseas.

From April 1989 to December 1993, there were 13 major meetings, including Special Ministerial Conferences and Heads of Government meetings, between representatives of the Commonwealth and state governments on issues pertaining to reform of the VET sector (ANTA, 1994c). These meetings established many of the institutions of the NTRA and agreed to implement changes which have come to underpin reform of VET in Australia. Four key documents which influenced discussions and outcomes of these meetings, and thus the direction of the NTRA, were:

- *The Training Costs of Award Restructuring* (Deveson, 1990);
- *Young People's Participation in Post Compulsory Education* (Finn, 1991);
- *Key Competencies* (Mayer, 1992); and
- *The Australian Vocational Certificate Training System* (Carmichael, 1992).

The term National Training Reform Agenda (NTRA) was used to describe the development of training policies and associated institutions between the late 1980s and 1994. The Department of Employment, Education and Training (DEET) was responsible for the administration and funding of the NTRA. These same training policies and institutions are now collectively referred to as the National Vocational Education and Training System (NVETS) and are administered by the Australian National Training Authority (ANTA).

1.1.3 The establishment of ANTA

One of the outcomes of The Heads of Government meeting in July 1992, was agreement to establish ANTA.

ANTA was established by the *Australian National Training Authority Act 1992*. From 1 January 1994, ANTA has been responsible for the administration of NVETS. ANTA has engineered the change from the NTRA to NVETS. The specific objectives of ANTA as set out in the schedule to the *Australian National Training Authority Act 1992* are reproduced in Box I.1.

Box I.1 Objectives in establishing the Australian National Training Authority

In supporting the proposal for an Australian National Training Authority (ANTA), the main aim would be to promote:

- a national vocational education and training system, with agreed objectives and priorities, assured funding arrangements, consistent national strategies and a network of providers delivering high quality, nationally recognised programs at the State and local level;
- close integration between industry and vocational education and training providers, to ensure that the training system operates within a strategic plan that reflects industry's needs and priorities;
- an effective training market, with public and private provision of both high level, advanced technical training and further education opportunities for the workforce and for the community generally;
- an efficient and productive network of publicly funded providers that can compete effectively in the training market;
- increased opportunities and improved outcomes for individuals and target groups, including school leavers, to enhance their employment outcomes; and
- improved cross-sectoral links between schools, higher education and vocational education and training.

Source: Schedule to the *Australian National Training Authority Act 1992*

Decisions on the NVETS are the responsibility of the ANTA Ministerial Council (MINCO).¹

MINCO's members are the Commonwealth and State and Territory Ministers responsible for vocational education and training. The New Zealand Minister for Education also attends the MINCO meetings as an observer. The role of MINCO is to oversee the functions of ANTA. More specifically:

The ministerial council will be responsible for decisions on strategic policy, national objectives and priorities. It will provide advice to the Commonwealth on the level of growth funds required to meet agreed participation targets and, in the context of the

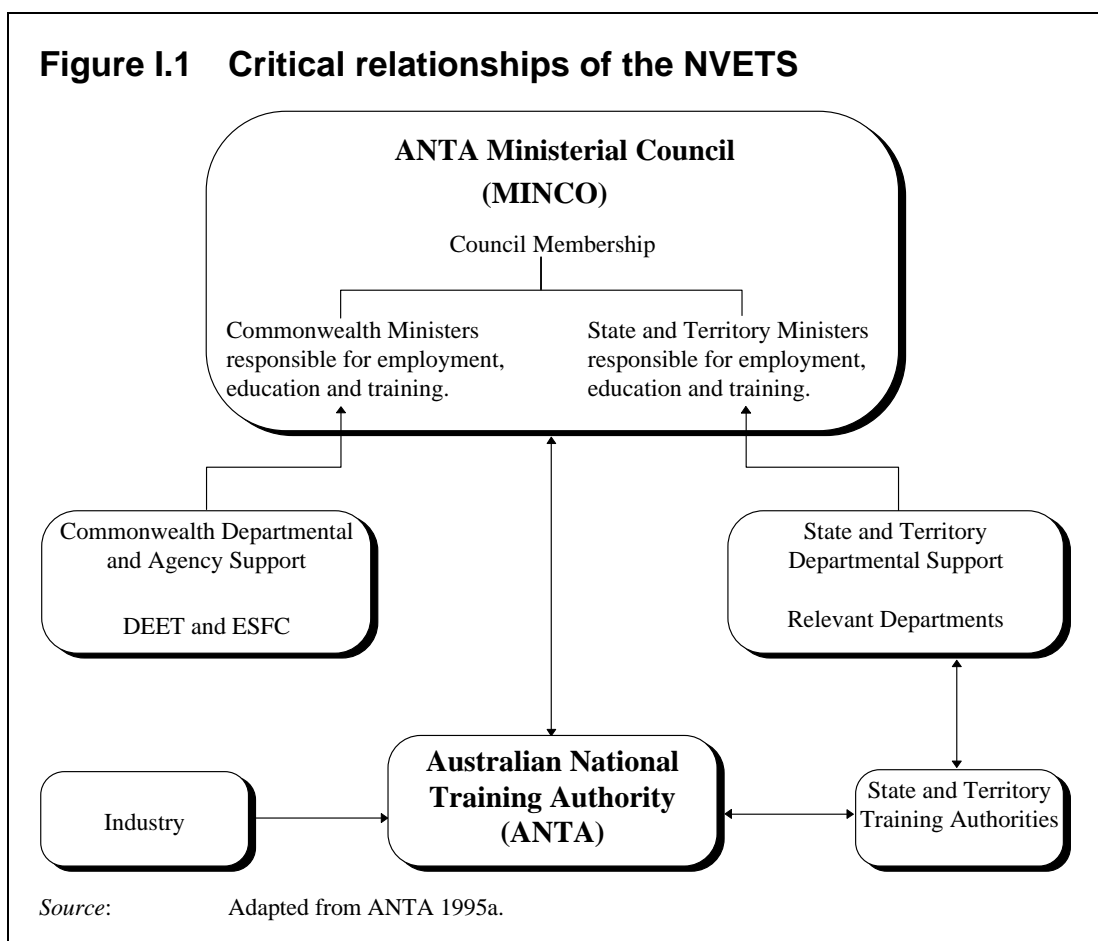
¹ Educational reform issues which have implications extending beyond the NTRA are the responsibility of the Ministerial Council of Employment Education and Youth Affairs. (MCEETYA). For example, MCEETYA was responsible for the decision to implement the Australian Qualifications Framework.

national strategic plan, will determine the principles to be applied to the allocation of these funds between the States.

It is also the ministerial council's function to approve the training profiles developed jointly by the Authority and the State training agencies. These agencies will be responsible for the management of vocational education and training within the State. (Australian National Training Authority Bill, 1992, HR 103 p. 2599)

I.1.4 NVETS structures

The main structures which have been established to co-ordinate the administration, implementation, development and funding of the NVETS are described in Figure I.1. As will become clear from the Appendix, there is much detail underlying this figure and thus the operation of the NVETS.



NVETS continues to evolve. Two reviews have recently been undertaken. They examine different aspects of the functioning of VET in Australia. One was the scheduled Review of the ANTA Agreement. The second was conducted by the Senate Committee on Employment, Education and Training.

I.2 Elements of the NVETS

The issues identified by Dawkins (1989) as underpinning the NTRA were subsequently grouped by ANTA into eight areas and mechanisms by which the broad policy objectives are to be achieved (ANTA, 1994c). They are:

- entry level training;
- competency based training;
- competency standards;
- recognition of training;
- training curriculum, delivery and assessment;
- training market;
- funding training; and
- access and equity.

