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## Executive Summary

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Restaurant & Catering Australia is the peak national organisation representing the interests of Australia's 37,700 restaurateurs and caterers.

Restaurant and catering businesses turned over \$12 Billion last year following two years of gentle increases to overall revenues. Whilst in the past slow growth in revenue and faster growth in the number of business has been the key feature, profitability has been in severe decline.

Restaurants, cafes and catering businesses return between 2 and 4% in net profit on turnover. This has been decreasing as wages and the cost of food increase much faster than revenue to the average restaurant or catering business.

The restaurant industry employs 188,102 people. The restaurant industry is the majority part of the hospitality industry. Employment in the industry is substantially casual, is more bottom heavy than other industries and is made up of business units employing an average of eight people.

Each of the major occupational groups of waiters, kitchenhands, bar attendants and cooks / chefs are in significant shortage.

In the future, growth in the sector will slow but continue to be positive. Profitability is likely to continue to erode as the cost of labour particularly continues to rise. Even with this being the case the industry will experience the third strongest employment growth of any industry to 2011 and require 65,000 new entrants in the next five years.

Employment in the tourism industry and employment in the hospitality industry can not be separated. There are 550,000 employees in the tourism industry and 478,000 employees in the hospitality industry. Every employee in hospitality is to some extent involved in tourism yet only 176,000 are counted as tourism employees. The tourism and hospitality labour market is comprised of 852,000 individuals.

There has been a number of projects undertaken to examine the characteristics of the skills shortage in hospitality over the past four years. In particular the reports, a *Recipe for Change* and the *Waiting is Over*, funded by the Department of Education Science and Training, have been instrumental in forming recommendations as to how the skills shortage might be managed.

The industry faces difficulties in five key areas, attracting the right people to work in hospitality, the education and training of potential employees, effecting change within the industry to slow attrition and improve conditions and in bringing in overseas workers.

The report makes the following recommendations on the way forward:

- Develop of a model to identify current and future labour force needs of the hospitality and tourism industry;
- Undertake an examination of current and future labour market supply;
- Develop a tourism and hospitality Employability Skills recruitment and staff screening tool;
- Produce quality information on the hospitality and tourism industry for potential applicants;
- Improve the quality of training of apprentices and trainees in the workplace;
- Promote the uptake of apprentices and trainees with employers;
- Increase the number of mature age workers entering the industry;

- Increase the hospitality industry's understanding of, and engagement with the training system;
- Increase the quality and effectiveness of the delivery of hospitality training by Registered Training Organisations;
- Acknowledge that industry profitability is the basis of being able to provide better working conditions and therefore increasing retention;
- Promote industry certification schemes;
- Encourage formal recognition of existing skills/short courses;
- Encourage existing employees/managers into RPL processes;
- Develop a database of individual employee's competencies in order to facilitate recognition of current skills and knowledge;
- Develop and disseminate resources or case-studies focusing on the worth of taking on good, long-term casual or part-time employees and on rostering and management options to improve retention of existing employees;
- Make the process of justifying the skill shortage and justifying an adequate record of commitment to training and education, for immigration purposes, easier through streamlining it at an industry wide basis<sup>1</sup>;
- Classify Perth as a region for immigration purposes;
- Skilled Front of House (Hospitality) Occupations should be added to the Migration *Occupation in Demand* listing;
- Restaurant Managers should be added to the Skilled Occupations List (and attract 60 points);
- Degree Qualifications for Hospitality Managers should be moved to the 'Professionals Listing' and attract 60 points;
- The points allocated to 'Work Experience' should be expanded to include students who have undertaken a significant work component (say 6 months or 1 Year) as part of the course of study;
- Extend the maximum working hours per week for an international student on a student visa to 30 hours per week;
- Pilot approaches to unskilled migration in a geographically or occupationally bounded way, and;
- Promote agreement making and incorporation to small restaurant and catering businesses.

