



**NSW GOVERNMENT  
SUBMISSION**

**TO THE**

**HOUSE OF REPRESENTATIVES  
STANDING COMMITTEE ON  
EMPLOYMENT, WORKPLACE RELATIONS AND  
WORKFORCE PARTICIPATION INQUIRY INTO WORKFORCE  
CHALLENGES IN THE AUSTRALIAN TOURISM SECTOR**

**September 2006**

## **1 Introduction**

The NSW Government welcomes this opportunity to comment on the terms of reference for the Inquiry into workforce challenges in the Australian tourism sector, which is presently being undertaken by the House of Representatives Standing Committee on Employment, Workplace Relations and Workplace Participation.

The purpose of this submission is to put forward the State Government's views on the employment and training challenges facing the NSW tourism sector.

The submission also includes data on population and international and domestic travel trends that are relevant to understanding changes in employment and training demand for tourism. Information is also provided on the role of the State Government and its current programs to support employment opportunities in this sector.

Key issues relating to the skill shortages, including employment structures and the negative impact of the Commonwealth's Work Choices legislation on the workforce, are also addressed in this submission.

## **2 Overview of the NSW tourism sector<sup>1</sup>**

Tourism is a \$23 billion a year industry for NSW, which employs a total of 246,000 people in the State (185,000 direct and 61,000 indirect), or approximately 8.1 per cent of the NSW workforce.

NSW is the most significant tourism destination in Australia. In the year to June 2006, NSW received 54.5 per cent of all international visitors to Australia, and to the year ended March 2006, 33.8 per cent of all domestic visitors spent time in NSW.

Key economic statistics on the NSW tourism sector are provided below:

- § In the year to March 2006, NSW received over 23.5 million domestic overnight visitors. Visitors spent nearly 81.4 million nights in NSW. This represents a market share of 33.8 per cent of all visitors and 29.9 per cent of all nights in Australia.
- § In the year to March 2006, NSW received nearly 42.2 million domestic daytrip visitors. This represents 32.3 per cent of all daytrips in Australia.
- § For the year ended June 2006, NSW received 2.74 million international visitors (aged over 15 years) who stayed a total of 52.2 million nights. This represents 54.4 per cent of all international visitors and 36 per cent of all nights in Australia. Increases of international visitors into NSW are expected from China, USA and India.
- § International visitors spent \$4.5 billion while in NSW (excluding package expenditure). This represents 37 per cent of the total international visitor expenditure in Australia.

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<sup>1</sup> The statistics used in this section are based on the *International Visitor Survey (June 2006)* & the *National Visitor Survey (March 2006)*.

Tourism NSW has produced a series of Fact Sheets which provide detailed statistics on the NSW tourism sector. These Fact Sheets and other profiles of NSW by the Tourism and Transport Forum Australia are provided at Appendix A.

According to Tourism Australia, the NSW tourism industry is forecast to grow over the coming years. Key forecasted trends include:

- § The real economic value of inbound tourism will grow by 3.5 per cent in 2006;
- § Over the period 2006 to 2015, inbound tourism is forecast to grow at an average annual rate of 7.1 per cent;
- § The real economic value of domestic tourism is forecast to rise by 1.6 per cent in 2006; and
- § The real economic value of domestic tourism forecast to increase at an average annual rate of 1.3 per cent to reach \$63.8 billion in 2015.

The number of outbound tourists is also expected to rise in 2006 and over the longer-term.

The forecast growth in domestic tourism over the medium term is the result of a number of factors, including population growth in key areas and demographic change. The key projected trends<sup>2</sup> over the period to 2021 are:

- § An increase a proportion of residents moving to coastal areas of NSW, especially those coastal areas close to Sydney;
- § The inland tourism region of The Murray is expected to have the highest population growth for an inland region, with growth centred around Albury and Echuca;
- § The other inland regions of Riverina, new England North West and Explorer Country will also experience a growth in population; and
- § There will be a general increase in the proportion of older people living in some regions, with a corresponding decrease in proportions of the working age and/or younger populations.

These population and demographic changes are likely to affect the type of travellers to these regions, and other factors being equal, result in a general increase in domestic tourism in NSW.

The forecast increase in tourism in NSW will have an impact on employment opportunities in the tourism sector in NSW, especially for inbound tour operators, tour guides and accommodation and transportation businesses.

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<sup>2</sup> Source: NSW Department of Planning, *NSW State and Regional Population Projections, 2001-2051*, (2005 Release).

### **3 Employment and workforce challenges**

The characteristics of the tourism sector employment structures present specific workforce development challenges. The sector is characterised by:

- § Low incidence of formal training and preference for informal, on the job training and organisation-specific skills;
- § Small number of highly trained permanent staff and a high proportion of low skill jobs;
- § Predominantly young, part time and casual employees, including a significant number of women (between 40 and 60 per cent of employees in tourism-related industries work part time);
- § Relatively high proportion of hours worked outside of normal business hours, especially in the hospitality area; and
- § A highly mobile workforce and businesses that have a high level of staff turnover and low retention rates.

The tourism industry in NSW and elsewhere is experiencing ongoing labour shortages, evident at all levels in both the trade and non-trade sector of the tourism industry in many regions. For example, the tourism industry in NSW is experiencing a labour shortage in 'back of house' roles in the accommodation sector, while in broader hospitality roles skills shortage have been noted in chef and food roles, and beverage generally, as well as front office positions. This shortage is expected to worsen in coming years. Tourism Training Australia has projected that as Australia moves through the new millennium, up to an additional 325,000 new jobs across the country will be created for the tourism and hospitality industry, with 110,000 (34 per cent) of these positions based on the East Coast of NSW.

