

Labour Force Requirements of the Tourism Sector **August 2006**

Submission by Industry Advisory Board for
Australian School of Tourism and Hotel Management (WA)
Southern Cross University (WA)
Broadwater Business School (WA)

Introduction and Terms of Reference

The House of Representatives Standing Committee on Employment, Workplace Relations and Workforce Participation has called for submissions to an inquiry into the labour force requirements of the tourism sector, under request from the Minister for Employment and Workplace Relations, Kevin Andrews MP.

The Committee is inquiring into and to report on workforce challenges in the Australian tourism sector, with particular reference to:

- A. Current and future employment trends in the industry;
- B. Current and emerging skill shortages and appropriate recruitment, coordinated training and retention strategies;
- C. Labour shortages and strategies to meet seasonal fluctuations in workforce demands;
- D. Strategies to ensure employment in regional and remote areas; and
- E. Innovative workplace measures to support further employment opportunities and business growth in the tourism sector.

Purpose

This submission was prepared on behalf of the Industry Advisory Board (WA) for the 'Australian School of Tourism and Hotel Management', 'Southern Cross University' and the 'Broadwater Business School' of Western Australia (the 'Industry Advisory Board').

The Industry Advisory Board is made up of senior industry representatives from a number of peak industry associations and employers to provide direct input into the curriculum and objectives for educational programs offered by the three aforementioned entities, with a particular interest in vocational training and formal education for the tourism and hospitality industries in Western Australia.

This document is not intended to be an academic paper in any sense, but represents a practical and pragmatic response to the inquiry based upon the known issues and circumstances facing the tourism industry, particularly in Western Australia.

This submission highlights the vital role that vocational training and formal education must play in addressing the many critical issues identified in the terms of reference (above).

Tourism Employment & Economic Benefit

Globally, the World Travel and Tourism Council (2006) puts travel and tourism as the world's largest industry, directly employing 77 million people or an estimated 2.8% of all jobs in 2006. In 2006, travel and tourism is expected to generate US\$6,477 billion of economic activity (total demand) including 3.6% of GDP (US\$1,755 billion).

In Australia, in 2004/05 tourism delivered A\$32.6 billion to the national economy (Gross Value Added) and contributed 3.7% of Australia's national Gross Domestic Product (GDP), employing 550,100 people in the tourism industry or 5.6% of the national workforce. International visitors consumed \$18.3 billion worth of goods and services produced by the Australian economy, or 11.1% of total national exports (ABS, 2005).

In Western Australia, the first Tourism Satellite Account estimated that (in 2001/02) 54,000 jobs were directly related to the tourism industry with a further 18,000 jobs indirectly related to tourism. In total this represented 7.7% of total state employment. The Western Australian tourism industry directly accounted for \$2.2 billion of Gross Value Added (value of industry's production before net taxes on products) - this is 3.1% of total Western Australia value added and equates to 8.5% of Australia's total tourism value added. Tourism also contributed \$2.7 billion (or 3.5%) to Western Australia's Gross State Product (GSP).

Tourism Training & Education

Formal studies in tourism, or more particularly 'tourism' as a defined academic discipline in its' own right, is only now emerging as a serious and legitimate academic endeavour.

In the Australian context, recent trends provide an indication of the potential role of tourism as a key focus of future economic development (Bushell, Faulkner & Jafari, 1998 cited in Jennings 2001) and given the rapid growth of tourism during the twentieth century, and the predominant view of tourism as an economic activity, it is no surprise the actual study of tourism postdates the actual phenomenon of tourism itself (Jennings, 2001). In fact, tourism is arguably still viewed as a combination of established (multi) disciplines that may not yet possess sufficient doctrine to be a fully-fledged academic discipline in its own right (Bodewes, 1981).

Available evidence also suggests that tourism studies may still be viewed as a lower status qualification by some potential students, with many students who commence tourism studies advising that tourism was not necessarily their ideal choice. As a result, it is not uncommon that after commencing tourism or hospitality studies and undertaking their practical work experience in the industry, some students realise that much of the industry revolves around irregular hours of employment, for less monetary reward than some other industries, so some simply leave tourism to join those other industries.

It has also been widely reported that as the Australian economy has significantly improved, and as unemployment rates have declined to record levels, there is a corresponding decline in the level of enrolments into our educational institutions. With unemployment in Western Australia running at a record low of 3.1%, and the mining and resources sector experiencing a long-lasting boom, it is reasonable to assert that Western Australia is experiencing even greater pressures on attracting and retaining students into tourism related studies.