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<sup>1</sup> Achieved through the signing of a Labour Agreement.

## 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 have a combined membership of over 6,000. There is an R&CA member restaurant and catering association in every State and the Australian Capital Territory.

## The Restaurant Industry

The Australian Bureau of Statistics reports 37,699 restaurant, café and catering businesses 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 people<sup>2</sup>.

Restaurant, cafe and catering turnover for the month of May 2006 was \$1,075.9 Million. This was 17.5% higher than turnover in the same month in 2005. The increase in May 2006 represents the eighth consecutive month of growth on the previous year. This is due to the low turnover base in 2004/05 and a return to 2003/04 levels of trade.

A report released by the Australian Bureau of Statistics<sup>3</sup> in July 2005 shows a slowing in restaurant profits (as forecast by the R&CA) with 63.4% of businesses (the businesses employing less than 10 people) generating less than 2% net profit.

Businesses reported to the ABS an average net profit of 4%, down 16% on the previous survey period (1998-1999). Labour costs have risen an average of 17% from 29.4% of turnover to 34.3% of turnover, demonstrating the need for workplace reform. In the same period turnover increased by 7% among 7.1% more businesses. The slice of turnover is therefore the same on average as in 1998 / 99 but businesses face significantly higher wage bills. This is in part attributable to increases in non-wage labour costs, specifically superannuation and workers compensation.

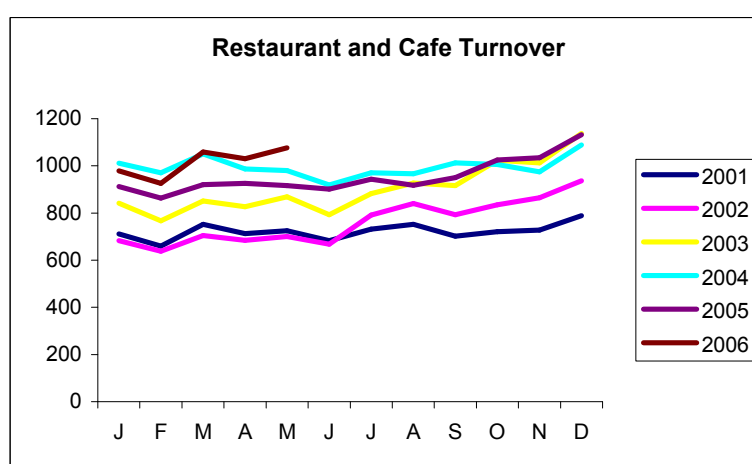


Figure 1- Restaurant Industry Turnover 2001 - 2006

<sup>2</sup> ABS Business Counts, 2005, Restaurant & Catering Australia

<sup>3</sup> Cafes and Restaurants Industry Survey, ABS 8655.0

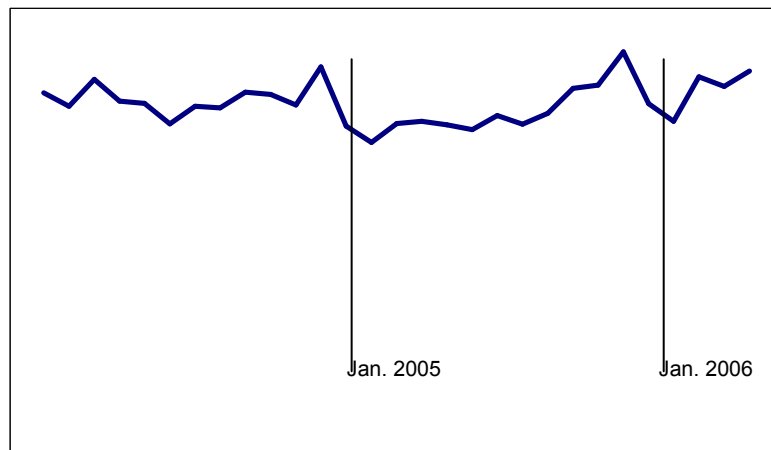


Figure 2 – Time Series turnover Jan. 2004 – May 2006

In most cases in the hospitality industry, half of the businesses in each sector are 'non-employing businesses'. By far the largest number of businesses in hospitality are restaurant businesses now accounting for 55% of all those in the sector. Whilst the majority of businesses in the restaurant, café and catering sector are small employers, they are also account for more employment than any other sector in hospitality.