Given labour shortages, the ability to retain existing, skilled staff in a highly competitive employment market is an enduring issue. The use of traineeships as a retention strategy has limited success due to the restrictive nature (split shifts) of industry employment. In addition, the 'poaching' of well qualified, skilled staff is routine.

The NSW Government is responding to the anticipated growth in tourism over the medium term via the education system, and has implemented strategies, in collaboration with the tourism industry, to identify and tailor training programs to address specific areas where skills gaps have emerged, and where new skills are required. These strategies are detailed below.

### **4 The NSW education and training system**

In 2005-06, TAFE NSW spent approximately \$59.5 million on the delivery and development of Tourism and Hospitality training. In addition to training through TAFE, the NSW Government has committed \$1.78 million to tourism and hospitality training through the Strategic Skills Program. Of this, more than \$608,000 (34 per cent) has been spent or committed to rural and regional areas of NSW.

NSW is planning to spend an additional \$4 million on tourism and hospitality apprenticeships and traineeships this year. This includes \$670,000 as part of the 2006 Pre-Vocational Places Strategy, which enables young people to gain initial training in a trade course before obtaining an apprenticeship.

Close collaboration with industry, which is a key feature of NSW Government sponsored training programs, has seen resources targeted to support the development of training appropriate to industry needs. In this regard, NSW Government sponsored training programs have responded to industry concerns by being more adaptable to industry requirements, largely through the introduction of the Tourism and Hospitality Training Packages, which were implemented in 1997 and 1998.

The flexibility of these training packages has enabled NSW training providers to deliver more customised training and assessment programs to better reflect enterprise needs. For example, this could include the provision of a single unit of competency through to a full qualification at an Advanced Diploma level. The industry now has the opportunity to have staff trained in specific units across a range of industry sectors, including tour guiding, retail travel, accommodation services and hospitality management.

Access is also provided to training in skills sets, such as customer service training, which are customised to specific workplaces. Training providers are also able to offer recognition of prior learning, which allows existing workers to gain qualifications with the recognition of their previous training or industry experience, and to access “gap training” if applicable.

TAFE Tourism and Hospitality courses are developed with a focus on improving the relevance of courses and their delivery to support immediate job outcomes. As a result, across all TAFE NSW Tourism and Hospitality courses, the majority of students find employment once they have completed their training. In this context, further skills training initiatives to make students “work ready” include:

- § Flexible delivery of training to meet learner needs;
- § Investigating the feasibility of offering apprenticeship assessment in reduced hours to allow greater workplace experience;
- § Assessment-only pathways to training in the workplace;
- § Use of technology, including email, SMS, BLOGS and PDA’s to support the communication of delivery options and assessments in the workplace;
- § FastTrack Options – 18 weeks Food and Beverage courses in 9 weeks; and
- § Contextualisation of content to suit the specific needs of employers.

The NSW Department of Education and Training is already targeting training to specific areas of need, and growing areas of demand. The Department has identified tourism as a sector of strategic importance for NSW for 2007, and will be providing and/or purchasing training in the following subject areas where new skills are required:

Wine Tourism	Regional	Certificate II Tourism Operations
Eco Tourism	State-wide	Certificate II Tourism Operations
Cultural/Heritage Tourism	State-wide	Certificate II Tourism Operations
Indigenous Tourism	State-wide	Certificate I and II Tourism Ops
Tour Guiding	State-wide	Certificate III & IV Tourism (Guiding)

Training with a focus on other socially important areas, such as indigenous communities, will also be included in tourism-oriented courses. There will also be considerable training in the hospitality, sport and recreation, arts and retail industries, all of which are, in part, tourism generated.

Other NSW Government initiatives, including the Industry Partnership and the Skill Ecosystem programs, which are provided through the NSW Department of Education and Training, present important opportunities to enable collaborative and productive relationships with industry to continue in coming years.

The Skill Ecosystem program is a national industry program managed by the NSW Department of Education and Training that positions skill formation within the wider context in which skills are used. It seeks to draw together the key stakeholders that influence the demand, supply and use of skills to establish a constructive dialogue and agreed set of training and other interventions that enhance industry performance.

The NSW Department of Education and Training’s Industry Partnership program is a similar, but more focused program that concentrates on developing more responsive training delivery, and boosting employer investment in skills.

Overall, the NSW Government believes that the most appropriate approach involves pursuing skill development partnership arrangement between training organisations and enterprises who are interested both in sustainable workforce development, and in extending formal training to a higher proportion of the workforce. This approach will require clearly identifying areas of responsibility for skills development, and could also extend to a joint assessment of how tourist enterprises, and the organisations they work closely with (such as labour hire companies and sub-contractors), wish to address other employment challenges associated with employee recruitment, retention and career paths.

## **5 Innovative workplace measures to support further employment opportunities and business growth in the tourism sector**

### *NSW Government initiatives - Red Tape Reduction*

As part of the NSW Government’s focus on reducing regulatory burden, the Minister for Small Business is conducting a rolling program of sector specific reviews of the red-tape burden on small businesses. The current review is focusing on the accommodation, food and beverage services sector, which is a significant part of the tourism sector in New South Wales.

The Review aims to contribute to improvements in business competitiveness by reducing the time and money that businesses have to spend complying with

regulation. This will enable business owners and operators to concentrate their attention on growing and expanding their business.

In particular, the Review aims to reduce the administrative burden faced by business as a result of:

- § Unnecessary or unnecessarily complex regulation;
- § Duplication (across agencies, across governments);
- § Inconsistencies in regulation, interpretation or advice; and
- § Excessive compliance requirements (paperwork, reporting times and frequencies, reporting formats or processes, etc).

The review is expected to be completed in October of this year.

#### *Other training and industry-led measures to support employment*

While work is currently being undertaken in NSW to ensure education programs are appropriately tailored to meet the needs identified by industry, NSW must capitalise on existing opportunities to address shortfalls in the workforce.