Need for Structured Training & Flexible Delivery

Tourism is a highly 'people-centric' product, so it is fundamental that friendly, efficient and professional services are cornerstone ingredients to Australia's growing reputation as an appealing, globally competitive and sustainable tourism destination.

As the number of international visitors increase over the next 10 years, and domestic visitors become increasingly discerning and demanding, the tourism sector will also have to become even better skilled to meet, and exceed, ever-increasing expectations of it. Therefore, the rapid development of a skilled workforce, capable of sustaining high levels of service and competency, is critical to the long-term viability of this labour-hungry industry.

Regional tourism destinations and tourism operators face even greater challenges, often suffering from a lack of formally trained staff and a lack of locally available training resources, which can adversely affect product quality, product consistency, service levels and customer experiences. Training opportunities which do exist often have low take-up rates, as they may not meet the needs of the local industry at that particular time or location.

Some organisations may prefer or need to conduct in-house (rather than externally sourced) training, which can limit mobility opportunities for their employees and create inconsistent skill standards within the wider industry. However, in-house training plays an important role in providing (limited) vocational training and encouraging loyalty amongst employees, arguably leading to improvements in employee morale and resultant service standards.

Formal education and training available within the tourism industry is widely varied and often fragmented, while there are a large number of agencies providing courses at many different levels. It is important for the States, Territories and industry to work together to ensure the provision of coherent and effective tourism training courses that meet industry needs.

One example of industry and educators working synergistically is the 'Broadwater Business School' of Western Australia, being a successful collaboration between Broadwater Hotels and Resorts, Southern Cross University and the Australian School of Tourism and Hotel Management in Perth. The school offers a range of vocational training and tertiary studies, from traineeships through to MBA qualifications, already delivering significant employee development, product improvement and increased employee tenure in its initial year.

The Ministerial Council on Education, Employment, Training and Youth Affairs is currently looking at ways to improve articulation and credit transfer between Registered Training Organisations and higher education institutions. This key issue is being reviewed by the Australian Government and the States and Territories through the Joint Committee on Higher Education. Provision of on-line training can also offer time and cost savings while easing the burden of training on small businesses. As technology becomes increasingly advanced, tourism must expand the accessibility and prevalence of online tourism courses.

In addition, around 43 per cent of the Australian population was born overseas or has at least one parent who was born overseas. Many Australians possess linguistic and cultural skills that should be recognised as a major tourism asset and used to benefit the Australian tourism industry and economy. Australia should stand apart as a country which truly values language competency and has sensitivity to different cultural practices - enriching the visitor experience, which would likely lead to repeat visits and positive word of mouth.

Need for Formal Education & Recognition

The nature of the tourism industry to date has been more of slow evolutionary change, rather than any well defined or industry wide strategy to develop a formally trained and educated workforce to lead the industry into the next century.

There appears to be some lack of recognition within the community at large, and until recently within the industry itself, of the critical importance of a long-term trained and formally qualified industry to deliver the required service levels and innovations needed to satisfy ever increasing customer expectations and needs.

There is currently a diminishing pool of applicants entering tertiary institutions for tourism related courses, while the current approach to tourism education appears to be (nationally) fragmented with little apparent reward for attaining tourism qualifications or professional tourism expertise. These compounding circumstances, if not addressed, will have a lasting impact on the Australian tourism industry and will accordingly limit its future potential.

Unlike many similarly competitive industries, a large number of senior managers working within the tourism industry do not have relevant tertiary or professional qualifications, which can reduce their motivation to encourage or require their own workforce to possess or attain formal qualifications themselves. It is therefore probable that unless, and until, the industry is more widely required to hold formal qualifications as an essential business and professional tool, the industry may well fail to attract the highly qualified managers, and capable future leaders, it requires to sustain the industry.

However, Australian educational institutions attract an increasing number of international students to tourism and hospitality studies, only to see them depart Australia following completion of their studies - largely due to visa restrictions. This highly relevant and critically needed tourism and hospitality expertise (and intellectual property) is being developed here, but is immediately exported to the originating tourism destinations where these same skills are then used to compete against Australia.

Also, other industries such as mining have been formally recognised by government and well communicated to the wider population as to its economic and broader social importance. A cooperative between governments and industry in these situations has been well developed to inform the broader community as to its long-term importance to the economy. While this has happened to some extent in tourism, it has been spasmodic and appears to lack a well articulated and unambiguous message about the importance of tourism as an industry.

The industry also appears to lack the status or attractiveness of some other industries, such as medicine, law, mining or engineering, while the industry still does not have a clear or singular structure of its own. There are often disparate governing bodies making a wide range of highly strategic decisions for the industry.