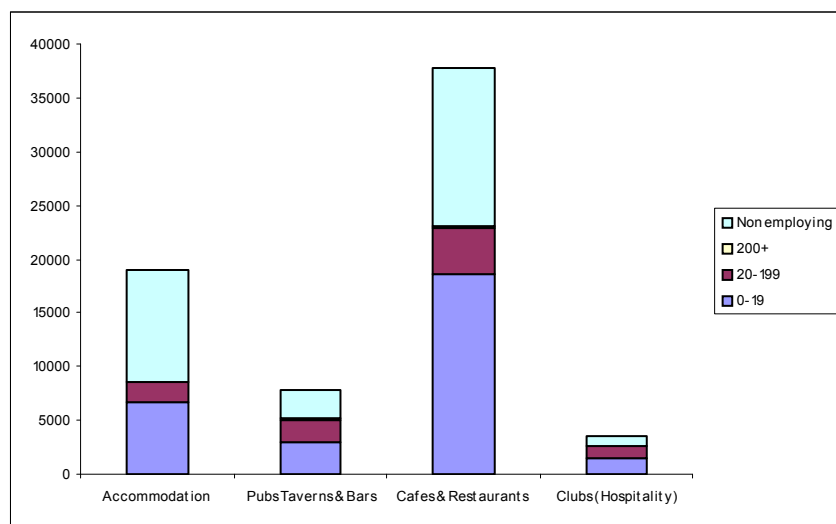


Figure 3 – Hospitality Businesses by Employment Band, ABS Business Register

## Restaurant Industry Employment

The Australian Bureau of Statistics Cafes and Restaurants Australia report (released in July 2005), cited industry employment at 188,102 persons. According to ABS Labour Force data<sup>4</sup>, industry wide employment is similar in May 2006 to May 2004 (the closest collection period to the report quoted above). In May 2004 employment in Accommodation, Cafes and Restaurants was 467,500 whereas in May 2006 total employment in the industry was 463,300.

*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 result there are more employees subject to loaded up rates than in other industries.

As indicated below, 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.