Each area or mechanism is discussed in turn.

I.2.1 Entry level training

The Australian Vocational Training System (AVTS) includes but is not restricted to training designed to assist people enter the workforce. In the entry level area, this includes traditional apprenticeships and traineeships and also the new training programs such as Career Start Traineeships and the training wage.

The objectives of AVTS include the provision of increased opportunities, both in number and variety, for people to undertake VET and ensuring appropriate training pathways are developed. Successful completion of training under AVTS will lead to Certificate level qualifications from the Australian Qualifications Framework. AVTS takes specific account of the needs of disadvantaged groups in obtaining access to VET.

Specific elements of entry level training include changing apprenticeships and traineeships from a time-served approach to being competency based. This change means that the length of time required to complete an apprenticeship will be determined by the time taken by the apprentice to acquire necessary skills. In addition, changes to entry level training provide options for people to attain vocational skills while still at secondary school (NBEET, 1992). More recently, the then Prime Minister, the Hon. Paul Keating, announced a range of changes to training arrangements designed in part to increase trainee and industry participation in AVTS. The changes included the establishment of a National Employment and Training Taskforce (NETTFORCE) to encourage small and medium sized enterprises to become involved in trainee and

apprenticeship schemes and changes to allow mature age students to participate in traineeships.

1.2.2 Competency based training

One of the objectives of training reform was that training programs developed after January 1991 were to be competency based. There are three elements to competency based training (CBT). First, industry identifies the skills needed in the workplace and advises training providers of the skills which should be taught to students undertaking VET. Second, courses are designed to be outcome based, that is to have students demonstrate the skills they have attained. For this reason, CBT is often described as focussing on what a person can actually do. Third, the length of time required to complete a course is determined by the rate at which a student acquires particular skills. This is a change from the traditional 'time served' approach.

The nature of CBT, and particularly its assessment, allows people who have gained skills on-the-job to be assessed and gain formal recognition for the skills they possess. That is, it allows for what is called 'recognition of prior learning'. In the tourism and hospitality industry the ACCESS scheme has been developed to perform this role (see Appendix J).

Geographic portability of skills is facilitated because CBT is based on national competency standards.

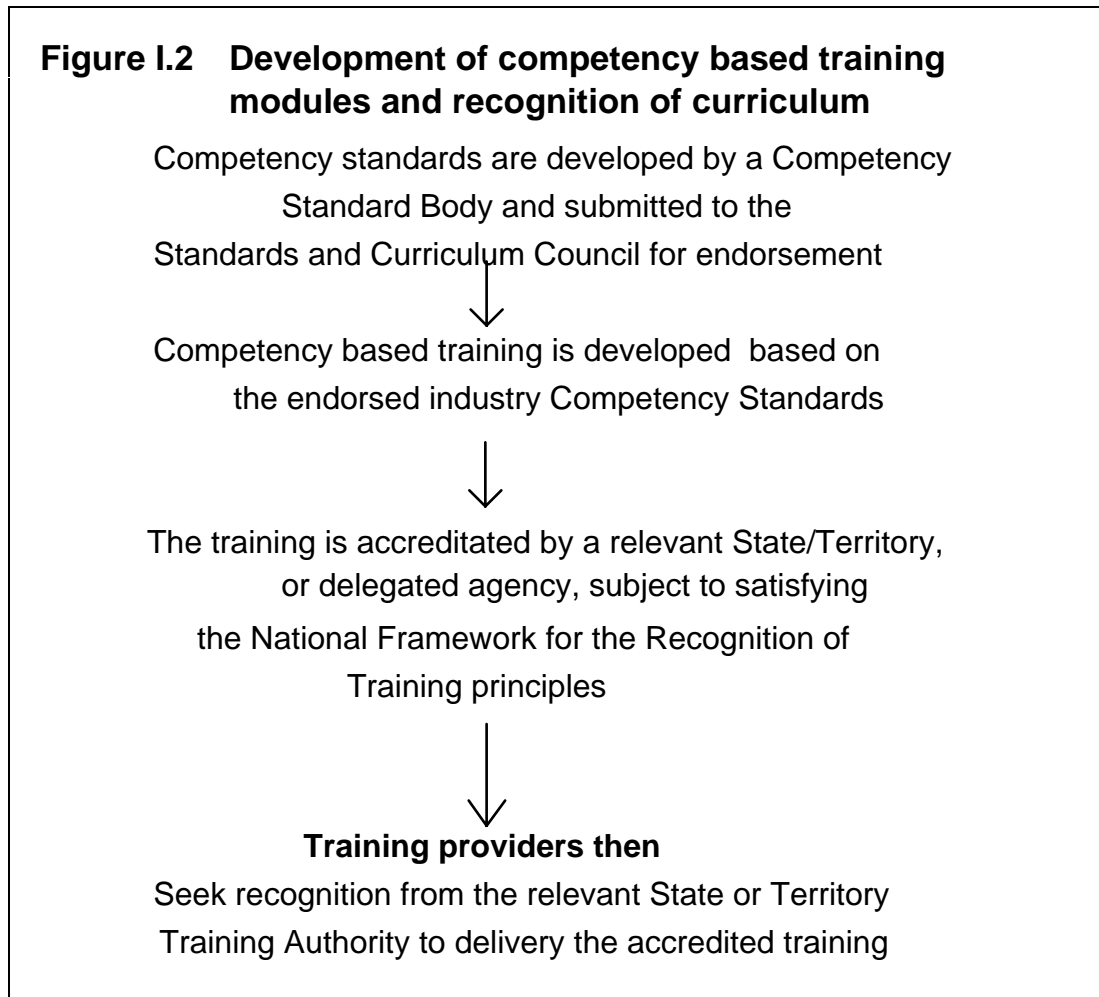
1.2.3 Competency standards

There are three types of competency standards: enterprise specific, industry specific, or cross-industry.

Competency standards are developed by Competency Standards Bodies (CSBs), all of which have industry representation. In most cases an Industry Training Advisory Body (ITAB) will be also be the CSB. This is the case in tourism and hospitality where Tourism Training Australia is the national ITAB and is also recognised as the CSB.

CSBs are responsible for submitting for endorsement industry specific and cross-industry competency standards. Using these standards, training in a competency based format is developed. Accreditation of this training is then sought from individual state and territory recognition authorities. Once the training has been recognised, it is forwarded to the Standards and Curriculum

Council (SCC),² where it is entered onto the national register of accredited training. This process is outlined in Figure I.2. There is also a system of industry recognition, which in some cases is a substitute for state or territory accreditation.



The competency standards are the building blocks of the NVETS. For example, they are critical in the development of training, or in articulation³ between qualifications or institutions, or as part of the process of recognising skills obtained outside Australia.

² The SCC was formed in 1995 as a result of an amalgamation between the National Training Board (NTB) and the Australian Committee for Training Curriculum (ACTRAC).

³ The Vocational Education Employment and Training Advisory Committee (1991) have defined articulation as ‘... the formal linkage between different levels of different fields of study, including enterprise and industry-based training. Articulation arrangements allow the horizontal or vertical movement between programs or between education and employment’ (p. 21).

A tourism competency standard has been included as Attachment I.1 to this Appendix.