Therefore, it is strongly recommended the industry develops a singular professional representative body, such as (for example) the 'Australian Institute of Hospitality Professionals' or the 'Australian Institute of Hoteliers', to co-ordinate continuous professional development while working to elevate the status of professionally qualified managers within the industry generally. The perceived status and appeal of tourism 'professions' needs to be dramatically improved in the short term.

Dynamic Changes to Australian Employment Pool

Population projections show that the ageing of our Australian population will continue. This is the inevitable result of fertility remaining at low levels over a long period and our increasing life expectancy. As our population growth slows during the next 50 years, the population is projected to age progressively with the median age of 36 years in 2004 increasing to about 41 in 2021, and about 45 years by 2051.

By 2051 around 26 percent of Australia's population is projected to be aged 65 years or older, compared with 13 per cent currently (i.e. the proportion of people aged 65 years or older will double). The highest annual rate of growth for this age group is projected to occur in 2012, when the peak of the 'baby boomers' generation reaches retirement age.

Extensive research has concluded that immigration beyond current levels would have a diminishing impact on reversing or slowing the ageing of the population. This reflects ageing being a gradual process and that most migrants who enter Australia would themselves be part of the aged population in 30 to 40 years time. Massive and ever increasing levels of immigration would be needed to have any significant impact, while changes in the fertility rate would have a far greater impact on population ageing than changes in migration levels.

At the younger end of the labour force, the final years of the twentieth century saw Australia's working age population grow by an average of 170,000 a year. However, from 2020 the working age population will grow by only 125,000 over the entire next decade. This is a serious, long-term shortage of population necessary to maintain the economic and social well-being of the community and there is limited capacity to change this outcome.

In addition, there has been an acceleration of emigration of Australian residents (overseas), with official estimates of the national diaspora being 900,000 (from a national population of 19.7 million). This is directly linked to better wages, higher job satisfaction and recognition of exemplary performance in innovative industries. Research indicates that more than half of these Australians have definite intentions to return to Australia and only 15 percent have no intention to return.

There is obviously a looming 'war for talent' facing Australian business. Population ageing and a declining birth rate are predicted to have an enduring impact on the way we live and work. A shortage of a skilled and experienced labour force across all sectors of the Australian economy seems somewhat inevitable, and perhaps long-lasting, unless actively addressed.

Boom in (WA) Mining, Resources & Building Industries

The phenomenon in Western Australia is that the mining, resources and building industries are requiring and attracting a wider base of skills and qualifications, including drawing from the hospitality sector for required chefs, cooks, tertiary entrant applicants, graduates across faculties, etc. Tourism and hospitality are finding it difficult to compete with much higher pay rates being offered, as the opportunity to pass such costs on to end-users is more limited.

In addition, workers historically filling the more labour intensive and less appealing tourism and hospitality positions (e.g. cleaners, night audit, etc.) are being drawn to other industries on higher pay rates and these essential positions are now much harder to fill.

Boom in (WA) Mining, Resources & Building Industries

In fact, while employment in tourism and hospitality increased by 6.7% from June 2003 to June 2006, employment in Mining increased by 18.7% and Building by 25.6% over that same period. Tourism and hospitality used to enjoy similarly rapid growth (with growth of 26.6% in 2001) but are clearly losing appeal as employees move to higher paid and better marketed industries and professions. There is clear evidence that the mining, resources and building sectors are drawing employees out of the tourism sector, perhaps permanently.

Although there is a lack of empirical data on the present migration of the workforce from tourism to mining, resources and building, it would appear the recruitment and retention of staff in the tourism industry may well prove to be a highly challenging issue for some years to come.

Current Pressures on Tourism Labour Market

The combination of very significant growth in the underlying demand for labour and the concurrent skills and labour shortages in WA bring together, and catalyse, very significant upward pressures on pay rates and cross-industry competition for the available labour force.

While these market conditions may be very beneficial to the labour pool, at least in the short term, logic dictates that without significant pricing (or profit margin) increases such large labour cost increases are not economically viable or sustainable. Along with a well publicised increase in the 'casualisation' of the Australian workforce over the past decade, these variables are all putting significant upward pressure on wages and related costs.

It is reasonable to assert that (beyond wages alone) many people perceive that tourism currently offers limited career prospects, longer working hours, cyclical labour demand and relatively low remuneration. These perceptions impact employee recruitment and retention and the less than ideal image of the industry must be actively addressed in the short term.

