

# Accommodation Services

The Accommodation sector is dealing with an imbalance between supply and demand after an influx of new hotels in Perth and a drop in corporate travel.

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## Industry overview

The West Australian (WA) accommodation sector has experienced significant growth in recent years; thanks in part to unprecedented infrastructure developments in Perth, a contributing factor in the increase of both international and domestic tourism revenue in WA in 2016.

This sector is susceptible to the same political and economic uncertainties, competition from new entrants, seasonality and work force challenges that the tourism industry in general experiences. In addition, short stay accommodation is a sector reliant on discretionary spending and the impact of weakened local consumer demand, predominantly in business travel may be evident through lowered occupancy, average daily rates (ADR) and revenue per available room (RevPAR) in Perth CBD hotels in 2016. The effect however has been less severe than in the food and beverage sector, where changes in local consumer activity have a greater impact. It is hoped that the anticipated growth in international and interstate leisure visitation will help to offset impacts from further falls in the local consumer market for the short stay accommodation sector.

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## Current and future labour market conditions

Short-stay accommodation businesses range from micro owner-operators to major conglomerates employing hundreds of staff. Accommodation teams comprise a range of positions from kitchen staff to service managers, accountants, engineers, front office staff and housekeepers. Duties range from low or unskilled such as cleaning or housekeeping assistants to highly skilled Hotel or motel managers requiring specialised training and extensive industry experience. The sector also includes positions that require technical training which may be adapted to a hospitality setting such as finance, human resources or marketing. While training pathways are designed to match the career progression of accommodation workers, many operators promote from within and provide in-house training.

Customer service and guest amenity drive business operations and as a result, accommodation services rely on intensive human interaction. The accommodation services sector is the second largest employer in the WA tourism industry, directly employing 10,500 people, 16 per cent of the 64,000-strong tourism work force in 2014-15.<sup>1</sup>

While technology is unlikely to replace the human touch in this sector, technological advancements are perceived to threaten particular jobs. The WA hospitality industry sees sharing platforms like Airbnb to be compromising jobs and skills standards, thereby placing undue pressure on the accommodation sector. While it can enhance guest comfort without compromising jobs, for example offering guests free Wi-Fi, developing smartphone apps or online bookings, on the other hand, the proliferation of technology is reducing the barriers to entry for unskilled workers in the industry.

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## Industry development issues

The pace with which construction of new hotels has been taking place in Perth and Fremantle realised a net gain of 909 hotel rooms in 2016. Almost 1,000 new rooms were added across 7 hotels (500 of which were at the Crown Towers Hotel), and 181

rooms went back on the market at the refurbished Holiday Inn Perth City Centre. 271 rooms were temporarily off the market due to reconstruction at The Melbourne Hotel and IHG InterContinental.<sup>2</sup> Another 23 hotels are scheduled to open in the Perth metropolitan area in the next three years, and a further 30 hotels or serviced apartments are being planned.

## The sharing economy and online booking platforms

The sharing economy is influencing consumer choice of accommodation. Commercially-run hotels, motels, guest houses and serviced apartments are more often booked for business trips and shorter getaways, while rented houses or apartments are favoured for family holidays or extended education and employment stays, due to the functionality and convenience of multiple rooms, bathrooms and kitchen facilities.<sup>3</sup> However, for every booking made on a sharing platform, there are lost hours of work for hotel staff such as housekeepers, due to lowered occupancy in the hotel.

There is also anecdotal feedback that visitors using accommodation booked on a sharing platform such as Airbnb provide an economic boost through spending on food and recreation activities in suburbs that have possibly not benefitted from tourism in the past. In response to the emergence of Airbnb, Tourism Accommodation Australia (TAA(WA)) is pushing for regulation of the short-stay accommodation sector. Policy suggestions include capping the number of days that guests can stay, developing guidelines for strata management groups and introducing a code of conduct for home hosting.

Online travel agents (OTA) are having a considerable impact on the short stay accommodation sector. On one hand, these sites provide an opportunity for accommodation operators to market their product to a wider audience resulting in more rooms being booked. On the other hand however they are seen as anti-competitive, where OTA's contractual arrangements prohibit commercial accommodation providers from advertising cheaper rates on their own website, in addition to charging an often-times crippling commission (up to 20% of the room rate). These actions diminish a venue's ability to remain competitive, leading many hotels to act creatively in attracting guests through offering cheaper nightly rates or other perks.

A decision by the Australian Competition and Consumer Commission in September 2016 forced two large OTAs; Expedia (which owns Wotif.com) and Booking.com to allow operators to offer cheaper rates, but providers can only offer cheaper rates by phone or to walk-in guests. Accommodation venues continue to be restricted from advertising cheaper rates on their own website. The OTA service offering remains compelling, especially for smaller operators, due to their customer "reach" and are expected to grow over the next five years.<sup>4</sup>

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## Workforce challenges and issues

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There are overall labour shortages and skills gaps that are not being met through training pathways for accommodation services workers in WA.

Specifically, there is an ongoing general shortage of appropriately qualified and locally trained Hotel or Motel Managers. The skill level for a Hotel or Motel Manager corresponds with an Associate Degree, Advanced Diploma or Diploma in Hospitality Management plus on-the-job experience. In 2015, only 8 enrolments were recorded for the Advanced Diploma in Hospitality and 68 in the Diploma of Hospitality.<sup>5</sup>

There are leadership skills gaps reported for mid-level managers, particularly in regional areas. Duty Managers or Hotel Service Managers that supervise and coordinate the activities of hotel service workers need to have guest services skills at an operational level, but should also be able to adapt across various positions and progress towards a General Manager position. A lack of leadership skills means that workers in a supervisory role cannot be promoted to a managerial role, and accommodation providers have to rely on workers that are not deemed competent to progress to a senior level.