I.2.4 Recognition of training

The National Framework for the Recognition of Training (NFROT) is the umbrella set of arrangements which has been developed to facilitate the 'recognition' and awarding of qualifications. NFROT is guided by ten principles:

- Courses are relevant to market or industry needs, identify occupational or educational outcomes and enable the achievement of national competency standards where these have been established;
- Course standards are appropriate to the requirements of the particular credential;
- Courses use competency based training, where the outcomes of courses are specified as competencies;
- Courses provide for multiple entry and exit points and recognition of prior learning;
- Flexible learning using various delivery modes is accommodated;
- Articulation arrangements for credit transfer should be specified;
- Customisation of courses should be allowed for, while maintaining the integrity of the course;
- Promote access and participation;
- Appropriate assessment; and
- On-going monitoring and evaluation (information supplied by the National Training Board).

Two important overarching systems linking elements of the NFROT are the Australian Standards Framework (ASF) and the Australian Qualifications Framework (AQF).

The AQF is designed to achieve consistency of qualifications. This framework includes all qualifications commencing at the lower end with senior secondary school, through VET courses, then university courses, and concludes with the qualification of Doctorate. The VET sector is primarily responsible for the provision of qualifications in the AQF from Certificate I to Advanced Diploma.

The ASF is a system which is used to align training courses to qualifications in the AQF. There are eight ASF levels. A series of descriptors underpins each ASF level. As the demands of the descriptors increase, so do the ASF levels

and thus the level of qualification awarded on the completion of a particular courses.

Table I.1 Nominal relationship between the Australian Qualifications Framework and the Australian Standards Framework

<i>Australian Qualifications Framework</i>			<i>Australian Standards Framework</i>
<i>Secondary schools sector</i>	<i>Vocational education and training sector</i>	<i>Higher education sector</i>	<i>ASF level</i>
		Doctoral Degree	8
		Master's Degree	8
		Graduate Diploma	8
		Graduate Certificate	8
		Bachelor Degree	7
	Advanced Diploma	Advanced Diploma	6
	Diploma	Diploma	5
	Certificate IV		4
	Certificate III		3
	Certificate II		2
	Certificate I		1
Senior secondary certificates of education eg HSC			

I.2.5 Training curriculum, delivery and assessment

Integral to the broad goals of the NVETS is the development of flexible methods of training delivery and an appropriate means of assessing various types of training.

As noted above, for a course to be entered onto the National Register of Courses maintained by the SCC, it must amongst other things, be competency based. Flexible methods of training delivery include innovations in mode and location of training delivery.

Assessment mechanisms must cater for skills gained from on and off-the-job training as well as skills acquired informally.

I.2.6 Training market

Competition between training providers is being introduced as part of the NVETS. It is the attempt to encourage a market in which training providers and trainees, or their employers can interact. The advantages of such a market

would be its ability to respond to the changing needs of both industry and individuals (DEET 1990).

As the largest provider of VET, the TAFE colleges are likely to be most affected by this aspect of NVETS. One of the changes impacting on TAFE colleges is the ability to charge for services provided.

A more general change to the training market is a scheme which is currently being piloted called 'user choice'. This scheme involves companies, negotiating with training providers, be they TAFEs or private providers, for the provision of training. At this stage, a pilot is being coordinated and is limited to apprenticeship and traineeships. Further, the training will generally be customised, possibly in content, delivery mode and timing, to suit the requirements of the trainees or the enterprise.

The ability to introduce competition into the delivery of training depends upon various aspects of the national VET system operating successfully, particularly the NFROT and accreditation processes. For example, private trainers wanting to be involved in publicly funded training provision must be registered as providers.

I.2.7 Funding training

Funding arrangements for the VET sector have become the responsibility of the Australian National Training Authority (ANTA). Funding for VET is provided by the Commonwealth Government on a triennial basis. (HR Vol 103, p. 2599).

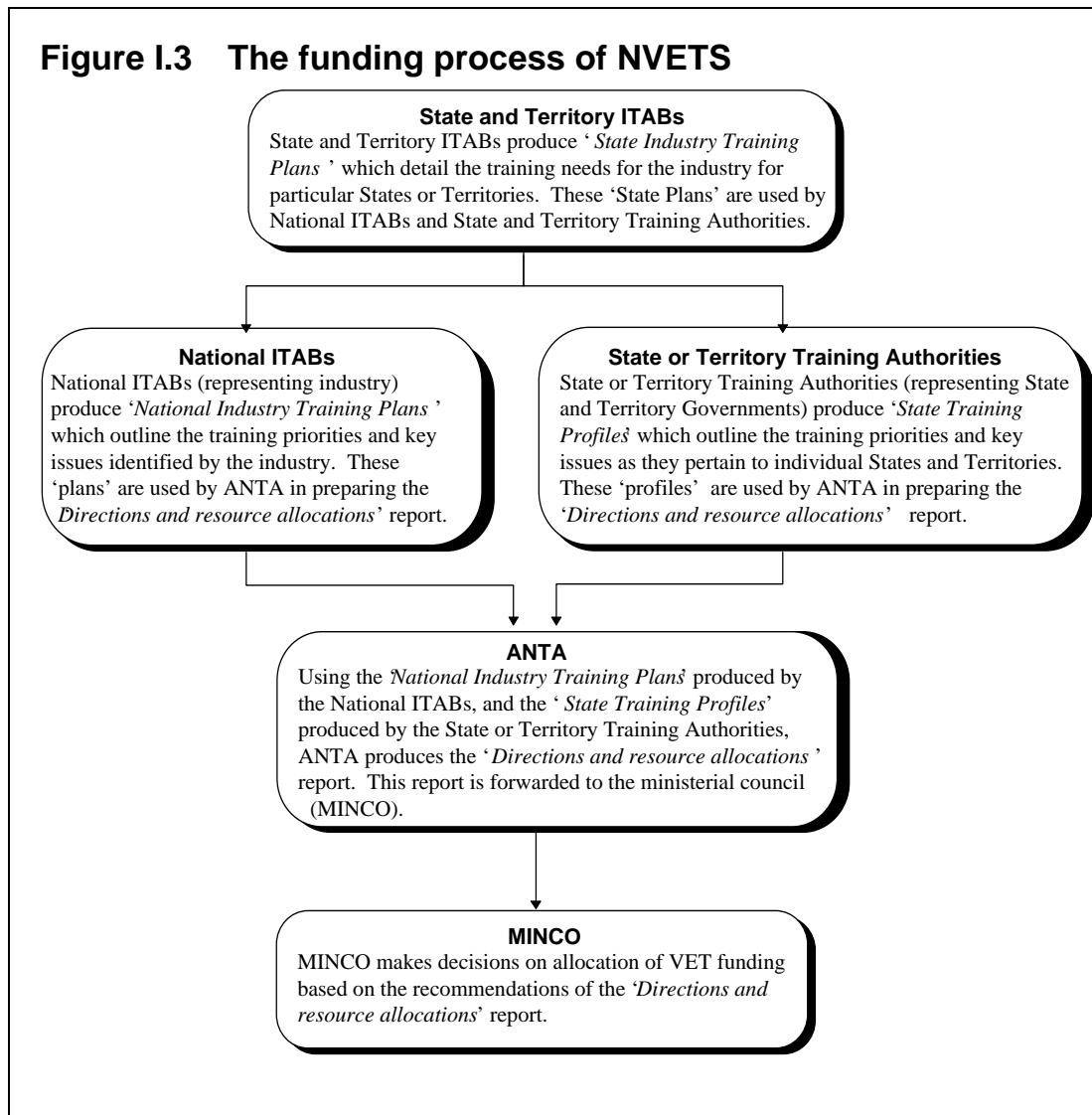
The procedure for obtaining information for use in the funding negotiations between ANTA and the states and territories is described in Figure I.3.