For example, the benefits of training need to be promoted to the industry to ensure that recent graduates of training courses are considered work-ready and are provided with job opportunities. Anecdotal evidence also suggests that certain sectors are reluctant to employ junior staff, older workers, and those returning to the industry.<sup>3</sup> In this regard, strategies that will encourage employers to embrace on-the-job training need to be targeted at the industry.

Rapid changes in technology across all sectors of the industry are also having an impact on the need for training, and the ability of training organisations to provide relevant, up to date training. There are currently an increasing number of organisations conducting business via the Internet, leading to a need for training of staff within these organisations in operating and managing business online. In this regard, training solutions may include increasing the use of technology to support workplace training and assessment through use of computer access, including email, SMS, BLOGS and PDA's.

There is also a need for higher levels of customer service training and agency management for mainstream tourism businesses to remain sustainable and to promote the benefits to clients. More generally, there is a need to incorporate training that emphasises not only skills acquired, but also a holistic overview of the industry and the positive opportunities available to work in a wide range of locations and different business environments. The industry also needs to promote the advantages of booking with Australia-based tourism organisations, as opposed to booking overseas travel via some web-based sites where the protection of the travel compensation fund is not available.

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<sup>3</sup> A recent article cited in the Australian TAFE Tourism and Hospitality Educators Association's (ATTHEA) Newsletter (December 2005) refers to the Travel Industry in this context.

## **6 Strategies to ensure employment in regional and remote areas**

From a training perspective, the use of technology and a focus on more work based training and assessment is regarded as the most appropriate approach to support training in regional and remote areas. This approach is receiving strong employer support.

In relation to skills shortages, the NSW Government is tackling this issue in regional areas on a number of fronts.

In November 2005, the Premier announced the *NSW Drive for Talent program* to attract skilled migrants in a range of sectors to regional NSW, as well as to Sydney.

During 2005-06, NSW regional development boards and other regional organisations certified or sponsored 471 visa applications under regional migration programs – an increase of almost 30 per cent from 2004-05. These visas secured a range of trades and professional staff including: accountants, engineers, cooks and welders for regional areas.

NSW is keen to sponsor applicants for the skilled independent regional visa in over 60 occupations that are in short supply in regional NSW, in particular in the Riverina, Orana, Central West, Hunter, Murray, New England and North West region.

Since 2002, over fifty projects have been developed in regions to address skill shortages, many by regional development bodies and communities, with support from the NSW Government.

In terms of broader initiatives to support apprenticeships to tackle skills shortages, the NSW Government is:

- § Investing some \$13 million over the four years 2003 – 2006 in pre-apprenticeship and pre-traineeship training for almost 10,000 people in skill shortage occupations;
- § Helping apprentices in regional and rural areas by doubling their accommodation allowance;
- § Making first and second year apprentices eligible for a \$100 rebate on the cost of their car registration; and
- § Investing an extra \$1 million in group training and placing 800 apprentices with employers who need them the most, especially small businesses and employers in regional and rural NSW.

In related initiatives, the Government has already exempted employers of apprentices and trainees from payroll tax.

Since 1995, there has been unparalleled growth in apprenticeships and traineeships in NSW. As at 1 July 2006, there were over 138,000 apprentices and trainees currently employed in NSW - 52,028 of these people are trade-based apprentices.



There has also been unprecedented expansion in TAFE, with enrolments jumping from 417,319 in 1996 to 513,070 in 2005. Enrolments of 15 -19 year olds in TAFE have increased from 100,511 in 1995 to 134,463 in 2005.

TAFE has targeted areas of skill shortage and worked with local industries to develop over 300 formal partnerships to meet local training needs.

The NSW Department of State and Regional Development has recently received several requests from business to allow working holiday makers to work for the same employer for more than three months. NSW supports the recent changes made by the Commonwealth to the Working Holiday Maker program, effective from 1 July 2006, to allow working holiday makers to work for the same employer for up to six months. Working holiday makers with skills in demand in NSW are a target market for conversion to longer term or permanent visas in order to address skill shortages on a longer term basis.

That said, the impact of the Commonwealth's Work Choices legislation will be detrimental to tourism employment in regional areas. The tourism sector is a major regional employer, but the labour shortages which are currently being experienced will be made more acute if 'below award' type conditions are pushed, particularly where employment is available in other sectors better able to pay higher wages. The adverse impact of the Commonwealth's Work Choices legislation is elaborated below.

## **7 The impact of Work Choices on workforce challenges in the Australian tourism sector**

Despite NSW's efforts to address skill shortages and promote well-paid jobs/careers in the tourism sector, these efforts are being thwarted by the Commonwealth's new Work Choices legislation.

The NSW Government opposes the federal government's Work Choices package of industrial relations legislation. This legislation encourages employers to remove conditions of employment which have been carefully developed by industries under the supervision of the independent industrial relations umpires, the Australian Industrial Relations Commission and the NSW Industrial Relations Commission and their predecessors, to respond to workforce challenges in specific labour market segments.

The *Workplace Relations Act 1996* as amended by the Work Choices legislation (the Work Choices Act) is an attack on the lives of working Australians and their rights to a fair go. For employers, it will lead to confusion and complexity.

The *Industrial Relations Act 1996* (NSW) allows individual workplaces broad scope to determine work practices and wage outcomes best suited to their workplace, arrangements that encourage equitable, innovative and productive workplaces.

The approach endorsed by the NSW Government is one where employers and unions seek to work together in a consultative, open and accountable environment. Where disputes do arise the NSW legislative framework provides for a simple easy-to-use independent umpire with conciliatory and arbitral powers to resolve disputes.

Further, the NSW Government recognises that collective bargaining is a vital and effective negotiating strategy which delivers positive outcomes for all parties involved.

