

Submission Number: 91
Date Received: 3/9/08

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Executive Summary

Restaurant & Catering Australia is the only peak national organisation representing the interests of the 40,000 restaurants cafes and caterers in Australia.

The industry turns over some \$15 Billion per annum and is looking down the barrel of significant employment growth in the next twelve months. This growth is on top of a sizeable attrition from the industry due to the large number of casual employees engaged.

The restaurant sector is 55% of the hospitality industry and some 50% of employment in the industry. The average employment per business is 8 employees.

The restaurant industry employs 242,000 people in Australia and is 7% under employed. The industry is facing a significant shortage of chefs, cooks, waiters and managers.

The restaurant, café and catering industry is a larger employer, with one of the strongest projected jobs growth of any industry. The demand for employees in the industry is likely to be in the order of 55,000 people in the next 12 months.

There are more than twice as many female workers as males in hospitality and female workers get paid the same as males workers on average. The predominance of females working part time is a positive for employees and employers. Part time workers want to work part time, are satisfied with their lot and the part time work makes a very significant contribution to their household income.

There is sufficient data to make these assertions. Restaurant & Catering Australia contends that the need for education is around the reality of part time employment and that the hospitality industry makes a very positive contribution to society through providing part time work to workers that need and want less than full time employment.

The policy impact of this is extensive in that the Government position should be to support part time work. Areas of policy that should be addressed that discourage part time work include workplace relations policy, education and training policy (around traineeships / apprenticeships), employment service policy (around what is a job placement) and immigration policy.

Restaurant & Catering Australia

Restaurant & Catering Australia (R&CA) is the peak national organisation representing the interests of restaurateurs and caterers.

The Association is a federation of State Associations that work together on matters of national importance. The State Associations had a combined membership of over 6,500 in the 2007 calendar year. There is an R&CA member restaurant and catering association in every State and Territory.

The Restaurant Industry

In 2004 the Australian Bureau of Statistics reported 37,699 restaurant, café and catering businesses¹ that are registered for GST. Of these businesses, 89% employ 20 people or less. There are 124 businesses Australia wide that employ in excess of 200 people². In the broader accommodation, cafe and restaurant industry 75% of employing businesses employ less than 20 people (Figure 1 below).

The Business Register records 68,022 businesses in the total accommodation, cafes and restaurant sector (including hotels, pubs and clubs). Restaurants, cafes and catering businesses account for 55.4% of the hospitality industry by numbers of businesses.

Whilst the reporting of numbers of businesses in the restaurant sector alone has not been repurchased from the ABS, the overall numbers of businesses in the accommodation, café and restaurant sector have grown by 2.1%, 1.8% and 1.8% each financial year from 2004/05 to 2006/07³. It is expected conservatively that there were 39,888 restaurants, cafes and caterers in Australia in 2007.



Figure 1 – Hospitality Businesses by Employment Number, 2004

The last four months of the 2007/08 financial year were consecutive months of negative growth with June 2008 being 5.3% down on June 2007.

Turnover for the 2007-08 year was \$15.56 Billion for cafes and restaurants compared to \$13.59 Billion in the 2006-07 year. The current financial year performance was most positively impacted by October – December 2007 that was the strongest trading performance for the industry ever.

¹ ABS Business Register 2004, Unpublished purchased by R&CA

² *Ib id*

³ 8161.0.55.001 Australian Bureau of Statistics Business Register, Counts of Businesses

A report released by the Australian Bureau of Statistics⁴ in April 2008 shows a slowing in restaurant profits (as forecast by the R&CA) with over 50% of businesses (the businesses employing less than 0-4 people) generating an average LOSS of .03%.

Businesses reported to the ABS restaurants had an average net profit of 3.8%, down 5% on the previous survey period (2004-05). Labour costs have risen an average of 10% from 34.2% of turnover to 33% of turnover. In the same period turnover increased by 9.2%. Meals consumed in restaurants income grew by 6.2% with the major increases coming from takeaway and liquor sales.

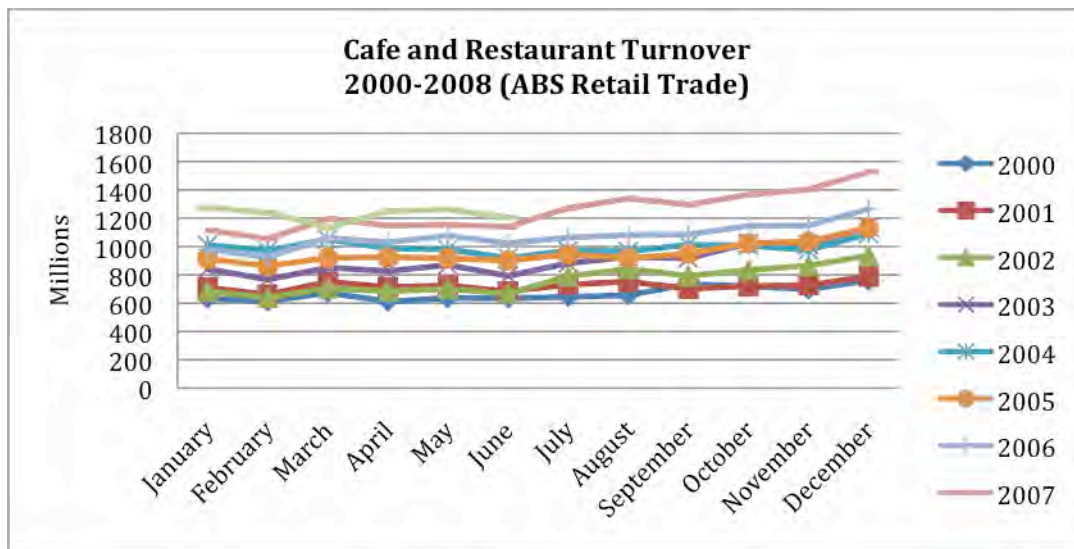


Figure 2 - Restaurant Industry Turnover 2000 - 2008

In the period between the December Quarter 2006 and that of 2007 the price of restaurant meals increased by 3.8%⁵. In the same period the price of food inputs to restaurants rose by an estimated 4.2% based on the combination of food inputs to restaurants (Dairy products by 9.1%, Bread and Cereal by 5.4%, Meat & Seafood by 3.2% and Vegetables by 8.6%).