Each year's results from the funding negotiations between ANTA and the States are reported in a document called *Directions and Resource Allocation*. The planned expenditure on VET by the Commonwealth and state and territory governments in 1995 is set out in Table I.2.

Table I.2 Anticipated expenditure on VET, 1995 (\$'000)

	<i>State funds</i>	<i>Commonwealth funds</i>	<i>Total</i>
Recurrent expenditure	1 781 682	542 174	2 323 856
Capital expenditure	127 051	223 537	350 588
Total	1 908 733	765 711	2 674 444

Source: ANTA 1994b

Figure I.3 The funding process of NVETS

The allocation of funds is determined by the ANTA Ministerial Council on the advice of ANTA. Both general and industry specific factors are used to determine the actual level of funds each State and Territory training authority receives from ANTA. General factors include the historical allocation of funds, the projected growth of industry output and employment, the level of exports and effects of anticipated structural adjustment (ANTA, 1994e). Industry specific factors considered are:

- the number, size and geographic spread of enterprises;
- the size of the industry workforce, the age, qualification, gender and ethnic mix profile, and the proportion of part-time and full-time employees;

- any changing skill requirements particularly in relation to changes in technology and task complexity;
- the level of publicly funded training, non-publicly funded training, accredited training, and employee time currently devoted to training; and
- the community and cultural significance of industry (ANTA 1994e).

I.2.8 Access and equity

The NVETS includes the objective of making VET accessible to groups of people who might otherwise be disadvantaged in their ability to undertake further training or education in the VET system. Client groups identified in the Access and Equity strategy are:

- women;
- Aboriginal and Torres Strait Islanders;
- people without adequate social, literacy and numeracy skills;
- people with a disability;
- rural and isolated people;
- unemployed people; and
- people from a non-English speaking background.

For example, the Employment Skills Formation Council set goals which included that by the year 2001, equal numbers of males and females will be participating in VET (ANTA, 1994c).

Examples of the access and equity policy being put into practice include:

- the National Plan of Action for Women in TAFE. This is one of ANTA's National Projects and in 1994 was allocated \$200 000. It aims to improve the participation of female students and staff in TAFE (ANTA, 1994a); and
- the establishment of an Interim Aboriginal and Torres Strait Islander Peoples Training Advisory Forum that provides advice on VET to indigenous people.

Attachment I.1

Competency Standard ADC2 — Sales and Marketing

Range of variables

This unit applies to a range of establishments, including:

- Restaurants;
- Hotels;
- Pubs;
- Clubs;
- Bottle shops;
- Bars;
- Resorts;
- Conference centres; and
- Commercial catering operations.

Evidence guide

Competency can be assessed in conjunction with other Food and Beverage units which involve direct customer contact.

Evidence of in depth knowledge of products and services being offered is required.

Element 'Promote effective relations with customers' is also found in unit ADFB 4 *Create, Maintain and Enhance Effective Working Relationships* and does not need to be assessed twice.

<i>Element</i>	<i>Performance Criteria</i>
1 Assess customer needs	Soft and hard selling techniques are used appropriately.
2 Employ selling techniques	Changes and major issues in the market are identified, based on day to day contact with customers and responses to marketing activities. Popular food and wine list items are noted, and communicated to colleagues. Ideas or plans for promoting products and services are suggested. Sales and promotions of products and services are evaluated.
3 Respond to the market	Customer needs for products and services are promptly, sensitively and courteously identified.
4 Promote products and customer services	Products and services available to customers are promoted effectively using standard industry methods and in accordance with enterprise practices.
5 Promote extra products and services	A range of special products and services is effectively promoted, where appropriate, using standard industry practice, including tours, inclusive bookings, conferences and conventions, function facilities other outlets, entertainment. Sales are used as an opportunity to promote additional products and services.
6 Advise customers about products and services	Customers are advised accurately on products and services including: internal and external services, prices, costs and 'special deals', complementary products and services, purchase of 'extras'. Customers are informed of local features and facilities including: transport, shopping, entertainment, famous landmarks, tourist attractions.
7 Deal with complaints	Complaints are promptly and sensitively identified. Appropriate selling techniques are used effectively to turn complaints into potential sales to the benefit of the enterprise and the customer. Follow up action is taken to ensure a positive outcome.
8 Promote effective relations with customers	Appropriate customer relationships are established from initial contact and maintained. Needs and concerns of customers are identified and understood. Empathy is employed to assist in resolving difficult situations. Courtesy is shown and over-familiarity is avoided. Rapport is established with customers by using empathy and by reading non-verbal language. Dissatisfaction, shown either verbally or non-verbally, is identified the situation resolved to the customers satisfaction, using standard industry complaint handling techniques.

J INDUSTRY TRAINING INITIATIVES

This appendix describes two training initiatives currently operating in the tourism industry. The first is a process whereby a training course is deemed to provide students with skills that are relevant to the needs of industry. The second initiative is a scheme that allows people working in the industry to gain formal recognition for the skills they have acquired through on-the-job experience.

J.1 What is industry recognition in tourism and hospitality?

Industry recognition is the process of vetting training to determine its relevance to industry needs. In tourism, this process has been developed and is overseen by the national Industry Training Advisory Body (ITAB), Tourism Training Australia (TTA).

Industry recognition of tourism training has been divided into two areas: hospitality, and travel and tourism. The recognition process conducted by the Australian Hospitality Review Panel (AHRP), for hospitality related training, and the Australian Tourism Training Review Panel (ATTRP) for travel and tourism related training. The operation of the panels is the responsibility of TTA. However, the state and territory tourism ITABs undertake the administration of the AHRP and ATTRP recognition processes.

TTA estimates that in 1995 there were 300 training providers operating with AHRP recognition and 104 training providers operating with ATTRP recognition and that combined these providers offer 1300 courses of instruction.

J.1.1 The AHRP

The AHRP was established in 1988. Its representatives are drawn from:

- Australian Hotels Association;
- Australian Workers' Union;
- Catering Institute of Australia;
- The Australian Liquor, Hospitality and Miscellaneous Workers Union;
- Hotels, Motel and Accommodation Association of Australia;
- National Restaurant and Catering Association;
- Registered and Licensed Clubs Association of Australia;

- The Secretaries and Managers Association of Australia;
- State Training Authorities;
- TAFE; and
- The Australian Association of Private Hospitality Colleges.

Hospitality training modules have been developed by TTA in accordance with nationally endorsed competency standards. Modules are developed according to six skill areas — food and beverage, front office, housekeeping and kitchen, gaming and hospitality management — and at four skill levels — introductory, basic, advanced, supervisory and management. The modules are presented in a publication called ‘The Black Book’.

A new cooking curriculum has recently been approved by the AHRP as the industry standard. The curriculum was developed by the Regency Institute of TAFE in South Australia, and covers the areas of commercial cookery, Asian cookery and Patisserie cooking. It is in the process of being accredited by the South Australian Government, and entered on the National Register of Training maintained by the Standards and Curriculum Council. It will be developed in competency based modules and be packaged as ‘The Red Book’.

J.1.2 The ATTRP

The ATTRP was established in 1986. Members of the ATTRP are drawn from:

- Australian Federation of Travel Agents;
- Australian Institute of Travel and Tourism;
- Inbound Tourism Organisation of Australia;
- TAFE;
- Qantas;
- International Air Transport Association;
- Australian Travel Agents Qualifications Exam Panel;
- Private Travel Training Provider representative; and
- Tourism Training Australia.