A specialisation of the hotel service manager is the night manager. This position for some metropolitan hotels is difficult to recruit due to the low remuneration and challenging hours. Many hotels are relying on underqualified, under-skilled or migrant workers to fill these positions, despite these workers requiring a relevant qualification and a number of years' industry experience.

Furthermore, the Certificate IV in Hospitality forms part of a career pathway for people who have already been working in the industry and are progressing towards a leadership role in the industry through the Diploma and/or Advanced Diploma in

Hospitality Management. This qualification is suitable for Hotel Service Managers. However, funding for existing workers to access the Certificate IV in Hospitality Traineeship was ceased in 2015 and, numbers of people commencing a Traineeship in Certificate IV in Hospitality have fallen significantly. In 2016, 201 people commenced a Traineeship in Certificate IV in Hospitality, a reduction from 465 in 2015 and 575 in 2014.<sup>6</sup>

Whilst the number of new hotels in the metropolitan area is contributing to the shortages in hospitality workers in Perth, shortages are more pronounced in regional areas, where smaller accommodation sites are more prevalent and there are high levels of turnover for all staff in general. The regional context means that many accommodation services workers live on the property and therefore must fill many roles and perform various duties across the venue. For example, an employee might perform housekeeping duties in the morning and work as wait staff in the hotel restaurant at night. There is consequently a smaller team of staff and the associated lack of social benefits, plus low remuneration means that it is difficult to attract quality workers to regional short-stay accommodation properties. Those workers that do go to the regions do not stay for very long.<sup>7</sup> Incentives that operators may utilise to attract and retain workers in regional areas include monetary bonuses, free accommodation and meals, which may help retain workers, but does not address skills gaps in relation to workers moving into leadership positions.

Seasonality is a continual issue for the accommodation sector, particularly in the north and south of WA. This creates recruitment issues and a reliance on casual and seasonal staff.

Workforce challenges are also anticipated due to the changes to the Working Holiday Visa program. While it is too early to measure the full impact, anecdotal feedback from regional accommodation providers suggests potential working holiday makers are rejecting Australia for other countries, thus affecting these regional hospitality businesses' capacity to operate as many rely on the seasonal workforce and only some operators are able to participate in the Seasonal Worker Programme in northern WA.

The Fair Work Commission has recommended that Sunday and public holiday penalty rates under the Hospitality Industry (General) Award 2010 and the Restaurant Industry Award 2010 be reduced in July 2017\*, which may affect accommodation services workers. This has generated a mixed response, with employer groups largely endorsing the recommendation, citing increased ability to provide shifts to staff on Sundays and public holidays that they have not been able to commit to in the past. Employee groups however, assert that a lowering of the wage will disadvantage hospitality workers and may lead to workers leaving the industry in search of better hours and pay. Casual employees who will not experience a reduction in their rates on Sundays are also likely to be impacted, and may lose out on Sunday shifts to cheaper permanent staff. Similarly, a further reduction in wages may be another deterrent for prospective workers to a sector already struggling with attraction and retention. Employee groups are also sceptical as to whether more hospitality venues will in fact open and hire more staff on Sundays and public holidays as a result of reduced staffing costs.

The short stay accommodation sector will also be affected by the cessation of the Temporary Work (Skilled) visa (Subclass 457) program, which was replaced in April 2017 with short-term visas of up to two years and medium to long-term visas of up to four years. The occupations of accommodation & hospitality managers (nec) and hotel or motel managers have been retained as skilled occupations.<sup>8</sup> There is concern that these accommodation workers will not be able to access permanent residency once their visa has expired, and will be dissuaded from coming to Australia, creating skills gaps that are unlikely to be filled by a local work force.

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## Current Training Council areas of focus

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FutureNow will monitor and assess the reforms in respect of working holidays and skilled migration streams as well as changes to penalty rates at State and Federal levels. In consultation with industry and peak bodies, FutureNow will review their impact on industry to ensure availability of skilled short stay accommodation workers through as many mechanisms as possible.

## References

1. Tourism Satellite Account 2014-15: Western Australia Fact Sheet, Tourism Western Australia, accessed 10/02/2017
2. Perth Hotel Performance & Development Pipeline Summary using data from STR Global – December 2016, Tourism Western Australia, accessed 01/03/2017
3. State of the Industry 2017, Tourism Research Australia, Canberra, February 2017
4. IBISWorld Industry Report N7220, Travel Agency and Tour Arrangement Services in Australia, February 2017, Nick Tarrant, IBISWorld
5. SIT Qualifications institutional enrolments (VESU), Department of Training and Workforce Development, Perth, accessed 05/05/2017
6. SIT Qualifications Traineeship commencements, Training Records System, Department of Training and Workforce Development, Perth, accessed 05/05/2017
7. FutureNow Industry Advisory Group for Hospitality, meeting 3 December 2016
8. Australian Government, Department of Immigration and Border Protection, Combined list of eligible skilled occupations, accessed 23/05/2017

\* Proposed penalty rates changes for the Hospitality Award: full and part-time employees will earn 150% on a Sunday (instead of 175%) and 225% on public holidays (instead of 250%). Casuals will not experience a change on Sundays but will earn 250% on public holidays (instead of 275%).

\* Proposed penalty rates changes for the Restaurant Award: full and part-time employees will earn 225% on public holidays (instead of 250%). There is no change to Sunday penalty rates and no change for casuals under the Restaurant Award.

Notes