



Australian Hotels Association
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Submission to the Western Australian Industrial Relations Commission

2018 State Wage Case

IN THE WESTERN AUSTRALIAN INDUSTRIAL RELATIONS COMMISSION

APPL No. 1 of 2018

2018 STATE WAGE CASE

ON THE COMMISSION'S OWN MOTION

SUBMISSION OF THE AUSTRALIAN HOTELS ASSOCIATION (WA)

Filed on behalf of the Australian Hotels Association (WA)

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Background

1. The Australian Hotels Association (WA) (**AHA**) is Western Australia's most respected hotel, hospitality and tourism association. With over 700 members, the AHA represents over 85% of the hospitality industry in WA. Our members range from owner operated country pubs to international hotel syndicates.
2. Approximately 10% of our membership falls under the WA industrial relations system (**State System Members**). The majority of our State System Members are small or medium family owned businesses located in remote regional areas.
3. The AHA makes this submission on behalf of our State System Members as employers in the hospitality industry will be particularly affected by the Commission's decision in this matter and their capacity to bear the increase should be considered.
4. The AHA's submission is that an increase of 1% to the State minimum wage is appropriate for the reasons set out in this submission.

Features of the hospitality industry

5. Our State System Members are primarily covered by the following awards:
 - a. *Hotel and Tavern Workers' Award*;
 - b. *Restaurant, Tearoom and Catering Workers' Award*; and
 - c. *Clerks' (Hotels, Motels and Clubs) Award*.
6. As the Commission acknowledged in the 2017 State Wage Order,¹ the Accommodation and food services industry has the highest proportion of Award reliant employees at 42.7%.²
7. The key features of the hospitality industry were summarised by the Fair Work Commission in the Penalty Rates Decision³ as follows:

[742] *Key findings within this sector are that employers were relatively more likely to be characterised by:*

- *small and medium businesses;*
- *lower profit margins;*
- *higher wages and salaries as a proportion of total expenses;*
- *lower survival rates;*
- *strong or intense competition; and*
- *operating 7 days a week."*

¹ 2017 State Wage Order [2017] WAIRC 00330 at [237].

² *Employee Earnings and Hours, Australia, May 2016*, Catalogue No. 6306.0; ABS.

³ *4 yearly review of modern awards-Penalty Rates* [2017] FWCFB 1001 at [742].

A fair system of wages and conditions

8. In order to achieve a fair system of wages and conditions of employment, it has been accepted that the system must be fair to both employees and employers. Crucially, as acknowledged by the Commission, the increase in the minimum wage must be affordable by businesses rather than acting as a further burden.⁴
9. We submit that the combination of high levels of Award reliance, long operating hours and small profit margins indicates that anything more than a modest increase in the State minimum wage will place substantial cost pressure on our State System Members.
10. This cost pressure is likely to lead to lower employment and higher rates of insolvency amongst small businesses.

Competitive disadvantages in the WA industrial relations system

11. In accordance with s 50A(3)(f) the Commission should consider the ongoing effects of the Penalty Rates Decision made by the Fair work Commission.
12. The vast majority of employers in the hospitality industry in Western Australia are not covered by the WA industrial relations system and continue to enjoy not only lower minimum hourly rates for most classifications but the ongoing benefit of reduced penalty rates on public holidays.
13. Our State System Members are particularly impacted by this as hospitality businesses customary trade on weekends and public holidays which all attract penalty rates.
14. For example, compare the minimum rates of pay for a full-time bartender classified as a Food and beverage attendant grade 2 under the WA industrial relations system and the national industrial relations system:
 - a. Under the equivalent national system award, the *Hospitality Industry (General) Award* 2010, this employee is entitled to a minimum of \$24.41 per hour for working on a Saturday and \$43.94 per hour on a public holiday.
 - b. Under the WA industrial relations system and the *Hotel and Tavern Workers Award* this employee is entitled to a minimum of \$29.73 per hour for working on a Saturday and \$49.54 per hour on a public holiday. These rates are 21% and 13% higher respectively.

Decline in tourism spending in regional WA

15. As addressed above, the majority of the AHA's State System Members are located in regional areas.
16. Tourism spending in regional areas of Western Australia was down substantially in 2017 when compared with the previous year. Specifically, the amount of money spent by tourists in the state's North West was down 36.1%, the amount spent in the

⁴ 2017 State Wage Order [2017] WAIRC 00330 at [256].

Goldfields and Great Southern was down 24.4% and the coral coast was down 1.9%.⁵

17. Further, visitation data for WA⁶ generally reflected a 7.7% decrease in the number of nights international tourists spend in the state as a whole and an overall decrease in spend of 5.5%.
18. This downturn in tourism spending has negatively affected hospitality businesses in regional areas, many of which are struggling to remain financially viable. Any wage increase will have a profound impact on these businesses.
19. In light of the above, the AHA submits that a wage increase of 1% is appropriate.

⁵ Statistics released by Tourism WA in March 2018.

⁶ Visitation statistics for year-end 2017, published by Tourism Australia in the first quarter of 2018 (https://www.tourism.wa.gov.au/Research-Reports/Latest_Visitor_Facts_and_Figures/Pages/Visitor-Statistics.aspx#/).