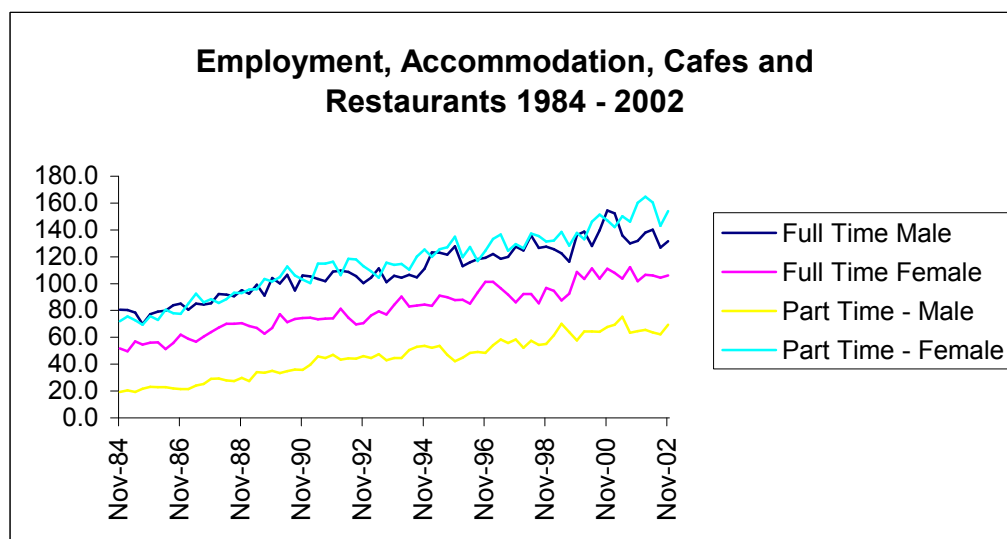


Figure 6 - Employment, Accommodation, Cafes and Restaurants 1984 - 2002

The predominant employment type in the accommodation, café and restaurant industry is 'Self-Identified Casuals'. This type of employment accounts for 49.9% of all employment (including owners and managers)<sup>5</sup>.

<sup>4</sup> ABS, 6202.0 - Labour Force, Australia, Jun 2006

<sup>5</sup> ABS Forms of Employment, November 2001, ABS 6359.0

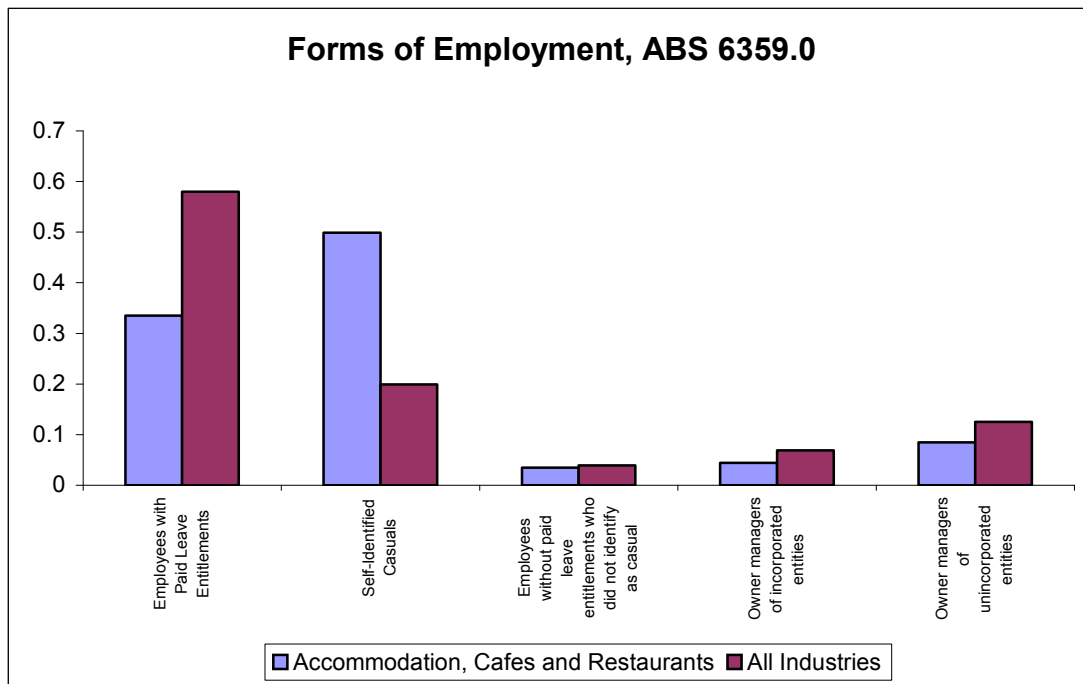


Figure 7 – Forms of Employment, ABS 2001

The labour intensive nature of the hospitality industry also manifests itself in a lower proportion of working operators of overall employees (11.3% in contrast to the all industry average of 21%).