It should be noted that the Work Choices legislation will have a detrimental impact on the tourism workforce, and the tourism sector's capacity to meet the current and future challenges facing the industry. In this context, we offer the following comments:

*Adverse impact of Work Choices on employment in tourism*

The tourism sector labour market encompasses a wide and diverse variety of occupations and industries, for example, hospitality, accommodation, transport, leisure and recreation. As there are so many different occupations that make up total employment in the tourism sector, it is difficult to provide a meaningful picture that describes whether employees are predominantly covered by State or Federal industrial awards, enterprise agreements or in the federal jurisdiction, individual workplace agreements.

In simple terms, since the enactment of the Work Choices legislation, Federal or State industrial relations coverage is determined by whether an employee is employed by an incorporated business (Federal coverage) or an unincorporated business (State coverage).

The industry which is most associated with the tourism labour market is the accommodation, cafes and restaurants industry grouping. In this industry in NSW, almost 70 per cent of employees work for incorporated entities and approximately 30 per cent work for unincorporated entities. The industry is heavily award reliant with approximately 117,000, or 70 per cent, of employees covered by awards<sup>4</sup>. Consequently, the impact of the changes to employment conditions that Work Choices introduces will be high in the accommodation, cafes and restaurant industry grouping. The impact of the Work Choices legislation will also add to the cost associated with managing industrial relations and human resources in this industry grouping.

Conditions of employment that the Federal government is encouraging employers to reduce or remove from the Australian labour market will increase rather than decrease workforce challenges in the tourism sector. Penalty rates and shift allowances provide significant incentives for employees to work on days and at times when the vast majority of the workforce enjoys their leisure and recreation. Penalty rates and shift allowances provide additional remuneration for employees arranging care for dependents on weekends and at nights when the greatest costs for the provision of care are incurred.

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<sup>4</sup> Australian Bureau of Statistics, Employee Earnings and Hours, May 2004, Cat No.6306.

### *The adverse impact of Work Choices on skills*

Skills are integral to the productive growth of the economy and the workplace. In this context, skills are important in determining the income which workers will earn in their jobs, and the career options available to them throughout their working lives. Obstacles to skills formation, or the building of the skills stock in the workforce, can limit opportunities for economic growth.

Although skills shortages may occur for a number of reasons (including, for example, the emergence of new industries, technologies and location and demographic changes), a key factor is the lack of interest in particular industries shown by potential job seekers. Industrial relations arrangements, including remuneration and conditions of employment, impact on the attractiveness of particular industries and occupations. Furthermore, the growth of non-standard forms of employment is a fundamental impediment to the development of a skilled labour force.

The NSW Government is firmly of the view that the Federal Government's industrial relations agenda largely contained in the Work Choices legislation does nothing to address the current skills shortage and will, in fact, create disincentives for employers and employees to invest in training and skills development.

This view is supported by economic forecasters BIS Shrapnel who report a chronic shortage of skilled labour is set to act as a permanent constraint on Australia's growth. According to BIS Shrapnel, to improve growth the economy needs measures that improve labour productivity and increase the pool of skilled labour, but the Work Choices legislation 'will do little to improve either and is deflecting the debate away from how to grow the pie bigger, to how best to cut it up'.<sup>5</sup>

In addition, a group of 151 labour market and legal academics note that the Work Choices legislation does not meet the need to increase skills development and that it provides little more than a piecemeal response to the challenges concerning skill formation in a modern economy.<sup>6</sup> Rather, it will be harder to find skilled workers because Work Choices provides disincentives for both employers and employees to invest in training and skill acquisition.

The Work Choices legislation impacts negatively on skills development by:

- § Providing incentives for employers to compete on the basis of cost minimisation rather than on skills and innovation by enabling the removal of provisions in state and federal awards and agreements;
- § Acting as a disincentive to the up-skilling and training of Australia's future workforce by the removal of wage and skills based classification structures from awards, and their rationalisation; and

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<sup>5</sup> Media Release 26 June 2006, *Labour shortages usher in new era of constrained growth* [www.bis.com.au](http://www.bis.com.au).

<sup>6</sup> 151 IR, labour market & legal academics, (2005) *Research evidence about the effects of the Work Choices Bill*, Submission to the Senate Inquiry, p. 28.

- § Reducing the incentive for employers to form long term employment relationships and invest in the education and training of their workforce by removing unfair dismissal laws.

*Adverse impact of Work Choices on pay and entitlements*

The Work Choices legislation requires the removal of all wage and classification structures from awards to create Australian Pay and Classification Scales (APCS). These APCS will be used by the Australian Fair Pay Commission (AFPC) in the setting of wages. In order to make APCS more easily useable for the AFPC, the Award Review Taskforce has proposed several ways of rationalising the classification structures and wage rates. In particular, the Award Review Taskforce has proposed rationalisation through broadbanding wages by monetary amounts. This may result in banding together similar wage rates to provide a short cut for the AFPC to assess wages and possible wage rises. However, such an approach is likely to severely reduce the role of classification structures.

Classification structures in awards detail wage rises based on skill level. They permit employers and workers to determine what wage rates are payable given the skills of the employee. They also provide an indication of skill requirements and envisage a career path that provides incentives, for both employers and employees, to up-skill through an occupation or industry. Employees will cease to be classified on the basis of their skills if the broadbanding of wage rates based on monetary amounts is adopted.

If this does occur, future employees will enter an industry or career with little or no guidance as to what skills and competencies they need to obtain in order to progress. Employers will also struggle without the guidance of classification structures to determine how to classify their workers and how such workers will achieve a higher wage rate within an APCS. In short, this is likely to result in confusion over the wage entitlements of employees and may act as a disincentive to training and up-skilling. This is likely to exacerbate the current skills shortage.