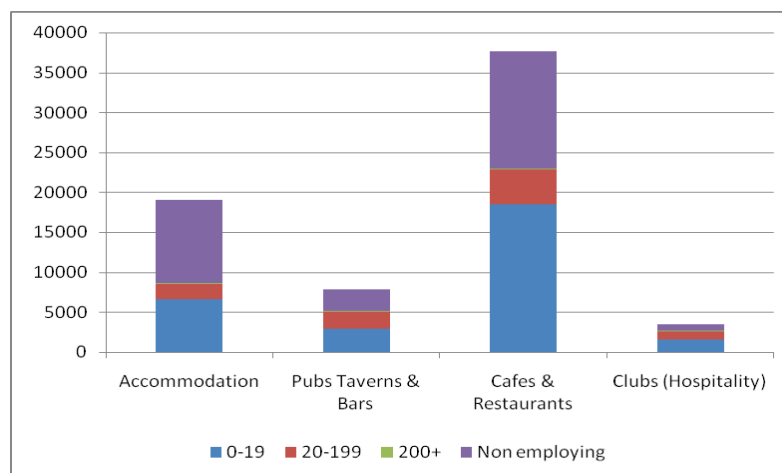


Figure 3 – Proportion of the Hospitality Industry by Sector and number of employees

⁴ Cafes and Restaurants Industry Survey, ABS 8655.0

⁵ ABS, Consumer Price Index, 6401.0, December Quarter 2007

Restaurant Industry Employment

The Australian Bureau of Statistics *Cafes and Restaurants Australia* report (released in April 2008), cited industry employment at 195,814 persons. According to ABS Labour Force data⁶, industry wide employment in May 2004 (for accommodation cafes and restaurants) was 468,400. Data previously purchased from the ABS⁷ (as detailed in the table below) suggested that there was 223,000 persons employed in cafes and restaurants (48.5% of hospitality employment).

In July 2008, in their Job Outlook publication the Department of Education, Employment and Workplace Relations reported (as outlined in Figure 4) 242,200 people employed in the cafés and restaurants.

	Full Time	Less than Full Time	AWOTE
November Quarter 2002	105,000	116,000	\$697.10
February Quarter 2003	104,000	112,000	\$674.30
May Quarter 2003	98,000	125,000	\$683.10
August Quarter 2003	110,000	113,000	\$676.10

Table 1 – Employed persons in cafes and restaurants, 2003-04

Figure 3: Accommodation, Cafés and Restaurants Sectors - Employment Level ('000) – February 2008

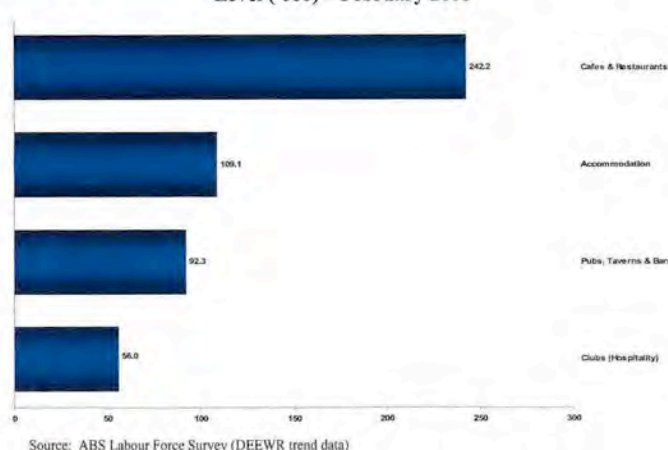


Figure 4 – Cafes and Restaurants, 2008

Cafes and Restaurants Australia also noted that 53.4% of employees were casual with permanent full time employees making up 25.4% of the labour force. The proportion of casual workers is more than double the all industry average of approximately 26%. As a

⁶ ABS, 6202.0 - Labour Force, Australia, Jun 2006

⁷ Data prepared 4 March 2004 for Restaurant and Catering Australia, by ABS from Employed Persons for ANZSIC 573

result there are more employees subject to rates greater than the standard hourly rate than in other industries.

The number of casual employees has been steadily growing by an average of 1% per annum. This casualisation of the industry has been evident over the past ten years. The largest proportion of the restaurant, cafe and catering workforce is part-time females.

The difference in the nature of employment in the hospitality industry is clearly demonstrated by the ABS Forms of Employment data⁸. The hospitality industry has a roughly 40:60 split of full time to part time workers, whereas the all industry average is 70:30.

Other characteristics of the hospitality labour market include a lower than average proportion of working operators (reflecting the high labour intensity of the sector) and a lower than average (6.6%) number of workers on contract. 74% of full time workers in the hospitality industry have leave entitlements compared to 89% across all industries.