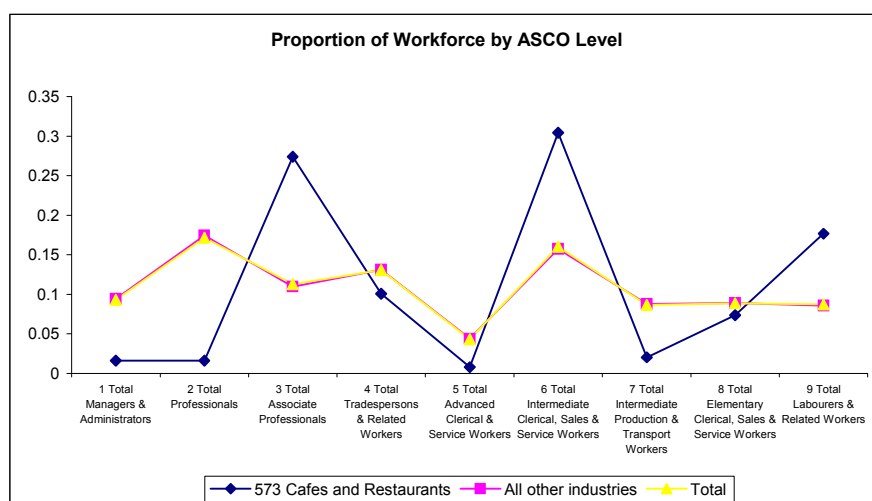


Figure 8 – Proportion of Workforce by ASCO level

Alongside the differences in forms of employment, the café and restaurant industry also has a very different mix in levels of occupation compared to other industries. Café and restaurant employees are far more likely than the average employee to work at operative and trade levels and far less frequently work at the professional and para-professional level.

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 1 – Occupation Distribution, Key Occupations, Accommodation Cafes and Restaurants<sup>6</sup>

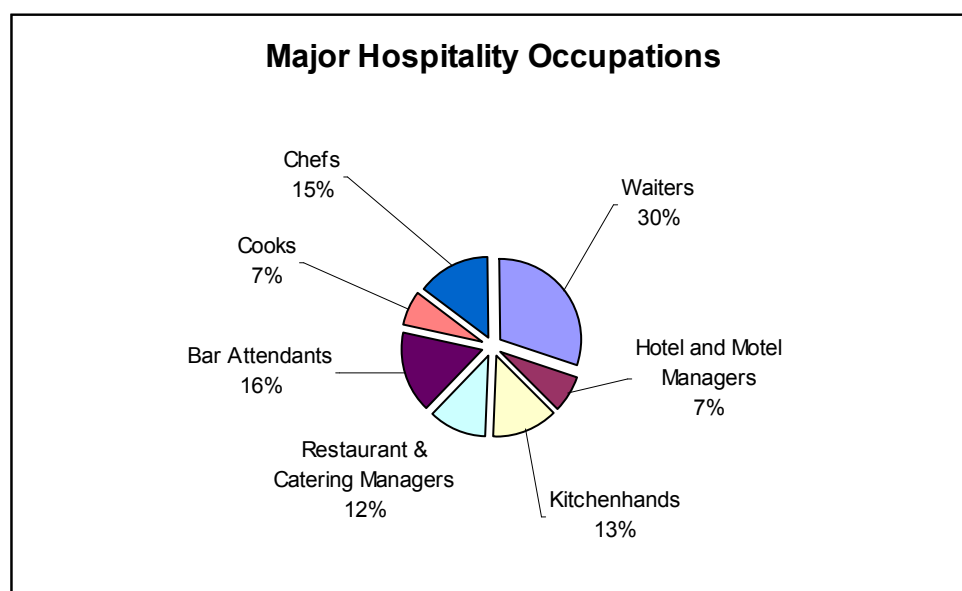


Figure 8a – Proportion of Employment in Major Hospitality Occupations

<sup>6</sup> DEWR Job Outlook On-Line, August 2006



## Projections for the Restaurant and Catering Industry

### Revenues

In 2006, Restaurant & Catering Australia in conjunction with the Australian Hotels Association commissioned Econtech to provide economic analysis to assist in its submission to the Australian Fair Pay Commission.