Furthermore, the Federal Government has indicated its desire to create industry wide single award and APCS coverage. The Award Review Taskforce has proposed the possible adoption of an industry sector model where only a single APCS structure would cover each industry and, in theory, each employer. Currently, many wage and classification structures in awards are occupation based rather than industry based. If an industry wide approach is adopted this could potentially result in different wage rates for employees performing the same work but in different industries. Such variances could exacerbate the skills shortage problems in some industries.

The removal of wage and classification structures from awards, and their rationalisation, is likely to act as a disincentive to the up-skilling and training of Australia's workforce.

The Work Choices legislation will also erode leave entitlements by enabling a worker to trade annual leave for cash. This is likely to exacerbate an existing problem of

workers not taking their annual leave. A recent report by AC Nielsen<sup>7</sup> found that nearly 60 per cent of Australian full-time workers do not take their entire annual leave and more than one third do not take any annual leave. The AC Nielsen report further found that Australian employees have stockpiled 70 million days of annual leave, which is equivalent to approximately \$11 billion dollars in wages.

Research undertaken for Tourism Australia<sup>8</sup> indicates that around four of ten employees cited workplace issues as the most significant barrier to taking leave. Almost half indicated that the increased workload before and after leave makes the holiday less than worthwhile.

If Australians used just 20 per cent of their accrued annual leave on interstate holidays, rather than cashing it in or stockpiling it for security, this would result in 14 million extra nights and a \$2 billion increase in tourism expenditure (an increase of 12.5 per cent)<sup>9</sup>. That additional expenditure would create additional jobs, particularly in regional and rural Australia.

#### *The adverse impact of Work Choices on apprenticeships and traineeships*

The Work Choices legislation exacerbates the high level of drop out rates for apprentices and trainees by reducing wages and conditions, including those that facilitate both on and off-the-job training.

Many state awards in NSW prescribe terms and conditions that assist structured training and facilitate the enhancement of skills progression for apprentices and trainees.

Under the Work Choices legislation, there is no specific requirement that trainees and apprentices receive remuneration for off-the-job training nor be released during work time to attend such training. Award conditions that facilitate training, such as explicit proportionate ratios between apprentices and tradespersons, the reimbursement of training fees and tool and travel allowances may all be 'bargained away' should an apprentice or trainee enter into a workplace agreement with their employer.

Unlike various NSW state awards there is also no explicit provision under Work Choices to provide a rate of pay applicable to adult apprentices and trainees. As it is estimated that 45 per cent of employees undertaking an apprenticeship or traineeship in NSW are aged over 25 years<sup>10</sup> there are concerns that such individuals will be forced to train on junior wages for up to four years. Such conditions will evidently create a disincentive to enter structured training and impact detrimentally upon the skills base of NSW.

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<sup>7</sup> AC Nielsen (2005) *Unused Leave and Travel Intentions Study Wave 2*.

<sup>8</sup> Tourism Australia (2005) *'No Leave, No Life'*, Research Study, available at <http://www.tourism.australia.com/Markets.asp?sub=0396&al=2128>.

<sup>9</sup> *Ibid.*

<sup>10</sup> NCVET - *Australian vocational education and training statistics: Apprentices and trainees* - September quarter 2005, Summary.

In the case of young workers, they often do not have the skills and confidence to effectively negotiate agreements that best suit their needs. Accordingly, they may not be able to bargain effectively to include conditions currently available in NSW awards in individual workplace agreements.

#### *The adverse impact of Work Choices on conditions of employment*

While the Work Choices legislation purports to protect some conditions of employment, employers are encouraged to expressly modify and exclude them from new workplace agreements. In essence, conditions previously protected by state awards and agreements may be removed unless employees can bargain to keep them. Employees may be eligible to receive no more than the five minimum terms and conditions of employment provided by the Australian Fair Pay and Conditions Standard (AFPCS).

These developments open the way for reductions in take home pay and conditions of employment by removing penalty rates, shift loadings, annual leave loadings and allowances.

Furthermore, under the Work Choices legislation the Australian Fair Pay Commission (AFPC) assumes the wage fixing role previously performed by the independent Australian Industrial Relations Commission. It is expected that the AFPC will reduce in real terms the value of the minimum wage and thereby entrench low pay.

Researchers contend that permitting employers to reduce wages and conditions will encourage the pursuit of a cost minimisation strategy in which employers are unlikely to invest in firm-specific training. They argue the changes will provide incentives for low wage and low skill employment.<sup>11</sup> Such an approach will encourage a 'race to the bottom' where firms compete by cost cutting rather than by investing in skills and innovation.

## **8 Concluding comments**

Tourism is a sector of strategic importance for NSW. While the tourism sector has been growing slowly in recent years relative to other parts of the economy, it remains a vital sector, and one in which NSW has a comparative advantage as a result of its first port of call status and its significant number of world famous attractions.

For this reason, the Standing Committee's Inquiry is welcomed, coming as it does at a time when the tourism sector is forecast to experience significant growth whilst also experiencing skills and labour shortages.

As stated earlier, NSW plays an active role in working with industry stakeholders to ensure that education and training requirements are appropriate to meet the needs and challenges faced by the tourism industry. However, the Commonwealth's legislative and regulatory framework for industrial relations will only exacerbate the problems currently being experienced by the sector, and will create further disincentives for employees to enter into, or remain in, the tourism sector.