Initially the ATTRP covered training for the travel industry. However, it has recently broadened its coverage to include tour guiding, retail travel, tourism information services and tour wholesaling, meetings and conventions, and tourism attractions. A curriculum guide similar to that which exists for hospitality is being developed. It will be competency based and presented in individual modules by skill type and level. The curriculum will be presented in a publication called ‘The Green Book’.

J.2 Obtaining industry recognition

The process for obtaining industry recognition in tourism is the same under both the AHRP and the ATTRP. There are three steps involved in obtaining industry recognition:

- an application process where the training providers submit information on course curriculum, trainer experience and physical training facilities;
- consideration of the application by an accreditation committee including determination of the type and level of training modules covered by the program; and
- once approved, recognised training providers and accredited training modules are entered into the ATTRP or AHRP brochure of recognised providers.

Training providers submit information about their course, their training facilities and their trainers to the relevant state or territory ITAB. Industry recognition will be granted for individual modules and training courses, for two years in the first instance, and every three years subsequently.

The assessment is conducted by an accreditation committee made up of industry representatives. The committee will usually include a member who has particular expertise in the area which the submitted course or modules cover. The identity of committee members is not revealed to applicants.

The submitted course curriculum is assessed against the AHRP or ATTRP approved competency based training modules. For hospitality, these modules are presented in 'The Black Book'. The modules, act as a system of building blocks for a qualification. Each module is identified by an individual code. All modules include information describing its purpose and relationship to competency standards, its nominal duration, any pre-requisites modules, learning outcomes and suggested methods of assessment.

The areas assessed by the committee include:

- overall aims and objectives;
- course content;
- physical training facilities and resources;
- trainer qualifications and experience;
- training practices and strategies; and
- methods of assessment (TTA sub. 17).

Box J.1 provides an example of the hospitality modules it is necessary to complete to be awarded a hospitality qualification of Certificate 1 level. The

purpose of the modules is to act as a guide to the development of course curriculum and as a benchmark against which courses are accredited.

Box J.1 Modules to complete a hospitality qualification at Certificate 1 level

To obtain a qualification at Certificate 1 level in the Australian Qualifications Framework, the following modules from the TTA approved hospitality curriculum, 'The Black Book', must be successfully completed. The nominal duration¹ to complete each module is included in brackets.

Core introductory level modules:

- INT 1 The hospitality sector (4 hours);
- INT 6 Interpersonal skills (6 hours);
- INT 7 Occupational safety and security (6 hours);
- INT 8 Occupational hygiene (6 hours);
- INT 9 Hospitality law and industrial relations (6 hours); and
- INT 10 Customer relations (6 hours).

At least one of the following modules relevant to the vocational outcomes sought from the course:

- INT 2 Introduction to Front Office/Reception (4 hours);
- INT 3 Introduction to Food and Beverage Service (4 hours);
- INT 4 Food Production - The Kitchen (4 hours);
- INT 5 Housekeeping (4 hours);
- INT 11 Introduction to Clubs(4 hours); and
- INT 12 Introduction to Gaming (4 hours).

A minimum of two basic skill level modules with a maximum of four that are required to perform a limited range of tasks and roles within a single function:

Bar Attendant:

- BFB 1 Bars and service of drinks (30 hours); or
BFB 9 Patron Care (6 hours).

Kitchen Attendant:

- BKA 1 Mise-En-Place and food preparation (24 hours);
BKA 2 Food preparation (10 hours);
BKA 3 Receiving and storing (10 hours); or
BKA 4 Cleaning (10 hours).

Source: AHRP Explanatory notes for providers 1995, p. 4-5.

¹ Nominal hours are defined as the anticipated hours of supervised learning or training deemed necessary to adequately present the educational material.

J.3 Who seeks recognition

Industry recognition is available for universities, TAFE colleges, private providers, industry associations and in-house training. The process of acquiring industry recognition requires trainers to provide significant amounts of detailed information concerning course curriculum, facilities and trainers.

In 1994, tourism training providers paid approximately \$130 000 in application fees to TTA to have their courses assessed against AHRP or ATTRP standards.

Table J.1 sets out the various costs of applying for AHRP recognition. For example, each trainer is required to be registered. This costs \$100 per trainer. A site inspection to ensure that physical facilities are adequate costs an applicant \$250. The cost of having course content accredited will range from \$900 to \$1500 in the first instance. To maintain this accreditation for a second year costs \$500. Trainers may use previously accredited courses or courses that have been accredited by the training network in another state or territory. The fees will then be \$500 and \$300 respectively.

Table J.1 Cost of application for AHRP recognition per course

<i>Category</i>	<i>Application fee paid to TTA (\$)</i>
Trainer registration	100
Site inspections	250
Fee for service TAFE	250
Fee for service - Skillshare	250
General courses	900 to 1500
General courses	more than 1500
In-house	200 to 1500
Second year fee	500
Use of previously approved/accredited course/resource	500
Interstate approval	300

Source: Sub. 17

J.4 Government and industry recognition

As discussed in Chapter 15, the process of industry recognition exists in parallel with a system of government recognition. Both systems accredit training courses and register trainers.

Box J.2 identifies the existing arrangements in each state and territory regarding this dual system.

Box J.2 Accreditation and recognition arrangements

The following information was provided by TTA and sets out the arrangements which currently exist in each state and territory regarding the relationship that exists between state or territory accreditation and industry recognition provided by the AHRP or the ATTRP.

New South Wales: The AHRP and ATTRP have been granted delegated authority to accredit courses on behalf of the NSW Vocational Education Training and Accreditation Board (VETAB). Providers are issued with either an AHRP or ATTRP certificate and a VETAB certificate. However, the process is conducted by the AHRP or ATTRP. Providers may also submit applications directly to VETAB without AHRP or ATTRP recognition.

South Australia: The Training Recognition Unit requires AHRP or ATTRP recognition as a pre-requisite for tourism and hospitality training course accreditation. However, AHRP and ATTRP have not been granted delegated authority and do not process submissions on behalf of the Training Recognition Unit.

Northern Territory: An agreement is in place with the Northern Territory Employment and Training Authority (NTETA) that the AHRP or ATTRP have delegated authority to provide accreditation. If a tourism or hospitality provider seeks accreditation directly through the NTETA, then AHRP or ATTRP recognition is a pre-requisite.

Western Australia: An agreement is in place with the Skills Standard Accreditation Board (SSAB) in which AHRP and ATTRP have delegated authority to provide accreditation on behalf of SSAB. However, providers may also seek accreditation directly from SSAB without AHRP or ATTRP recognition.

Australian Capital Territory: An agreement is in place with the ACT Accreditation Agency (ACTAA) in which AHRP and ATTRP have delegated authority to provide accreditation on behalf of ACTAA. However, providers may also seek accreditation directly from ACTAA, without AHRP or ATTRP recognition.

Queensland: AHRP or ATTRP process all applications for tourism and hospitality courses on behalf of the Vocational Education and Training and Employment Commission (VETEC) but do not have delegated authority to accredit. VETEC grants accreditation based on a recommendation by AHRP or ATTRP.

Victoria: AHRP or ATTRP recognition is a pre-requisite for accreditation of tourism and hospitality programs but applications are handled by the Office of Training and Further Education (OTFE).

Tasmania: No formal agreements are in place, however, an informal arrangement is in place where AHRP or ATTRP may process applications on behalf of the Tasmanian State Training Authority (TASTA).

Source: Information supplied by TTA.

J.5 The ACCESS system

The ACCESS system was established by TTA in 1991. It facilitates the formal recognition of skills gained on-the-job for specific AHRP modules.

Skills are assessed against AHRP competency based training modules. On the successful completion of an assessment, employees are deemed to be competent in that module. The modules that can be completed under ACCESS correspond to Certificate I, II, and III of the Australian Qualifications Framework.