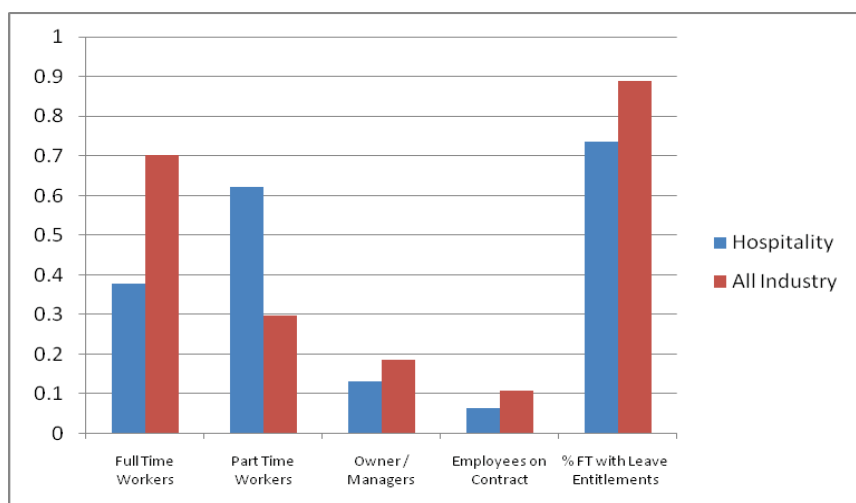


Figure 5 – Forms of Employment, ABS 2006

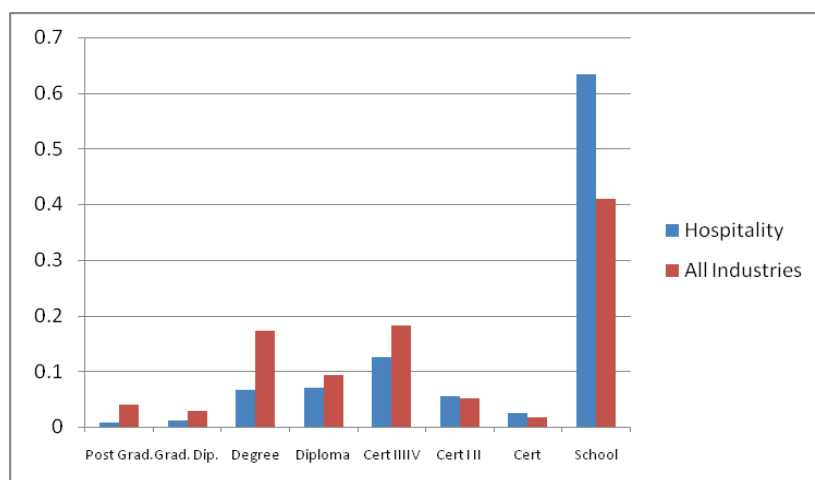


Figure 6 – Educational Attainment, ABS

⁸ ABS Forms of Employment, November 2006, ABS 6359.0

The hospitality industry has among the lowest level of education attainment of any industry. Approximately 65% of workers have no post school qualifications compared to 40% as an all industry average.

The hospitality industry has the lowest average pay rate of any industry with the average full time rate of pay sitting at \$751 per week and the part time rate of pay at \$232 against an all industry figure of \$388⁹.

Restaurant & Catering Australia contends that, in part at least, this level of remuneration is due to the mix of employees in the hospitality industry in entry level positions compared to other industries.

The major occupations in the wider hospitality industry include waiters, kitchenhands and bar attendants. These occupations are all regarded as having good to very good career prospects or are in other words still undergoing significant growth and are in shortage.

Occupation	% in Accommodation, Cafes and Restaurants	Number Employed
Waiters	89.90%	102,400
Kitchenhands	40.70%	95,200
Bar Attendants	88.60%	55,800
Chefs	82%	55,400
Restaurant & Catering Managers	70.20%	50,800
Cooks	63%	33,800
Hotel and Motel Managers	97%	22,900

Table 2 – Occupation Distribution, Key Occupations, Accommodation Cafes and Restaurants¹⁰

⁹ Employee Earnings, Benefits and Trade Union Membership, ABS 6310, August 2006

¹⁰ DEWR Job Outlook On-Line, August 2006

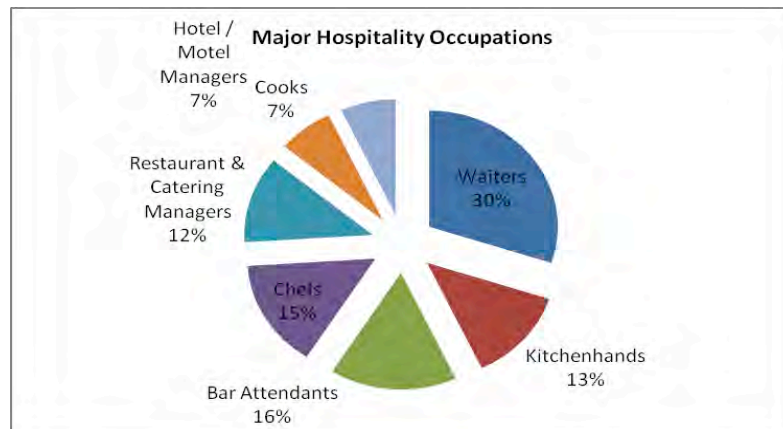


Figure 7 – Proportion of Employment in Major Hospitality Occupations

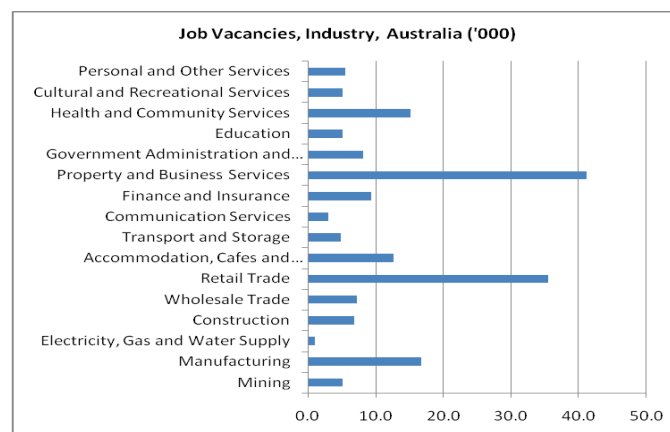


Figure 8 - Job Vacancies, November 2007

In 2007 the hospitality industry had the 5th highest number of job vacancies of any industry with 12,700 vacancies reported¹¹. As a proportion of its workforce, the hospitality industry ranks third behind mining and property/business services. There is no doubt that the restaurant, cafe and catering industry is suffering badly in the wake of the skills and labour shortage.