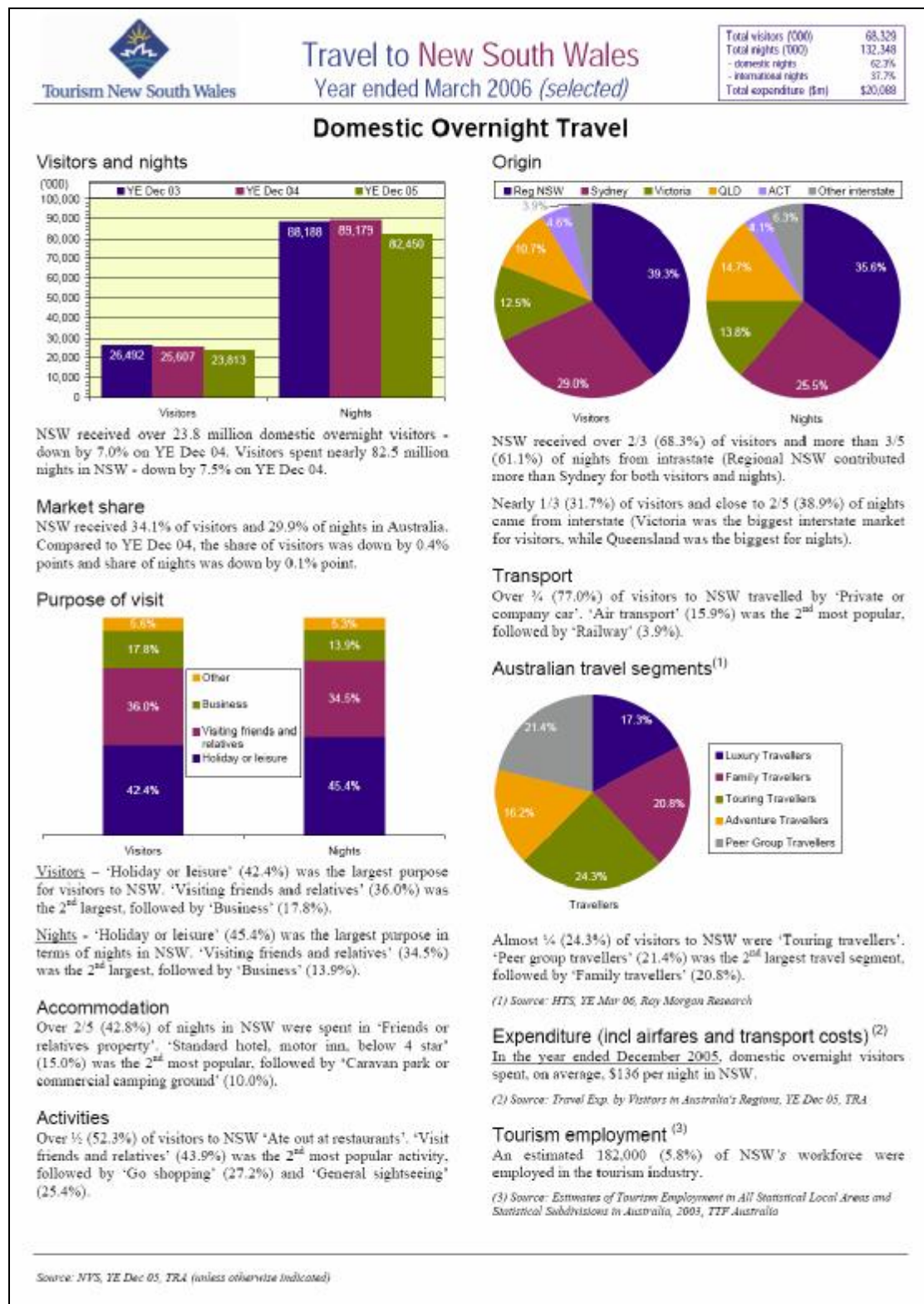
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<sup>11</sup> Burgess, J & Waring, P (2005) *'The Productivity Question'*, *The State of the States 2005*, Evatt Foundation.

If the Commonwealth is determined to decrease workforce challenges and encourage employment and productivity in the tourism sector, it would respond to the concerns expressed by the Australian public by repealing the Work Choices legislation.

The NSW Government trusts that this submission has provided useful information to the Committee regarding the role of Tourism NSW, the NSW Department of Education and Training and the NSW Department of State and Regional Development, as well as details of initiatives relevant to the Inquiry's terms of reference.

## Appendix A



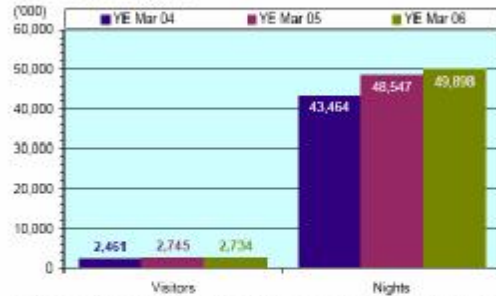




Total visitors ('000)	68,329
Total nights ('000)	132,348
- domestic nights	62.3%
- international nights	37.7%
Total expenditure (\$m)	\$20,088

### International Overnight Travel

#### Visitors and nights



NSW received over 2.7 million international overnight visitors - down by 0.4% on YE Mar 05. Visitors spent almost 49.9 million nights in NSW - up by 2.8% on YE Mar 05.

#### Market share

NSW received 54.5% of visitors to and 35.7% of nights in Australia. Compared to YE Mar 05, the shares of visitors and of nights were down by 1.1% points each.

#### Purpose of visit

'Holiday/pleasure' (57.7%) was the largest purpose for visitors to NSW. 'Visiting friends and relatives' (24.9%) was the 2<sup>nd</sup> largest, followed by 'Business' (15.3%).

#### Origin

Market	% contribution	Market	% contribution
Hong Kong	2.8%	New Zealand	13.4%
Singapore	2.4%	Japan	9.8%
Malaysia	1.5%	USA	10.5%
Indonesia	1.1%	Canada	2.5%
Taiwan	2.4%	United Kingdom	15.4%
Thailand	1.3%	Europe	14.5%
Korea	7.1%	Germany	3.5%
China	7.1%	Other Europe	10.9%
Other Asia	2.8%	Other Countries	5.3%

'United Kingdom' (15.4%) was the largest source market of visitors to NSW. 'Europe' (14.5%) was the 2<sup>nd</sup> largest, followed by 'New Zealand' (13.4%).