Once a module has been completed via ACCESS students can gain exemption for that module if they choose to enrol in a formal course of study. Prior to this scheme, formal recognition of skills would require undertaking a formal course of training.

Employees who wish to be part of the ACCESS system pay a \$35 fee to register as a candidate. A 'Career Portfolio' is maintained by the relevant state or territory tourism ITAB for each ACCESS candidate. The portfolio identifies what modules have been completed. Employees are also provided with documentation to state the modules they have completed.

Skills are assessed by a registered Workplace Assessor who must have experience in the skill area he or she is assessing and must have completed a 'Train the Trainer' course.

Competency based training is a key element in the ACCESS scheme. It facilitates assessment by allowing a candidate to demonstrate their skills for the Workplace Assessor. Assessment can occur either in the workplace or at an approved centre, such as a TAFE.

In 1995, there were approximately 4200 people registered as candidates, and 900 workplace assessors. Approximately 9200 assessments had been successfully completed.

K TOURISM TRAINING SURVEY

This Appendix outlines the methodology used in a research project conducted by AGB McNair for this inquiry. The project was used to gain an insight into the attitudes towards training of employers and employees in the accommodation sector of the tourism industry. A survey of employers was the major part of the research project. The characteristics of survey respondents are reported in this Appendix. The main findings of the survey are reported in Chapter 16.

K.1 Introduction

AGB McNair was engaged by the Industry Commission to undertake research and provide quantitative data on the attitudes and experiences of training in the accommodation sector of the tourism industry.

Information was gathered primarily by a survey of accommodation providers. However, personal interviews with tourism industry representatives and four focus group discussion comprising employees in the tourism industry also took place as part of AGB McNair's research.

K.2 Survey of employers

The major results of this survey of employers in accommodation establishments have been included in Chapter 16. This section provides background on the methodology used by AGB McNair to conduct its survey and the characteristics of survey respondents.

K.2.1 Sample selection

A sample of operators of 3000 ungraded and 1 to 5 star hotels and motels and serviced apartments across Australia were surveyed by mail.

An initial sample frame was randomly selected using data from *Oz-on-Disk*. To facilitate almost full coverage of 4 and 5 star hotels and motels in Australia, the initial selection was supplemented using the 1995–96 NRMA Accommodation Directory. Serviced apartments were also included in the sample. A list of serviced apartments was provided by the Commission, this list was also drawn essentially from the 1995–96 NRMA Accommodation Directory. Following the

addition of 4 and 5 star and serviced apartments to the sample, 686 ungraded and 1 to 3 star establishments were removed from the initial sample file to result in exactly 3000 sample units.

Questionnaires were mailed to the 3000 operators of accommodation establishments on Friday 30 June. Telephone reminder calls were conducted between 17 and 20 July. By 4 August AGB McNair had received responses from 1046 establishment operators. This was an overall response rate of 34.8 per cent.

The questionnaire asked respondents to provide information on the employment categories of managers (including owner operators), front office/reception, housekeeping, chefs, other food and beverage and other.

K.2.2 Characteristics of survey respondents

A response rate greater than 30 per cent was achieved across all star grading for hotel and motels. Approximately 45 per cent of operators of 4 and 5 star establishments responded. For ungraded to 3 star establishments a response rate of 34.9 per cent was achieved. Serviced apartments had the lowest response rate, at 25.8 per cent. Almost half of all respondents had a grading of 3 stars.

Approximately 37 per cent of respondents had between 21–50 rooms in their establishment and 32 per cent of respondents had between 11–20 rooms (see Table K.1).

There was a strong relationship between the number of staff employed and the star grading of establishments (see Table K.2). Establishments with 4 and 5 star ratings were the most likely to employ more than 50 staff.

Table K.1 Number of respondents by establishment size

	<i>10 or fewer rooms</i>	<i>11–20 rooms</i>	<i>21–50 rooms</i>	<i>More than 50 rooms</i>	<i>Unspecified</i>
Ungraded	21	17	6	1	0
1–2 star	67	99	60	9	0
3 star	50	186	227	56	3
4 star	7	9	53	52	1
5 star	0	3	0	19	0
Serviced apartments	12	16	42	24	0
Unspecified	0	1	2	2	1
Total	157	331	390	163	5

Source: AGB McNair 1995

Table K.2 Number of respondents by employment size

	<i>1–2 staff</i>	<i>3–19 staff</i>	<i>20–49 staff</i>	<i>More than 50 staff</i>	<i>Unspecified</i>
Ungraded	11	30	2	0	2
1–2 star	59	153	17	3	3
3 star	41	412	54	10	5
4 star	0	48	32	41	1
5 star	0	2	1	18	1
Serviced apt	15	62	12	5	0
Unspecified	0	2	3	0	1
Total	126	709	121	77	13

Source: AGB McNair 1995

Table K.3 shows the response rate by the annual occupancy rate. It is evident from Table K.3 that 4 and 5 star establishments and the serviced apartments have higher annual occupancy rates than their 1, 2 and 3 star counterparts. Approximately 53 per cent of establishments had an annual occupancy rate of 56 per cent or more.

Respondents were identified as being located in or outside a capital city. This identification was determined using the area code of an establishment's phone number. Capital city includes all state and territory capital cities other than Darwin which is included within the non-capital city category.

Approximately 79 per cent of respondents were from non-capital city locations, with 15 per cent being located in capital cities. The location of the remaining 6 per cent could not be identified as 60 respondents returned questionnaires without any information identifying location (see Table K.4). Only establishments with a 5 star rating were more likely to be located in a capital city rather than a non-capital city.

Table K.3 Number of respondents by annual occupancy rate

	<i>Up to 40%</i>	<i>41–55%</i>	<i>56–70%</i>	<i>70%+</i>	<i>unspecified</i>
Ungraded	12	11	10	9	3
1–2 star	66	64	64	28	13
3 star	83	152	168	101	18
4 star	12	16	40	46	8
5 star	3	0	5	13	1
Serviced apt	6	12	33	39	4
Unspecified	0	2	0	2	2
Total	182	257	320	238	49

Source: AGB McNair 1995

Table K.4 Number of respondents by establishment location

	<i>Capital city</i>	<i>Non-capital city</i>	<i>Unspecified</i>
Ungraded	7	37	2
1–2 star	20	204	14
3 star	72	478	31
4 star	40	101	11
5 star	14	8	1
Unspecified	2	3	1
Total	155	831	60

Source: AGB McNair 1995

The remaining tables illustrate the employment characteristics of the establishments.

There were approximately 26 000 full-time, permanent part-time and casual staff employed by the establishments. Of these 48 per cent were employed on a full time basis, 8 per cent were permanent part-time employees and 44 per cent were employed on a casual basis.

It is of note that while 5 star establishments represented only 2 per cent of the number of respondents they employed approximately 25 per cent of staff in all establishments in the survey. Similarly, 4 star establishments represented only 15 per cent of respondents but employed approximately 40 per cent of total staff in the survey.

A strong relationship was evident between number of rooms and staff size. In almost all cases as the number of rooms increased so did the number of staff employed (see Table K.5).

Table K.5 Number of respondents by staff and room size

	<i>1–2 staff</i>	<i>3–19 staff</i>	<i>20–49 staff</i>	<i>More than 50 staff</i>	<i>Unspecified</i>
10 or fewer rooms	63	85	3	0	6
11–20 rooms	56	259	11	3	2
21–50 rooms	6	322	54	6	2
50 + rooms	1	40	53	67	2
Unspecified	0	3	0	1	1
Total	126	709	121	77	13

Source: AGB McNair 1995

The number of staff employed on a full-time basis by star grading and employment category are shown in Table K.6. Over 50 per cent of staff employed in 4 and 5 star establishments were employed in full-time positions. Respondents from 1–2 and 3 star establishments reported 37 and 35 per cent of staff, respectively, were employed full-time basis.