Employment Projections

Despite worsening economic conditions and a bleak outlook for tourism, DEEWR¹² projects employment growth for the cafes, and restaurants sector will be in the order of 2.2% per annum between 07-08 and 2012-13 (an increase of 27,700 over the five year period).

DEEWR Job Outlook reports that 48.1% of jobs in Accommodation, Cafés and Restaurants are part-time (approximately 116,500 in cafes and restaurants).

¹¹ ABS 6354.0, Job Vacancies, Industry, Australia, November 2007

¹² ib id

Despite strong job growth projections, the hospitality industry also has the highest rate of job turnover per annum at approximately 24%. High staff turnover produces many 'costs', including those associated with recruitment, any firm-specific training and the need for new employees to familiarize themselves with their new occupation and/or workplace. These costs are particularly hard hitting for small to medium tourism/hospitality enterprises, which account for the majority of businesses in the hospitality industry.

While low skilled jobs traditionally have had the highest rates of staff turnover, reflecting individuals moving along the career path from lower skilled to higher skilled jobs, in the hospitality industry the change in occupation is often unrelated to the area of work. The industry is often used to provide a casual income for students, who then go on to other careers on completion of their study.

It is evident that the predictions of future growth as well as the economic potential of the industry could be jeopardized by the current national skills shortage. In the past the shortage has been most evident for chefs, cooks and pastry cooks but, this has now been surpassed (in sheer numbers) by the shortage in front of house occupations. One of the immediate challenges for the industry is addressing the need for skilled staff in order to realise the full economic potential of the industry.

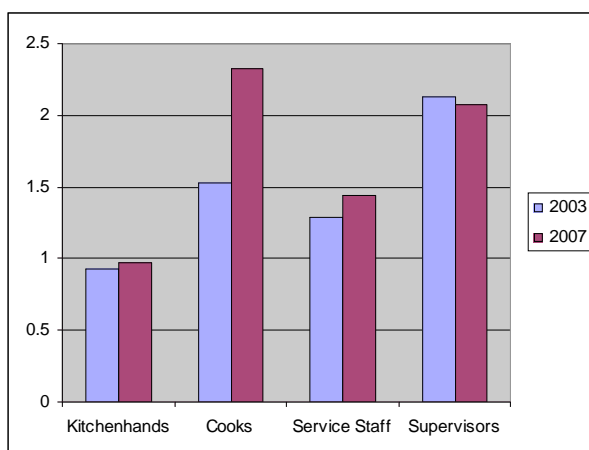


Figure 11 – Occupations in Skills Shortage in the Restaurant Industry, 2007 v 2003

It is unlikely that this situation will improve. In an occasional paper for The Academy of the Social Sciences¹³, published in January 2008, Peter McDonald and Glenn Withers suggest 'In the next 20 years, the only potential sources of increases in the labour supply are increased labour force participation rates and immigration.'

This paper goes on to suggest that net migration would have to rise by 277,000 by 2021 to maintain labour force growth at 1%. As detailed in the figure below the projected growth in the labour force is made up of very high levels of growth in the hospitality industry, modest growth in some sectors and even contraction in other industry areas.

The observation is made in the report that, whilst both increased workforce participation and migration have a role in meeting the needs of labour force growth, those 'who might be induced into the labour force <through increased participation> will not necessarily provide a good match to the required skills'. In the restaurant and catering sector this is likely to be the case. Disaffected job seekers may not necessarily have the

¹³ Population and Australia's Future Labour Force, ASSA, McDonald and Withers, 1/2008

attitudinal profile for customer service roles, leaving immigration as the most appropriate source of employees.

It is clear that in the future very extensive migration will be required to feed substantial growth in the service sectors (including the restaurant and catering industry). In part this is brought about by 'Average Australian living standards rising in line with productivity growth, creating increased demand for service workers in various labour-intensive sectors to which higher incomes are devoted¹⁴'.

¹⁴ Population and Australia's Future Labour Force, ASSA, McDonald and Withers, 1/2008, p 1

Pay Equity and Female Participation in the Workforce

It is acknowledged that the terms of reference for this inquiry are that the Committee inquire into and report on the causes of any potential disadvantages in relation to women's participation in the workforce including, but not limited to:

- The adequacy of current data to reliably monitor employment changes that may impact on pay equity issues;
- The need for education and information among employers, employees and trade unions in relation to pay equity issues;
- Current structural arrangements in the negotiation of wages that may impact disproportionately on women;
- The adequacy of recent and current equal remuneration provisions in state and federal workplace relations legislation;
- The adequacy of current arrangements to ensure fair access to training and promotion for women who have taken maternity leave and/or returned to work part time and/or sought flexible work hours; and
- The need for further legislative reform to address pay equity in Australia.

Women and the Hospitality Workforce - The data

In the hospitality industry¹⁵ the participation in the workforce of females exceeds that of males by 26%. According to the Australia Bureau of Statistics in May 2008 there were 207,200 males employed compared to 261,200 females.

The mix of working arrangements are such that part-time females are the predominant group in the hospitality workforce, followed by full-time males and then some way to full-time females and lastly part time males.

