Annual Wage Review – Timing of increases

Submission to the Fair Work Commission
3 June 2022

Introduction

As the peak body for business groups operating in tourism, Australian Chamber – Tourism welcomes the opportunity to provide a further submission to the Annual Wage Review 2021-22. We represent businesses in international and domestic tourism, as well as all sectors in tourism from business events and hospitality to cruise and transport.

Australian Chamber – Tourism supports the broader submission of ACCI, and in making this additional submission, we wish to highlight matters specific to the tourism industry. We have focused on the issue of timing of wage increases, in response to Statement [2022] FWCFB 81 and related information note prepared by staff of the Fair Work Commission on the labour market and business performance of industries since the last Review.

Industry clusters

In Australian Chamber – Tourism's initial submission, we set out factors relevant to both determining the quantum of any increase, as well as establishing the exceptional circumstances necessary to justify a delay in the operative date of any increase. Our submission in relation to operative dates remains. That is, an operative date of no earlier than 1 November 2022 should apply to awards mapped to Aviation and Tourism, the Accommodation and food services sector, as well as the Arts and recreation services sector as identified and determined in last year's decision.

Aviation and Tourism

Professor Borland has recommended that Transport, postal and warehousing industry remain in the 'lagging recovery' classification. Australian Chamber – Tourism supports this classification, and notes that in last year's Annual Wage Review decision, the Expert Panel mapped a number of aviation and tourism awards to this sector, and also included the Alpine Resorts Award 2020 and the Wine Industry Award 2020 in its identification of 'Aviation and Tourism Awards'.[1] The data indeed supports a conclusion that the sector is lagging recovery, and that recovery will continue to lag for some time.

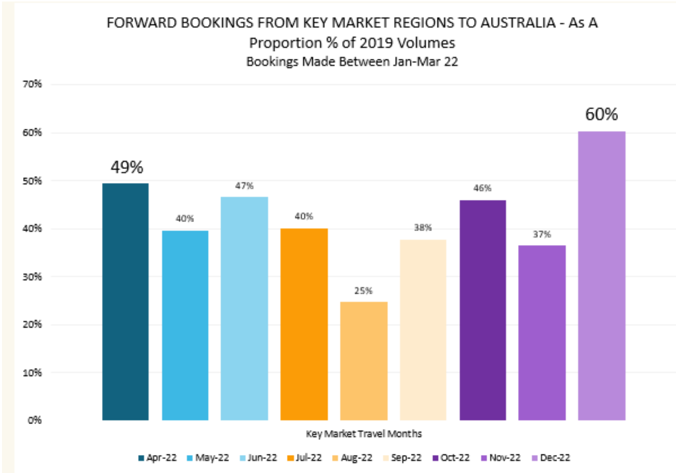
As shown by the Fair Work Commission analysis, payroll jobs for the transport, postal and warehousing sector are down 1.4% compared with pre-delta levels. In addition, as highlighted in ACCI's submission:

[1] See [2021] FWCFB 3500 at [250] – [252].

While there are some subsectors of the transport, postal and warehousing sector that are doing well, there are others, particularly those linked to the international tourism sector, that continue to lag the recovery. For subsectors such as aviation, GVA remains 57% below its pre-COVID level (March quarter 2020)

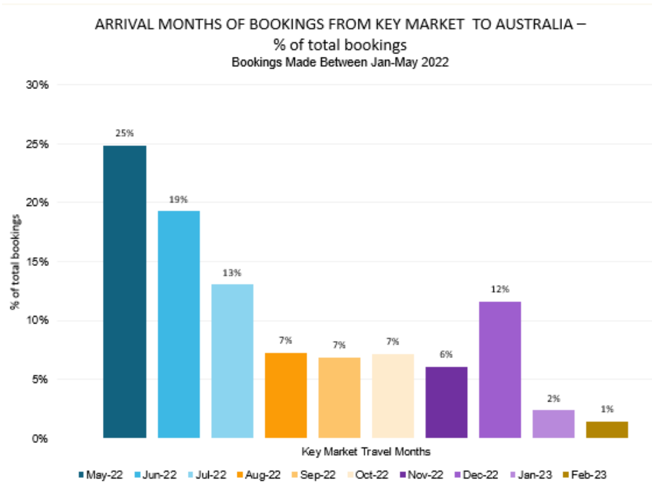
While not examined in the information note, future outlook also points to tourism facing a slower, longer and even less certain road to rebuild and recovery. Our initial submission contains a detailed examination of the relevant data.