This report examines economy-wide performance and relates that performance to the hospitality industry. In economy-wide terms the report notes that 'Australia's terms of trade has received a significant boost from the mineral price boom as demand for raw materials for production has surged as world economic growth has continued to expand. As the terms of trade has risen strongly so too has the Australian dollar which appreciated significantly through the early part of the decade and remains at historically high levels.' The report refers to the following graph to demonstrate that relationship:

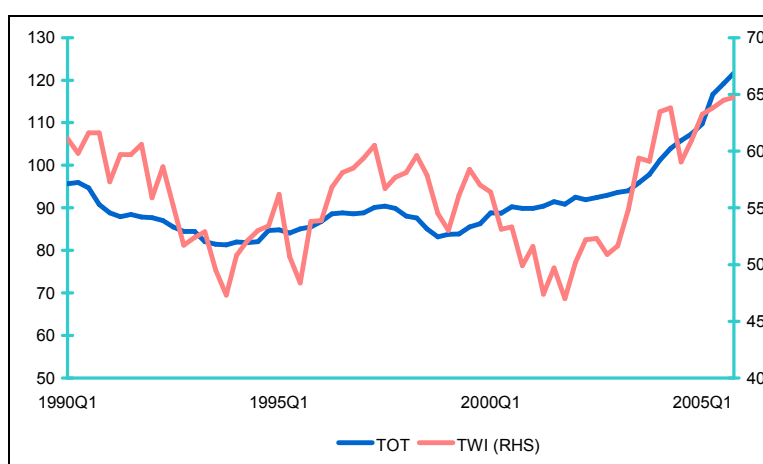


Figure 9 - Terms of Trade and Australian Dollar (TWI)

The Econtech Report goes on to observe that in the year to March 2006, output in the Accommodation, Cafes and Restaurants industry sector fell 2.2 per cent. The report explains that this decline has been caused by soft international tourism and declining domestic tourism due to growth in outbound movements (ie. Australians travelling off-shore). Figure 10 below demonstrates this trend.

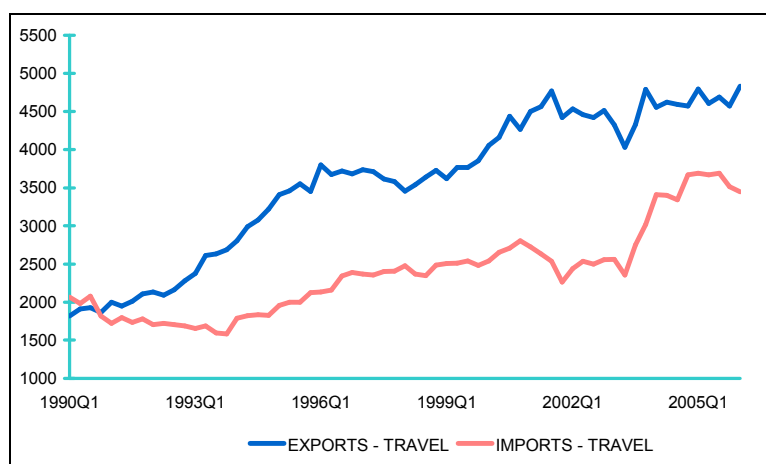


Figure 10 - Exports and Imports of Travel Services (\$million)

The report forecasts a continuation of these factors. It states that 'Growth in output and employment is expected to continue to significantly under-perform the rest of the economy'.

The Econtech report demonstrates very clearly that the forward projections for the industry are to continue to under-perform against the rest of the economy. The report suggests that the strength in the Australian dollar, brought about by the boom in some sectors of the economy, has a negative effect on revenues in the hospitality sector with outbound tourism increasing, inbound tourism decreasing and spending by Australians on eating out slowing due to increases in petrol prices and interest rates.

Figure 11 below demonstrates the projected output growth for the hospitality industry.