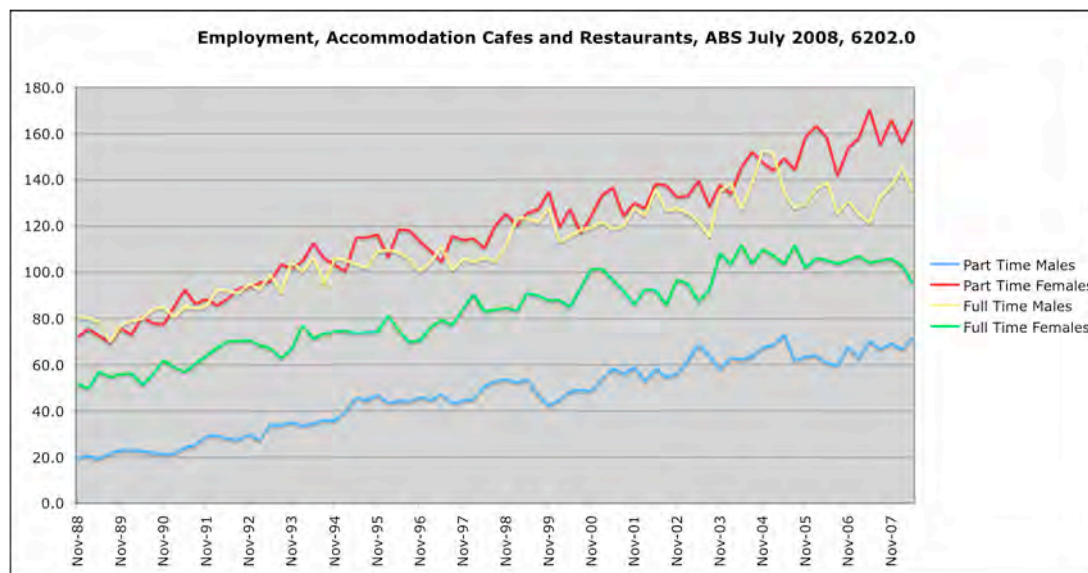


Figure (12)

As can be seen from figure 1, the proportion of part time females in the workforce eclipsed full time males at the end of 2004 and the gap has widened significantly since then. In the period 2004-2008 part-time employment has grown at the expense of full time employment. In this growth the proportion of females employed part time has outstripped males 2.3: 1.

¹⁵ Defined as ABS Division H, (57) accommodation, cafes and restaurants

The magnitude of the trend is evident in Figure 2. The shift from full-time to part-time employment is a function of increasingly irregular business patterns with more business being undertaken in the traditional peak periods of evenings and weekends.

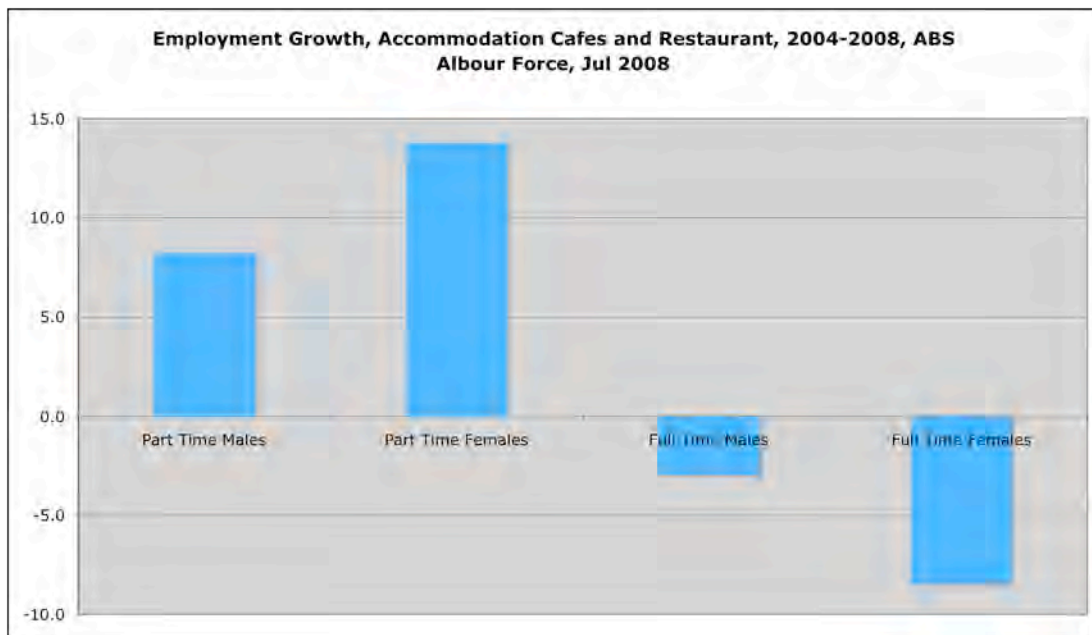


Figure (13)

The growth in employment across the sector has lead to a strict parity of hourly pay for males and females across the board. Whilst this is the case overall, there are variations in the average amounts paid in each of the sectors.

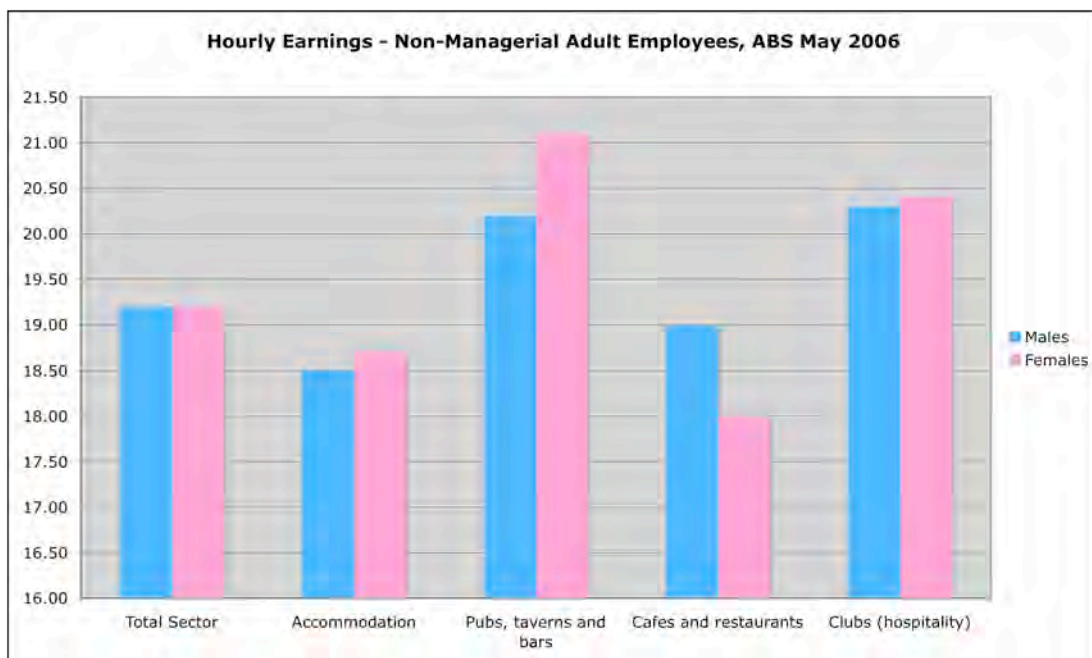


Figure (14)