In addition, data in relation to future bookings highlights that international travel is still tracking well below 2019 levels. The below graph demonstrates that December 2022 is tracking at 60% of 2019 volumes, while April 2022 is at 49% of 2019 volumes.



Source: ForwardKeys, Actual Airline Tickets, bookings made between January – March 2022 (13-March-2022 latest week available)

The below graph demonstrates that after an initial peak following the reopening of Australia's international borders (where the stated purpose of travel is largely to visit friends and relatives), there is a dip, before leisure travel picks up again at the end of the year. Based on booking data, visitors are booking to travel imminently or over the Christmas period – there a significant decrease in visitation during the period of August – November 2022. This is significant in the context that any deposits received for future activity must be securely held until services are delivered. This means these businesses may continue to run at a loss for months to come.



Source: ForwardKeys

Australian Chamber – Tourism submits that circumstances exist again that warrant the deferral of any variation determination arising from this Review for these awards, and that a delay until no earlier than 1 November 2022 is justified.

Accommodation and food services

Professor Borland has recommended that the Accommodation and food services sector shift from the 'lagging recovered' cluster to the 'almost recovered' cluster. Australian Chamber – Tourism submits that the Accommodation and food services sector should remain in the 'lagging recovery' sector, and we support the analysis in ACCI's broader submission.

We also question the approach taken in the conclusion provided by Professor Borland to use job vacancies to discount the slower recovery in jobs in sectors where employment remains below their pre-COVID level and are clearly lagging the recovery (which did not appear to feature in Borland's analysis in 2021).

The ABS jobs mobility data shows workers are taking advantage of the tight labour market to move away from sectors that are first to face COVID restrictions to sectors less vulnerable to disruptions. 63% of workers in accommodation and food services left the sector for other sectors over the past 12 months,[2] or relocated over this period.

As noted in the information note:

> *The ABS noted that while Accommodation and food services has been impacted by the effects of the pandemic and floods, there are more than double the number of job vacancies than prior to the pandemic. <u>This suggests that labour market conditions in the industry may be influenced by other impacts, including a lack of skilled or migrant labour</u> (emphasis added)*

Australian Chamber – Tourism agrees with this analysis. In the restaurant and café sector alone, for example, pre-COVID 7% of employees were working holiday makers, 2% were international students, and 3% were temporary skilled migrants.[3] Using working holiday makers as an example, while many remained in Australia during the COVID restriction period, the number remaining onshore was around half of those in the country prior. In addition to the current barriers being faced by businesses accessing skilled migrants, there is still a large gap in one of the key labour sources for the sector. This is likely to be a key contributing factor in the vacancy rate of the sector.

We agree with the observation in ACCI's submission that it is not likely that workers will quickly return to these sectors. The high vacancy rates will take some time to dissipate, with businesses continuing to face staff shortages as they struggle to recruit new employees over the next 12 months.

This is having, and will continue to have implications for their ability to rebuild, recover debt and remain viable. There are reports of hotels and restaurants having to reduce operating hours / days, make fewer rooms available and admit less people, due to staff shortages.

High job vacancies are a constraint on businesses ability to operate at full capacity and should be viewed as a factor likely to slow the recovery of an industry sector. The Panel should not interpret high job vacancy rates as the sign of a strong recovery or an indication that businesses in the sector are performing well. Australian Chamber – Tourism disagrees with the use of job vacancies in this analysis as an indicator of economic recovery.