#### Accommodation

Over 1/3 (34.8%) of nights in NSW were spent in 'Rented house / apartment / unit / flat'. 'Home of friend or relative' (27.6%) was the 2<sup>nd</sup> most popular, followed by 'Backpacker / hostel' (8.3%).

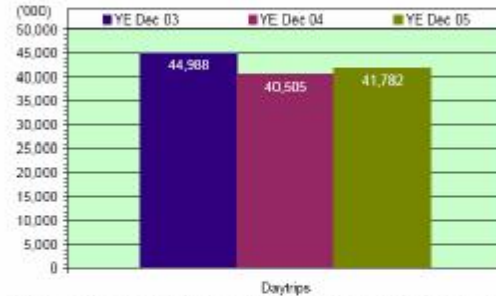
#### Expenditure (incl package expenditure) <sup>(4)</sup>

In the year ended March 2006, international overnight visitors spent, on average, \$96 per night in NSW.

<sup>(4)</sup> Source: International Visitors in Australia, March 2006, TR4

### Domestic Daytrip Travel

#### Trips



NSW received nearly 41.8 million domestic daytrip visitors - up by 3.2% on YE Dec 04.

#### Market share

NSW received 32.1% of daytrips in Australia. Compared to YE Dec 04, the share was up by 0.8% points.

#### Purpose of visit

'Holiday or leisure' (52.9%) was the largest purpose for visitors to NSW. 'Visiting friends and relatives' (28.4%) was the 2<sup>nd</sup> largest. 'Business' accounted for 8.8% of visitors.

#### Activities



Over 2/5 (42.3%) of visitors to NSW 'Ate out at restaurants'. 'Visit friends and relatives' (32.4%) was the 2<sup>nd</sup> most popular activity, followed by 'Go shopping' (23.4%) and 'General sight seeing' (19.5%).

#### Age

Almost 1/5 (19.6%) of visitors to NSW were aged '35-44 years'. The 2<sup>nd</sup> largest age group was '15-24 years' (18.5%).

'Young' travellers (aged below 35) made up 36.6% of visitors. 'Mid-Life' travellers (aged 35-54) contributed 35.6%, while 27.8% were 'Older' (aged 55 and over).

#### Expenditure <sup>(2)</sup>

In the year ended December 2005, domestic daytrip visitors spent, on average, \$101 per trip to NSW.

<sup>(2)</sup> Source: Travel Exp. by Visitors to Australia's Regions, YE Dec 05, TR4



# New South Wales

Tourism Employment 181,968  
% of Total Employment 5.8%

## ESTIMATE OF RESIDENTS EMPLOYED IN TOURISM

COMPOSITION OF RESIDENTS' EMPLOYMENT

Industry Sector	Employment (full-time equivalent)	% of total Employment	National Average
<b>Tourism</b>	<b>181,968</b>	<b>5.8%</b>	<b>5.7%</b>
Accommodation/Casinos/Gambling	30,052		
Cafes/Restaurants/Pubs/Clubs/Taverns	28,536		
Tourism retail	45,365		
Tourism-related transport	25,202		
Other tourism	52,813		
<b>Transport (non tourism-related)</b>	<b>81,899</b>	<b>2.6%</b>	<b>2.5%</b>
Air/Water	5,297		
Road/Vehicle hiring	83,070		
Rail	13,092		
<b>Other</b>	<b>2,871,960</b>	<b>91.6%</b>	<b>91.8%</b>
Manufacturing (non tourism-related)	324,523	10.3%	11.0%
Agriculture/Forestry/Fishing	102,804	3.2%	3.5%
Mining	17,092	0.5%	0.6%
Other	2,427,601	71.4%	76.0%
<b>TOTAL</b>	<b>3,135,827</b>	<b>100%</b>	<b>100%</b>

### Reading the table above

The first column lists industry sectors under three broad headings: Tourism, Transport, and Others. The second column shows the number of full-time equivalent jobs provided by each industry sector in the state. The third column expresses this number as a percentage of total jobs in the state. The fourth column gives the percentage of jobs each industry sector provides nationally, for comparison purposes.

### How does tourism employment in this state compare to other sources of employment?

Known as Australia's economic hub and home to Australia's largest international airport and national icons such as the Sydney Harbour Bridge and Sydney Opera House, New South Wales (NSW) attracts the greatest share of both international and domestic tourists than any other state or territory.

Tourism is an important contributor to the NSW economy, providing 181,968 full-time equivalent jobs or 5.8% of total employment in NSW. This intensity is greater than the national average of 5.7%. There are more jobs in tourism than the combined industries of agriculture, forestry, fishing and mining. Of all tourism jobs, retail provides the highest number (45,365) followed by accommodation and casinos (30,052).

Eden-Monaro, Sydney, Richmond and Cowper are the highest tourism intensive electorates within the state followed by Kingsford Smith, Grayndler and Wentworth. The electorate of Sydney has the highest number of tourism jobs of any electorate in Australia.