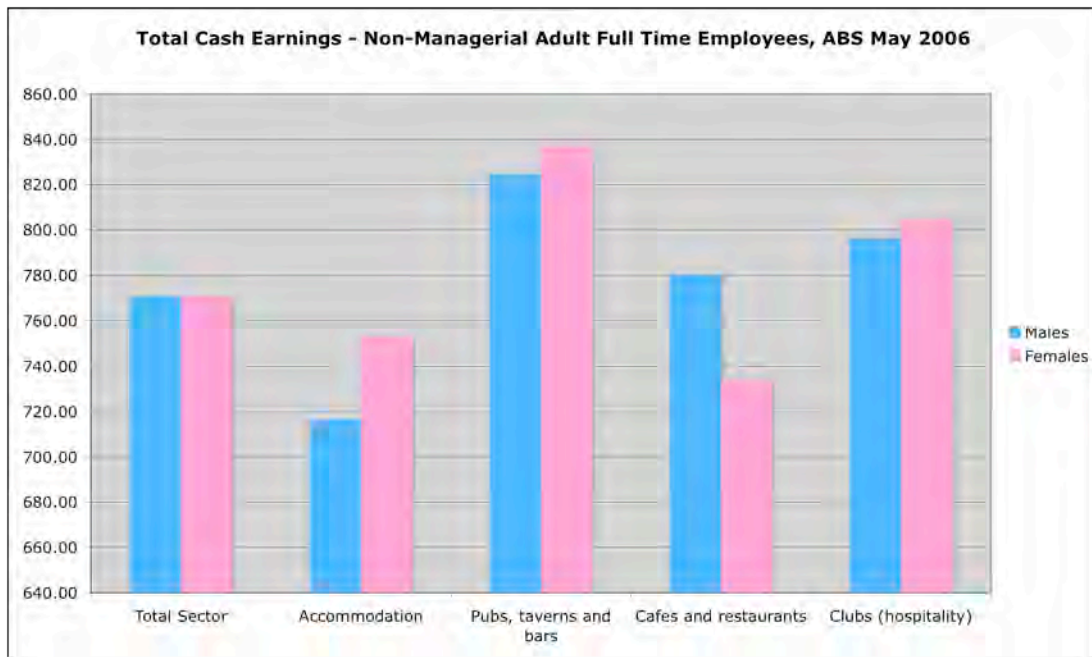


Figure (15)

In addition to a parity of the hourly earnings (at an average of \$19.20 per hour), there is parity of total weekly wages paid (at approximately \$771.00 per week). Once again this parity is subject to substantial variance from sub-sector (industry) to sub-sector.

The pay parity by industry sector is further explained by the mix of occupations in the sectors. In hospitality, there are two major non-management occupations. These occupations are reasonably confined to the hospitality industry. They are Food Trades people (cooks and chefs) and hospitality workers (Waiters, Kitchenhands and Bar Attendants).

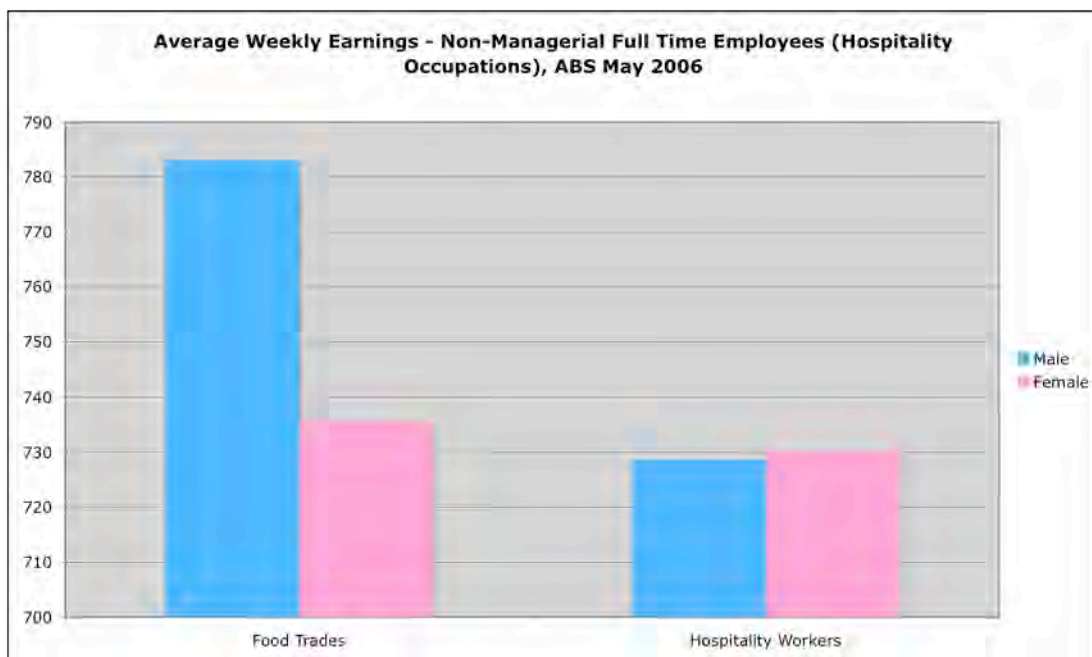


Figure (16)

Whilst the pay received by females for the lower level occupations is higher than their male counterparts, there is a significant gap between the male and female rate of pay for cooks.