Table K.6 Number of full time staff by star grading

	<i>1–2 star</i>	<i>3 star</i>	<i>4 star</i>	<i>5 star</i>	<i>Serviced apts</i>
Managers	438	1 180	1 204	484	199
Front office/ reception	47	318	685	539	101
Housekeeping	33	132	665	736	52
Chefs	54	249	754	592	39
Other food & beverage	38	187	811	918	29
Other	35	143	1 073	762	68
Total	645	2 209	5 192	4 031	488

Source: AGB McNair 1995

Table K.7 illustrates the relatively small number of people employed as permanent part-time staff by the industry. Establishments with a 3 star grading employed 13 per cent of their staff on a permanent part-time basis. This was the highest proportion of permanent part-time staff employed across the star gradings.

Many staff employed in the accommodation sector work on a casual basis (see Table K.8). For example, over 50 per cent of employees working in establishments with a grading of 1–2 and 3 stars were employed as casuals. In 4 star establishments, over 4000 people were employed as casual workers.

Table K.7 Number of permanent part-time staff by star grading

	<i>1–2 star</i>	<i>3 star</i>	<i>4 star</i>	<i>5 star</i>	<i>Serviced apts</i>
Managers	27	59	59	2	20
Front office/reception	32	100	71	43	33
Housekeeping	50	409	238	152	80
Chefs	10	49	24	18	4
Other food & beverage	17	161	135	193	12
Other	7	31	92	52	8
Total	143	809	619	460	157

Source: AGB McNair 1995

The employment of full-time, permanent part time and casual staff is shown for capital cities and non-capital cities in Tables K.9, K.10 and K.11. There were approximately 8500 people employed in capital cities, and 15 500 people employed in non-capital city locations.¹

¹ The location of 60 establishments could not be determined and staff numbers of these establishments have not been included in Tables K.8, K.9 or K.10. Consequently, total staff numbers by location do not correspond to total staff numbers by star grading

Table K.8 Number of casual staff by star grading

	<i>1–2 star</i>	<i>3 star</i>	<i>4 star</i>	<i>5 star</i>	<i>Serviced apts</i>
Managers	34	42	428	1	5
Front office/reception	43	238	247	186	38
Housekeeping	364	1 676	1 238	550	326
Chefs	42	170	120	101	15
Other food & beverage	404	1 100	2 015	1 109	69
Other	73	119	399	319	24
Total	960	3 345	4 447	2 266	477

Source: AGB McNair 1995

Capital city respondents employed approximately 51 per cent of staff on a full-time basis and 39 per cent of staff on a casual basis. Non-capital city respondents employed full-time and casual staff in almost equal proportions.

Table K.9 Number of full time staff by location

	<i>Capital cities</i>	<i>Non-capital cities</i>
Managers	773	2 447
Front office/reception	696	768
Housekeeping	705	733
Chefs	651	892
Other food & beverage	909	900
Other	565	1 336
Total	4 299	7 076

Source: AGB McNair 1995

Table K.10 Number of permanent part-time staff by location

	<i>Capital cities</i>	<i>Non-capital cities</i>
Managers	30	119
Front office/reception	87	149
Housekeeping	360	440
Chefs	36	55
Other food & beverage	258	186
Other	54	128
Total	825	1 077

Source: AGB McNair 1995

K.3 Industry interviews

Prior to the survey questionnaire being developed AGB McNair sought the views of industry representatives in a series of meetings. Some of the issues

raised in these discussion related to staff quality, management experience of training and appropriateness of training courses.

Table K.11 Number of casual staff by location

	<i>Capital cities</i>	<i>Non-capital cities</i>
Managers	9	507
Front office/reception	297	403
Housekeeping	1 083	2 611
Chefs	133	282
Other food & beverage	1 654	2 730
Other	125	763
Total	3 301	7 296

Source: AGB McNair 1995

The quality of service provided by staff was seen to vary greatly across the industry. This variability was across occupational groups, accommodation types and star gradings and location. There was a suggestion that service quality was lower in establishments in non-capital city locations. Industry representatives identified a general improvement in service quality in the accommodation sector in the last ten years.

Establishments with a grading of 4 or 5 stars were identified as the primary sector of the accommodation market demanding training.

In the course of discussions with industry representatives, the view was expressed that there was a need to encourage small businesses to become more involved in training.

The level of training received by staff in any particular establishment was said to be influenced by the training experience of management. For example, the opinion was expressed that a manager with no formal training is unlikely to encourage his or her own staff to undertake formal training. Also untrained managers were seen as unlikely to value those staff with formal training.

Industry representatives identified a number of ways that the usefulness of training course could be improved. First, it was thought that course content needs to be directly focussed at meeting the needs of industry. Second, it was suggested that courses should include more practical components. Third, the training needs of an establishment were seen to vary according to location. The comment was made that appropriate training for establishments in a capital city will differ from appropriate training for establishments in non-capital city locations.

K.4 Employee focus groups

An insight to the attitudes of people working in tourism was gained in the process of conducting four focus groups. Two focus groups were held in Sydney and two in Brisbane. In each location, one focus group consisted of employees working in food and beverage and the other group consisted of employees working in front of house positions. Respondents worked in a wide variety of occupations, generally in 4 or 5 star hotels.

Some of the major themes to emerge from the focus group discussions are summarised below.

K.4.1 Pre-entry training

Younger participants in focus group discussions were more likely to have undertaken formal training than older participants. There was general agreement among participants that obtaining a job had more to do with being 'in the right place at the right time' rather than having completed formal training.

Those participants who believed their formal training to be useful in obtaining a job in tourism were likely to have completed courses that included work experience in the industry.

Once employed, focus group participants attributed gaining promotions to the quality of their work rather than holding formal qualifications.

Having work experience, or training gained in Europe and proficiency in Japanese language were the factors employees in the focus groups identified as a significant advantage when seeking employment in the industry.

K.4.2 Post-entry training

There was considerable variation reported in the training received once people were employed. Some focus group participants had been employed in organisations that undertook extensive formal in-house training. For example, some establishments had set up a library of training facilities including training videos and manuals for their employees to borrow.

However, other participants' experience of training was simply learning by watching someone else.

It appeared that participants with experience in a large hotel chain had attended well established in-house training programs, while participants who had worked in independent or boutique hotels had a less structured experience of training.

K.4.3 Employees' perceptions of employers' attitudes

The comment was made that employers sought a person with the 'right' attitude. Thus, any pre-employment formal training was not necessarily an advantage in obtaining a job.

Some participants reported that their access to in-house training was determined by their managers and that managers' attitudes toward training were influenced by their own levels of training. Managers with little formal training did not provide opportunities for their staff to attend formal training courses.

L THE RETURN TO EDUCATION IN TOURISM

This appendix provides the results of a statistical regression analysis completed for this inquiry. The results of the regression analysis indicate the extent to which different factors influence the earnings of tourism employees and all employees.

L.1 Introduction

Anecdotal evidence suggests that the tourism industry places a relatively low value on training and education compared to experience and personality. In the course of the Inquiry, the Commission was often told that, relative to businesses in general, businesses operating in tourism had high rates of staff turnover, paid low wages, provided limited training for staff and did not value external training enough to pay higher wages to employees who had formal qualifications.