---

[2] ABS 2022 Job Mobility, February 2022

[3] Deloitte Access Economics, Australian Tourism Labour Force Report: 2015–2020 <https://www.tra.gov.au/Archive-TRA-Old-site/Research/View-all-publications/All-Publications/australian-tourism-labour-force-report-2015-2020>

We also support the following observation made in ACCI's submission:

> *…there appears to be some inconsistencies in the way industry sectors have been allocated to the different categories of lagging, almost recovered and fully recovered. In particular, based on the data used in the analysis by Professor Borland (Table 5), accommodation and food services has been classified as almost recovered, yet it meets the criteria set to be classified as lagging the recovery – payroll jobs are more than 5% below their pre-COVID level and GVA is 4.1% below its pre-COVID level.*

As shown by the Fair Work Commission analysis, payroll jobs and/or employment is still well below pre-delta levels in accommodation and food services (payroll jobs down 10%). Company gross operating profits (CGOP) are down 56%, sales are down 3.2% and gross value added (GVA) is down 3.4% relative to June 2021.[4]

Based on the slower recovery of payroll jobs and employment and the updates to the business performance indicators, the case for exceptional circumstances continues to exist for accommodation and food services. It should remain in the 'lagging recovery' cluster and a delayed operative date of no earlier than 1 November 2022 is justified.

Arts and Recreation

Professor Borland has recommended that the Arts and recreation services sector shift to the fully recovered cluster. Australian Chamber – Tourism submits that the Arts and recreation services sector should remain in the 'lagging recovery' sector, and we support the analysis in ACCI's broader submission.

As shown by the Fair Work Commission analysis, employment is down 11% in the Arts and recreation services sector compared with pre-delta levels. In addition, despite GVA improving 7.4% and sales being up 10%, CGOP is down 10% in the sector. This suggests margins of businesses in the sector are being severely squeezed by increasing operating costs. As highlighted in ACCI's submission:

> *…the arts and recreation sector also experienced strong growth in GVA over the December 2021 and March 2022 quarters and GVA is now above pre-delta and pre-pandemic levels. However, like the tourism and transport sector, there is a large disparity within the sector, with arts and event businesses still to get back on their feet fully after being mothballed for many months in 2020 and 2021. For businesses that remain in the sector, it will take some time to rebuild their operations and client base, restore their finances and repay debt. Therefore, the recent strong growth in GVA is not reflective of the financial position of many businesses in the arts and recreation sector.*

Based on the slower recovery of payroll jobs and employment and the updates to the business performance indicators, the case for exceptional circumstances continues to exist the arts and events subsectors.

[4] Note: Following the release of ABS Business Indicators on 31 May and ABS National Accounts on 1 June, this data has been updated to compare June quarter 2021 with March quarter 2022.

Conclusion

The Australian Chamber – Tourism submits that the combination of factors outlined above in addition to our initial submission gives rise to exceptional circumstances for awards mapped to Aviation and Tourism, the Accommodation and food services sector, as well as the Arts and recreation services sector, as identified and determined in last year's Review. We submit an operative date of no earlier than 1 November 2022 is justified.

About the Australian Chamber - Tourism

The Australian Chamber – Tourism is the peak body for organisations whose members operate in the visitor economy including national industry organisations, state tourism industry organisations and major corporates as part of the ACCI Business Leaders Council. Australian Chamber – Tourism is a part of the Australian Chamber of Commerce and Industry (ACCI), Australia's largest business advocacy network. ACCI represents one in eight Australian businesses engaged in the visitor economy. The Australian Chamber membership list can be viewed at www.australianchamber.com.au/membership/current-members/

Telephone | 02 6270 8000 Email | info@australianchamber.com.au Website | www.australianchamber.com.au

ABN 85 008 391 795 © Australian Chamber of Commerce and Industry 2022

This work is copyright. No part of this publication may be reproduced or used in any way without acknowledgement to the Australian Chamber of Commerce and Industry.