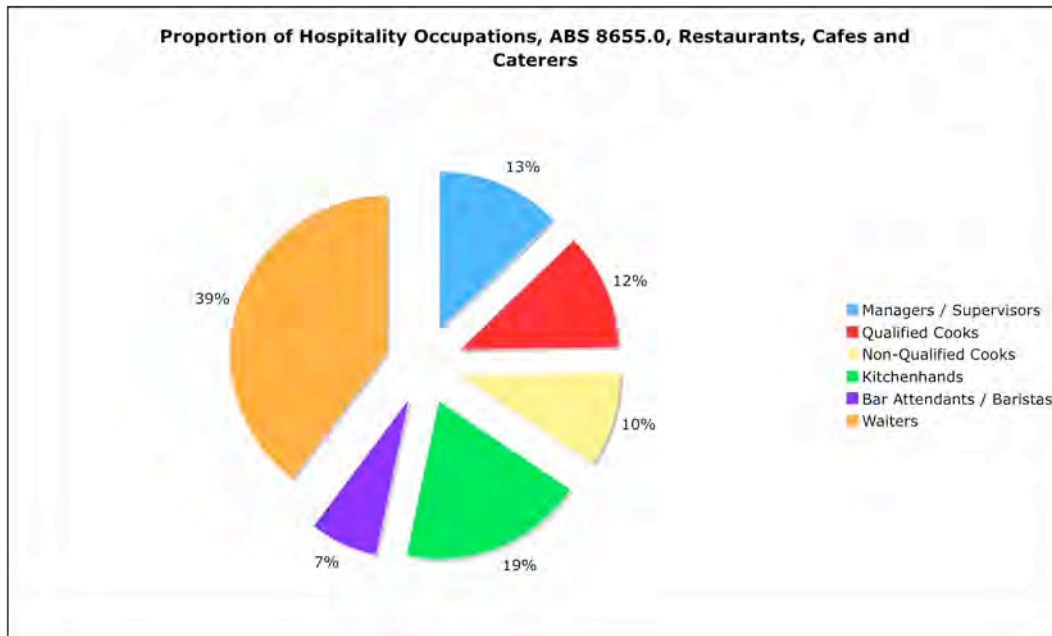


Figure (17)

It is clear that the differential in pay, from males to females, at an industry level, is a function of the mix of job role in the sectors. The hourly pay in restaurants, cafes and caterers will be lower because the numbers of people employed in lower paid occupations is higher.

In the cafes and restaurant sector 68% of the workforce are employed in the lower skilled occupations of non-qualified cooks, kitchenhands and waiters, whereas in the hospitality industry overall 50% of the workforce are in these occupations.

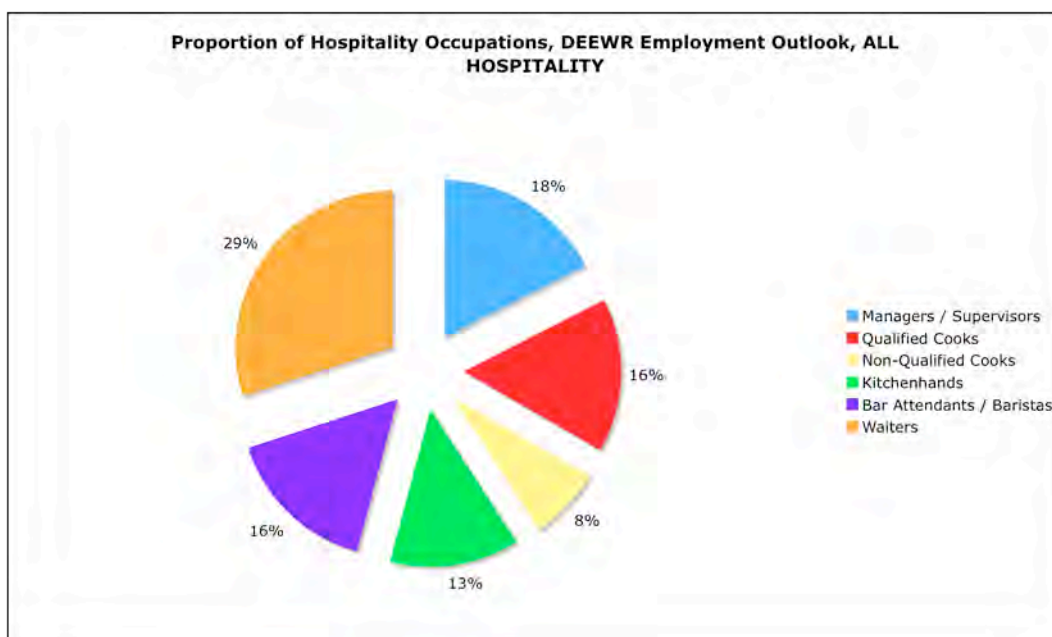


Figure (18)

Restaurant & Catering Australia contends that the current data is sufficiently reliably to be able to monitor employment changes that may impact on pay equity issues, however, the industry believes that the data needs to be interpreted at an industry level in order for the trends to be evident.

Hospitality does not face inequity of pay nor an under-representation in participation of females in the workforce. When viewed at an industry sector level, it is clear that there is pay equity for males and females.