In addition, Western Australia has also experienced highly significant cost of living increases, now having the second highest average wages in Australia, the second highest average house prices in Australia and the highest CPI increase in Australia (of 4.3%) last fiscal year.

In a developed country such as Australia, the tourism industry is a highly cost competitive and low profit margin industry, with limited capacity to simply respond to the current labour shortages with ongoing wages increases to attract the required labour force.

Although this paper focuses on the key role of training and education in solving the many critical issues facing the tourism industry, the growing competition for the available labour force requires that (beyond training and education) the tourism industry must reward that available labour force with appropriate remuneration - if it is to remain globally competitive.

Therefore, should the entire Australian tourism industry adopt a systematic 'tipping' based culture into the future, this would both reward and encourage higher service standards across the entire industry while improving resultant employee remuneration and industry appeal. This could be achieved without dramatically increasing wages costs to the tourism operators, so the well established American model for 'tipping' should be closely investigated and adapted for the Australian industry in future - perhaps introduced in several steps.

Conclusion

This paper has very briefly highlighted (only) some of the critical issues facing the Australian and Western Australian tourism industry, most particularly the rapidly expanding pressures on its capacity to recruit, train and retain a highly capable and effective workforce.

If the tourism industry is to fulfil the enormous opportunities and potential growth available to it, these hurdles must be jumped - or at least creatively neutralised.

It is clear that a much more comprehensive and truly integrated tourism labour force strategy is urgently required and that it must encompass an enhanced tourism industry profile and career appeal, innovative employee recruitment and retention, a requirement for greater formal education and qualifications in the industry, and more creative remuneration strategies (including the staged introduction of tipping).

The tourism industry may currently lack the strong professional image evident in some competitor industries, with a heavily 'casualised' workforce which is not always formally trained or highly paid. Since the industry is highly labour-intensive, it simply cannot afford to sustain its current employment practices and structures any longer.

The future success and viability of the Australian tourism industry requires a highly strategic and pragmatic review of the many variables which impact the industry and a courageous and unmoving will from government and industry to find meaningful answers to those many opportunities and challenges that lay ahead.

Formal Recommendations to the Inquiry

As noted earlier in this document, this submission is intended to highlight the vital role that vocational training and formal education must play in addressing the many critical employment and education related issues facing the Australian tourism industry.

In summary, the following five actions are recommended to the Inquiry:

- 1a. international students completing accredited tourism or hospitality related studies in Australia be granted visas to work in Australia within the tourism and hospitality industry for a period of up to two years following successful completion of their studies - with current legislation (migration occupations in demand list) amended to allow tourism and hospitality students (not just cooks) to apply for permanent residency in Australia after completion of their studies and a further minimum period of two years gainful employment;
- 1b. the current regional migration scheme be extended to include all capital cities and metropolitan areas in Australia - not just the current nine nominated regional centres;
2. the federal government and state governments formally commit to a secondary schools based education program whereby the school curriculum is collaboratively developed and presented between the state authorities and industry - to create more 'life skilled' students who gain deeper knowledge of the true value of tourism and services industries to the global economy, while improving their employment prospects and increasing the profile and employment appeal of services related industries;

Formal Recommendations to the Inquiry

3. financial and/or taxation incentives be offered for both employers and employees for direct investment into formal and accredited training and education of the tourism labour force, to both secure the required funding from private enterprise while tangibly improving the status, appeal and professional competency of the labour force;
4. actively support industry to initiate development of a national and singular professional body for the industry, to formally recognise and accredit individuals who attain prescribed educational qualifications and/or relevant industry expertise and to provide ongoing professional development programs (similar to such associations for doctors, lawyers, accountants, etc.). The perceived status and appeal of long term careers within the industry needs to be better aligned with other professional vocations; and
5. government and industry to publicly endorse the alignment of Australia with other highly competitive international tourism destinations which adopt a 'tipping' based reward system for employees, offering employees greater incentive for exceptional service while making the industry more competitive against other higher margin industries. A tipping system could be introduced in steps.

There is significant depth and breadth of interest and concern throughout the entire tourism industry about these (and other) critical issues facing the industry. We therefore actively and strongly seek an open hearing of these issues in Western Australia to allow the WA based industry to directly address their issues and recommendations with the Standing Committee.

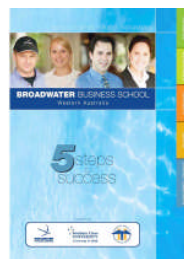
This document is submitted in good faith to formally highlight a (limited) number of the many issues facing the industry, and our recommended actions, while we trust this submission is seen as a meaningful addition to the information currently being considered.

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