



**Tourism
Industry
Association
New Zealand**

Tourism Industry Association New Zealand

Submission on the Employment Relations (Flexible Working Hours) Amendment Bill to the Transport and Industrial Relations Select Committee

June 2005

About Our Association and Industry

The Tourism Industry Association New Zealand (TIANZ) represents the interests of over 2,000 businesses in the tourism industry.

Tourism is a \$15.4 billion industry and generates 13% of New Zealand's exports. The tourism industry employs 1 in 10 New Zealanders in a diverse range of businesses – the majority of which are small and medium sized enterprises. Not only is tourism important because of its size. As well as being 10% of New Zealand's GDP, it is also:

- Highly employment intensive;
- Regionally dispersed;
- Has the flexibility to change its target markets quickly as conditions change;

The tourism industry in New Zealand consists of more than 8,000 small and medium sized businesses. Of these businesses, most employ less than five people.

New Zealand welcomes almost two million overseas visitors to its shores every year. The domestic tourism industry is also important in helping to sustain a vibrant tourism industry. TIANZ estimates that over 75 million visitor nights are spent by New Zealanders every year.

This submission consists of the following sections:

- Outlook on the Tourism Industry
- General concerns our industry has about the contents of this Bill

The proposed Bill

The Bill provides parents of children under five years of age (or children with a disability under 18 years of age) with the statutory right to request flexible or part-time hours. Employers will have a duty to seriously consider any such request and to make an assessment of this request.

If the employer turns down the request, they will need to provide a business case supporting their decision. An employer will be able to turn down this request when they cannot reasonably re-organise work among existing staff; they cannot recruit any additional staff to accommodate changes; or there are clear work issues that cannot be resolved that will impact on the overall business.

Employees applying for flexible or part-time hours will need to have worked for the employer they are with for at least six months before being eligible to apply.

Outlook on the Tourism Industry – Decreased Growth

Tourism has been relied upon as a growth industry over the last half decade, and has had a history of a 50 year compound annual growth rate of 5%.¹ Over the past five years, visitor volume growth has also averaged 5% per annum but visitor spend growth has risen at a much faster rate at over 7% per annum.² In general, the visitor arrivals data produced by the Tourism Research Council New Zealand (TRCNZ) shows that tourism has shown atypical resilience through international events such as the post-September 2001 acts of terrorism, the SARS virus, and the general world economic downturn in the share market experienced at the start of this decade.

However, more recent figures³ show that inbound visitor numbers are starting to plateau and New Zealand is facing intense international competition for visitors, especially from Australia and the States. Tourism industry growth cannot be taken for granted and TIANZ is concerned that a narrow approach to public policy will adversely impact on the future competitiveness of the industry.

Specifically:

- The growing weight of compliance activities on small businesses (discussed in more detail below) – these do not add to productivity but raise costs that reduce competitiveness.
- The increasing cross-rate value between the \$Kiwi and those of our major tourism supplier nations (\$, £, €, ¥). This is an important issue in our industry as the \$US is the international currency for travel products. It is clear that this increase will erode demand for international travel and the level of expenditure being made in New Zealand by our overseas visitors. Experience shows that below average growth significantly increases business stress as these businesses strive to satisfy not only their customers but also their shareholders and staff.

The proposals contained in this Bill raise the likelihood of the tourism industry facing further restraints on flexibility without any upside from improved competitiveness – even though the industry is now regarded as one of our economy’s “star” performers.

The industry is being burdened by compliance costs

Most tourism businesses are small and many of these businesses are dependent on being open 24 hours a day. These businesses must be smart, nimble and flexible to be competitive in this environment.

^N=Government Statistician

^O=Tourism Satellite Accounts

^P=See International Visitors Survey available on the Tourism Research Council New Zealand website www.trcnz.govt.nz

Our Association and our members have worked hard over the past few years to enhance business skills and performance across the sector. Yet these businesses face the added burden of absorbing additional costs associated with complying with government legislation.

The 2004 Business NZ-KPMG Compliance Cost Survey found the smaller businesses (less than 5 employees) faced compliance costs of around \$2,750 per employee per year. According to the survey, the biggest problem area for business was tax, followed by the likes of employment law such as the Employment Relations Act and the Holidays Act, resource management and accident compensation issues.

TIA accepts that minimum workplace standards and conditions are not only essential to ensure workplaces in New Zealand are of a good quality, they are also associated with New Zealand being a First World country.

At the same time, TIA is opposed to unnecessary legislation that imposes a compliance burden when it is clear employers are already working in a way that supports the objectives of any new legislation.

TIA's concern with the Bill

TIA key concern with the Bill is that it would serve to be another piece of legislation to comply with, when such a Bill is unnecessary for the following reasons:

- The Bill is being introduced at a time when labour market conditions are tight and employers need to be competitive to attract and retain the right people for the right jobs. In our sector, businesses report they are being as flexible as possible with employment contracts to enable the recruitment of good quality people. This includes providing flexible working hours to accommodate the family responsibilities of staff, and the diversity of employees' lifestyles. Workplace flexibility is already occurring without a law in place to mandate it.
- there are already laws in existence that protect employees against discrimination. These laws cover such issues as discrimination on the grounds of sex, pregnancy and family status. A new law is not necessary to ensure that workplaces are family-friendly.
- Statistics New Zealand figures⁴ demonstrate that part-time employment increased 5.3% over the December 2004 and by 6.9% over the December 2004 year, a higher rate than the growth in full-time employment (0.5% and 3.8% respectively). This indicates that there has been significant growth in part-time jobs during a time of a labour shortage. These figures clearly demonstrate that employers are willing to be flexible in their staff recruitment and are responding to the demands of prospective employees to work flexible hours.

⁴=See the Quarterly Employment Survey for the December 2004 Quarter

- We have suggested that employers are already accommodating with employees who require flexible hours for family (or any other lifestyle reasons). Accordingly, this Bill will impose further costs on employers by requiring a formal process by which requests are considered, as opposed to a relatively informal process that exists at present. Feedback we have received from our members suggests that if the Bill becomes law businesses will be extra-cautious about this process, and may even feel the need to pay for professional advice to minimise risks of penalties and fines for non-compliance of the letter of the law. This will especially be a cost to smaller businesses that do not have in-house professional expertise in employment law/human resources and will lead to further increased compliance costs on those businesses that can least afford it.

Conclusion

Employers are already flexible about work hours for employees. They need to be flexible to recruit and retain excellent people that have the skills they need. It is in the interests of employers to be flexible and a discrete piece of legislation such as this Bill is not necessary, especially at a time when businesses are already struggling to cope with new employment legislation introduced over the past two years.

TIANZ strongly recommends that this Bill be withdrawn and that the Government reaffirm its commitment to reducing the compliance burden faced by smaller businesses.

*Tourism Industry Association New Zealand (TIA)
June 2005*

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