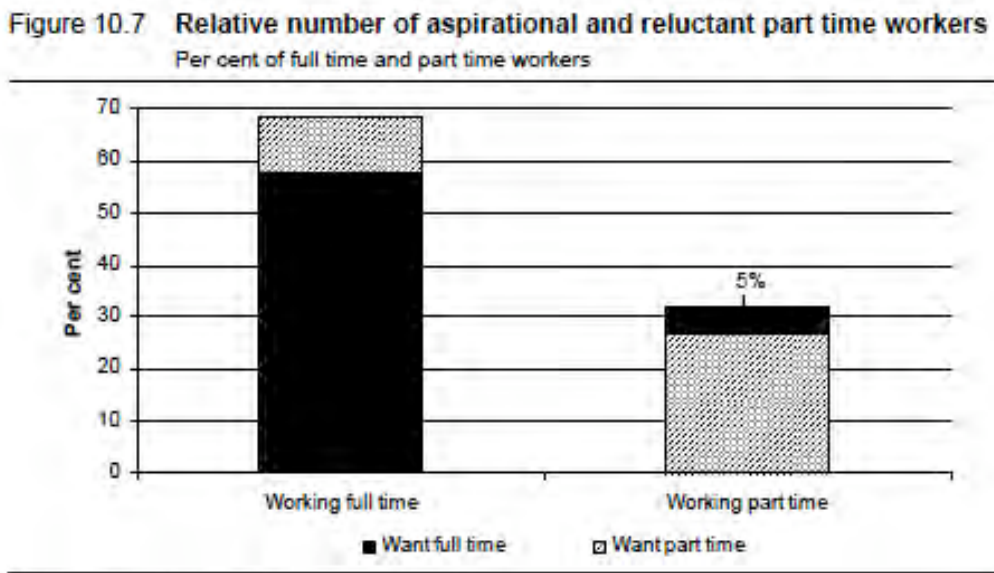
Female Workforce Participation and Part Time Work

One facet of the hospitality workforce that is worth exploring in the proliferation of part time work, that is undertaken by females, and the extent to which activity should be directed toward shifting the balance from part to full time work.

Restaurant & Catering Australia contends that the vast majority of female part time workers undertake this type of work by choice and are more than satisfied with their working arrangements than their full time equivalents. The Association believes that it is conclusive that part time work in the industry meets very specific employment objectives of employees and therefore would best be protected as an employment arrangement rather than try and effect change away from part time work.

In a recent study undertaken by the Productivity Commission¹⁶ the issue of pay equity (between full and part time staff) was dealt with extensive. The report notes that *'Research findings indicate that part time workers in Australia are paid at broadly similar or even higher rates per hour compared to their full time counterparts'*.

The Productivity Commission report states clearly that only 5% of part time workers do so because they want full time work. The overwhelming majority of part time workers want part time work.



Data source: HILDA 2007 Release 5.1 (weighted data).

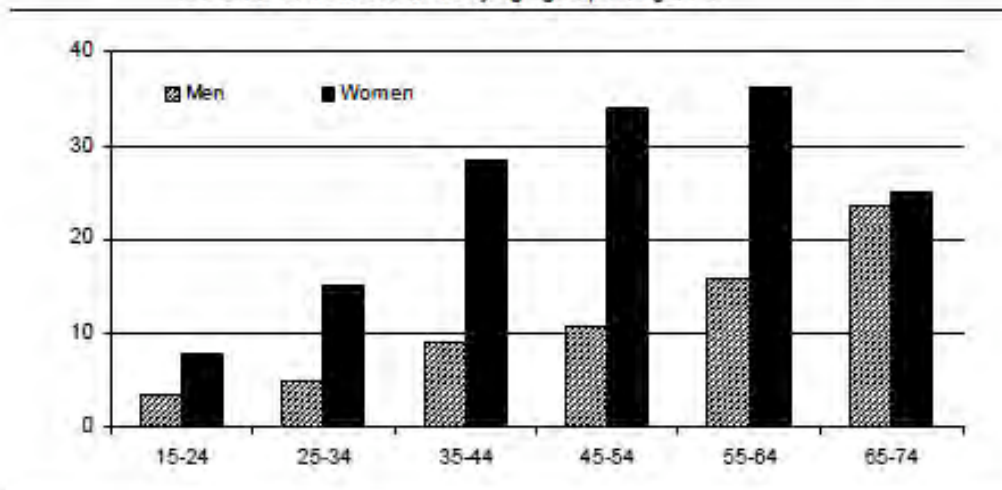
Figure (19)

The report also examines in some depth the extent to which female workers are more desirous of part time work than men. The report notes that *'For women, those aged*

¹⁶ Part Time Work the Australia Experience, Productivity Commission, July 2008

between 35–64 have the highest rate of full time workers aspiring to work part time. These ages are typically associated with returning to work as children grow and transition to retirement.' This is augmented by women in other life stages (particularly students) having a strong preference for part time work. All in all female workers overwhelmingly work part time because they want to.

Figure 10.8 Aspirational part time work among men and women, 2005
Per cent of full time workers by age group and gender



Data source: HILDA 2007 Release 5.1 (weighted data).

Figure (20)

The report raised several important contributions made by part time work. As the sector of the economy in which part time work is most prevalent, hospitality makes a sizable contribution to these benefits. The report states that '*Income from part time work was found to be an important source of income for households with young children, especially for household with a lone parent*'. A very significant number of female part time workers are in this category.

Conclusion

Hospitality is a significant employer (at some 500,000 Australians). Restaurants, cafes and caterers are the majority of hospitality employers (53%). There are more than twice as many female workers as males in hospitality and female workers get paid the same as males workers on average.

The predominance of females working part time is a positive for employees and employers. Part time workers want to work part time, are satisfied with their lot and the part time work makes a very significant contribution to their household income.

There is sufficient data to make these assertions. Restaurant & Catering Australia contends that the need for education is around the reality of part time employment and that the hospitality industry makes a very positive contribution to society through providing part time work to workers that need and want less than full time employment.

The policy impact of this is extensive in that the Government position should be to support part time work. Areas of policy that should be addressed that discourage part time work include workplace relations policy, education and training policy (around traineeships / apprenticeships), employment service policy (around what is a job placement) and immigration policy.