TOURISM EMPLOYMENT IN NSW ELECTORATES

Rank	Electorate	Tourism's share of Employment*	Tourism Employment	Total Employment
1	Eden-Monaro	9.5%	5,612	59,311
2	Sydney	8.5%	7,746	91,290
3	Richmond	8.2%	9,924	47,727
4	Cowper	8.1%	8,544	45,161
5	Kingsford Smith	7.8%	5,589	72,247
6	Grayndler	7.8%	5,752	75,406
7	Wentworth	7.7%	5,559	76,308
8	Barton	7.7%	4,879	63,617
9	Cook	7.7%	4,350	64,546
10	Parsons	7.1%	9,465	48,840
11	Hughes	6.9%	5,203	75,134
12	Banks	6.8%	3,086	58,940
13	Gillmore	6.7%	3,219	48,397
14	Walton	6.6%	3,523	58,342
15	Lyne	6.4%	3,046	47,679
16	Griffith	6.1%	9,269	59,697
17	Lower	6.0%	4,094	68,612
18	Hunter	5.9%	3,345	56,276
19	Farrer	5.7%	9,509	61,419
20	Newcastle	5.7%	3,220	57,038
21	New England	5.5%	3,166	57,404
22	Calare	5.4%	3,289	60,409
23	Mackellar	5.4%	3,253	71,904
24	Page	5.4%	2,688	49,753
25	Warragah	5.4%	3,949	75,813
26	Cunningham	5.3%	3,010	56,355
27	North Sydney	5.3%	4,407	82,945
28	Debell	5.2%	2,924	55,864
29	Robertson	5.2%	2,542	56,214
30	Riverview	5.2%	3,414	65,965
31	Parker	5.2%	2,075	57,529
32	Hume	5.2%	3,213	62,306
33	Throsby	5.1%	2,800	54,502
34	Denison	5.1%	9,597	69,926
35	Raid	5.0%	2,822	52,782
36	Paramatta	4.9%	3,509	71,845
37	Shoalhaven	4.8%	2,427	50,279
38	Macquarie	4.8%	3,307	68,613
39	Lindsay	4.8%	3,374	70,202
40	Prospect	4.8%	3,199	66,924
41	Challton	4.7%	2,545	53,873
42	Macarthur	4.7%	3,188	67,609
43	Wentra	4.7%	3,242	68,950
44	Fowler	4.7%	2,582	56,213
45	Chifley	4.4%	2,824	63,462
46	Griffith	4.4%	2,090	67,671
47	Goosnaw	4.4%	3,173	72,506
48	Gwyde	4.3%	2,559	59,111
49	Gerowna	4.2%	9,092	75,999
50	Mitchell	4.2%	3,221	76,892
	<b>Total NSW</b>	<b>5.8%</b>	<b>181,968</b>	<b>3,135,827</b>

\* Tourism's share of total employment is otherwise known as the 'tourism employment intensity'. Average tourism employment intensity in New South Wales is 5.8%

Produced by TTF Australia July 2004. For further information please contact: TTF's National Media Manager on phone 02 9240 2000

Tourism Employment in the Sydney Region by Commonwealth Electorate Division



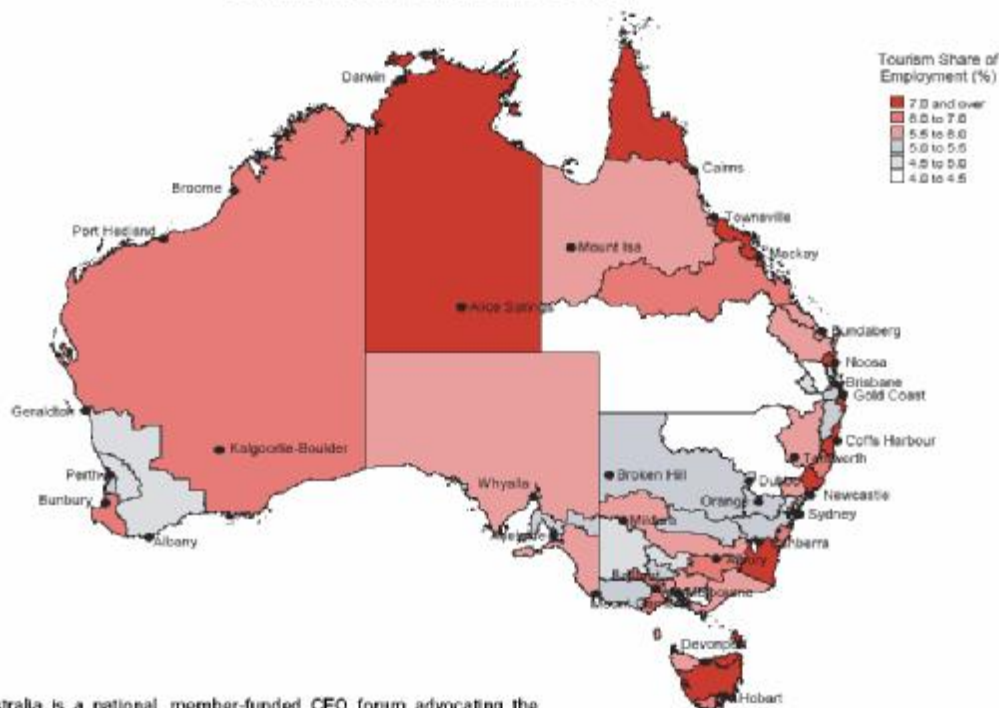
How accurate and up-to-date are these figures?

These tourism employment estimates are based on the latest available data from the Australian Bureau of Statistics (ABS), including the Australian Tourism Satellite Account (ATSA) data 2002-03, and 2001 Census data scaled up to 2002-03. They are sourced from TTF Australia's National Tourism Employment Atlas, Second Edition, 2004.

These electorate maps show boundaries at November 2001, in line with data used in this project.

The figures reflect employment patterns at the time of the Census which is held in August. They should be regarded as 'reasonable estimates' rather than accurate to the last job. This is particularly the case for areas that are 'out of season' in winter (such as beaches) and areas that are 'in-season' in winter (such as ski-fields), as some jobs in such places may be seasonal.

Tourism Employment Intensity in Australia by Commonwealth Electorate Division



TTF Australia is a national, member-funded CEO forum advocating the public policy interests of the 200 most prestigious corporations and institutions in the Australian transport, property, tourism & infrastructure sectors.