One way these issues can be considered is by comparing the expected benefits from training for tourism employees with employees across all industries. Employee earnings are one way of measuring these benefits.

Use of regression analysis can reveal how education and training is valued by the industry and thus what incentives exist for employees to incur the additional costs associated with undertaking additional education.

Data from the Australian Bureau of Statistics (1994) Survey of Training and Education (SOTE), were used to conduct a regression analysis to compare the earnings received by an employee who had undertaken tourism training with the earnings of all employees who had undertaken training.

The following regression analysis was undertaken using unit record data from the SOTE (1993). This survey, conducted by the Australian Bureau of Statistics in April and May 1993, is based on personal interviews with approximately 24 500 respondents. There were 12 523 data records used in the regression.¹

Two regression equations were estimated. The first equation is for all employees, the second is for tourism employees only. The SOTE was collected using the Australian Standard Industry Classification (ASIC). There are problems associated with using the ASIC industry division of 'recreation, personal and other services' division to represent the characteristic of tourism.

¹ Employee hourly earnings could only be calculated for 12 523 of the 24 500 survey respondents.

For this reason, tourism, as defined for the regression equations, includes only those people working in the ‘entertainment and recreational services’ and ‘restaurants, hotels and clubs’ sub-divisions of the larger ASIC division ‘recreation, personal and other services’. The sample does not embrace all tourism workers but includes industries with a relatively high proportion of tourism workers.

L.2 The variables

The dependent variable used in the regression was the logarithm of hourly earnings. Hourly earnings were calculated by dividing weekly earnings by actual hours worked per week. Using the logarithm of hourly earnings or wages is common practice, as it normalises an otherwise skewed distribution of earnings. The explanatory variables were not transformed. The resulting semi-log functional form means that the coefficients on the explanatory variables are interpreted as the proportion change of the dependent variable resulting from a one unit change in the explanatory variable.

Twenty-one explanatory variables were used in the regression analysis. Theory and previous studies suggested a number of variables that might be expected to explain variation in earnings. For example, years of experience were used because earnings would be expected to increase as a person’s experience increases.

If extra experience results in higher wages, this can be interpreted as showing that the worker was learning skills on-the-job which increased his or her productivity (and hence resulted in a higher wage). Similarly, if workers who have been with their current employer longer receive higher wages, this can be interpreted as showing that they have acquired firm-specific skills.

Two tourism specific variables were included — one identified workers who have their highest qualification in a food trade (a proxy for those qualified as cooks), the second identified workers whose occupation is in the food trade (a proxy for those employed as cooks).

Table L.1 lists the variables used in the regression analysis and the abbreviations used to report the results of the regression.

Table L.1 Variables used in regression

<i>Abbrev.</i>	<i>Description</i>	<i>Abbrev.</i>	<i>Description</i>
hiqualfood	Highest qualification is food tradesperson	educ	Years of education
occfood	Occupation is food tradesperson	female	Female
langdif1	Some English language difficulties	married	Married
langdif2	Severe English language difficulties	union	Union member
osqual	Post-school qualification obtained overseas	unionnk	Union membership not known
metro	Reside in capital city	exper	Years of experience
fslt10	Firm size less than 10 employees	cumlemp	Cumulative years of employment in last occupation held with main period employer
fs1019	Firm size 10 to 19 employees	contemp	Years of continuous employment with main period employer
fs100	Firm size 100 employees or more	partemp	Part-time with main period employer
fsnk	Firm size not known	caslemp	Casual with main period employer
		numemps	More than one employer in the last 12 months

The results of two regression equations are presented in Table L.2.

L.2.1 All employees regression equation

The estimated coefficients on the variables have the expected positive or negative sign. For example, earnings are lower for females, people working in small and medium sized enterprises and people who have difficulties with the language, while earnings are higher for people who are married, work in large enterprises or in metropolitan areas. Only two variables, 'highest qualification is food tradesperson' and 'more than one employer in the last 12 months', have t-statistics less than the critical value of 1.96 at the 5 per cent level of significance, making them insignificant. With an R^2 of 0.26, the equation explained approximately 26 per cent of the variation in hourly earnings. This is typical of earnings equations such as the one estimated here.

Table L.2 Regression results for all employees and for the tourism sector

	<i>All employees</i>		<i>Tourism employees</i>	
	<i>Estimated coefficient</i>	<i>t-statistic</i>	<i>Estimated coefficient</i>	<i>t-statistic</i>
constant	1.371	47.905	1.780	12.413
hiqualfood	-0.037	-0.966		
occfood	-0.076	-2.203	-0.107	-1.951
langdif1	-0.137	-5.450	0.098	0.868
langdif2	-0.255	-6.402	0.055	0.406
osqual	-0.032	-2.051	0.001	0.014
metro	0.067	8.447	0.016	0.510
fslt10	-0.139	-10.128	-0.248	-5.521
fs1019	-0.069	-4.039	-0.068	-1.405
fs100	0.052	4.658	0.059	1.506
fsnk	-0.096	-4.640	-0.084	-1.081
educ	0.075	36.250	0.039	3.408
female	-0.072	-9.194	-0.035	-1.098
married	0.130	15.789	0.130	3.877
union	0.015	1.845	0.056	1.618
unionnk	-0.134	-2.583	-0.028	-0.204
exper	0.005	11.363	0.000	-0.037
cumlemp	0.003	4.380	0.010	3.590
contemp	0.007	10.153	0.006	1.541
partemp	0.038	3.449	0.052	1.175
caslemp	-0.079	-6.909	-0.048	-1.077
numemps	0.005	0.481	0.039	1.097
<i>Summary Statistics</i>				
n		12523		807
Adj R ²		.26		.16
Heteroskedasticity:				
Breusch-Pagan test statistic				3.31
				(no heteroskedasticity)

Source: Industry Commission estimates based on ABS (1993) unpublished data.

L.2.2 Tourism employees regression equation

There are a number of estimated coefficients in the tourism employees equation with unexpected signs. Language difficulties, both severe and some difficulties, have positive coefficients indicating an increase in hourly earnings. This is counter-intuitive and is in contrast to the negative coefficients found in the all employees regression equation. The experience variable for tourism employees

has an unexpected negative sign. Again this is counter-intuitive and in contrast with the all employees regression equation. Although statistically, none of these variables is significantly different from zero.

It was thought that the variable 'highest qualifications is in food trade' was likely to be highly correlated with the variable 'occupation is in the food trade'. Thus, the variable highest qualifications in the food trade was excluded from the regression equation for tourism employees to minimise the possibility of multicollinearity in the equation.

Excluding the constant, there are four variables which have t-statistics greater than the critical value of 1.96 at the 5 per cent level, making them significant. The variables explain approximately 16 per cent of the variation in hourly earnings.

L.2.3 The return to education

There is a difference on the coefficients of the variable representing years of education between all employees and employees in the tourism sector. Employees in general will receive an increase of 7.5 per cent in their hourly wage for each additional year of education. This is somewhat higher than the 3.9 per cent increase that an employee in tourism can expect from an additional year of education.

By constructing confidence intervals for the coefficients it can be seen that they are likely to be significantly different. This is done in Table L.3. It is seen that at the 95 per cent level of confidence, the intervals for the coefficients do not overlap, indicating that they are likely to be significantly different and that employees in tourism receive a lower return for an extra years education than employees generally.

Table L.3 Confidence intervals for education coefficients

	<i>All employees</i>	<i>Tourism employees</i>
95 per cent level of confidence	0.071, 0.079	0.017, 0.061

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