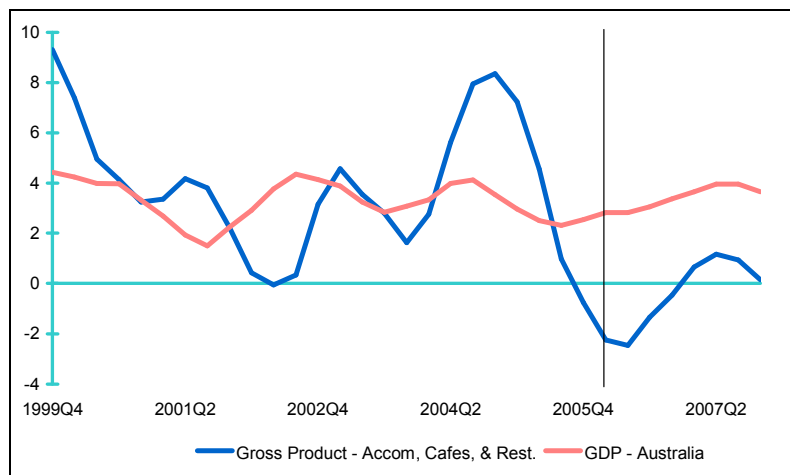


Figure 11 - Output Growth: National and Hospitality Industry (Annual Average Percent)

The Econtech Report paints a bleak picture of revenues in the hospitality industry, however suggests that the positive impacts of the 2006 income tax cuts will positively impact on the retail sector. The report also suggests that 'good producing industries' will fair well in the next three years on the back of retail growth and export opportunities.

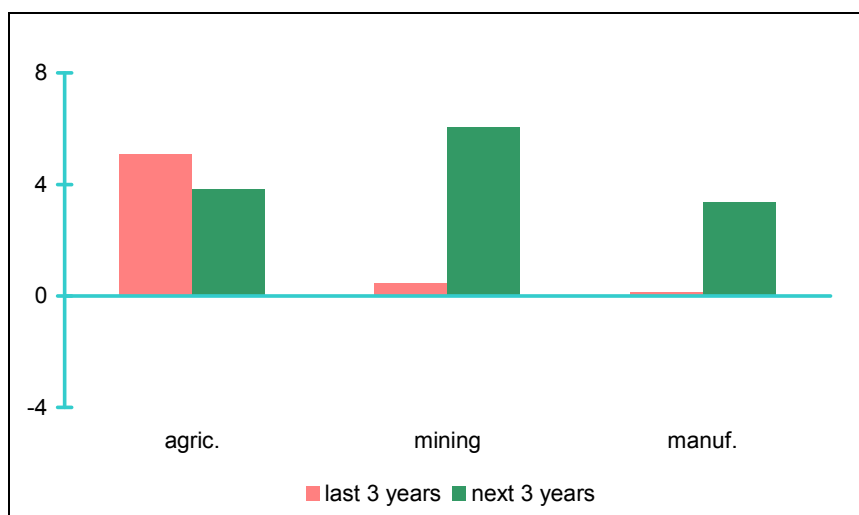


Figure 12 - Goods Producing Industry Output

Costs

The Econtech Report (cited above) also investigated the impact of wages growth in the restaurant and catering industry. The industry is very labour intensive (as are a number of other service industries). The restaurant and catering industry is, according to a report by the Department of Employment and Workplace Relations, impacted more than any other by increases in the minimum wage<sup>7</sup>. Employees in the accommodation, café and restaurant industry are three times as likely to be award only employees as those in other industries (60.2% versus 19.9%)<sup>8</sup>. This phenomenon is made significantly worse by the fact that 25% of the industry is left in the State industrial relations systems that is raising wage rates unilaterally.

On wage increases, the report says 'The degree of these labour cost increases will vary from industry-to-industry depending on the different proportion of individuals affected by the minimum wage increase and the assumed flow-on effects of these increases. For example, there will be larger average wage rate increases in the Accommodation, Cafes and Restaurants and Retail Trade industries relative to the Mining industry.'

This differential effect is summarized by figure 13 below:

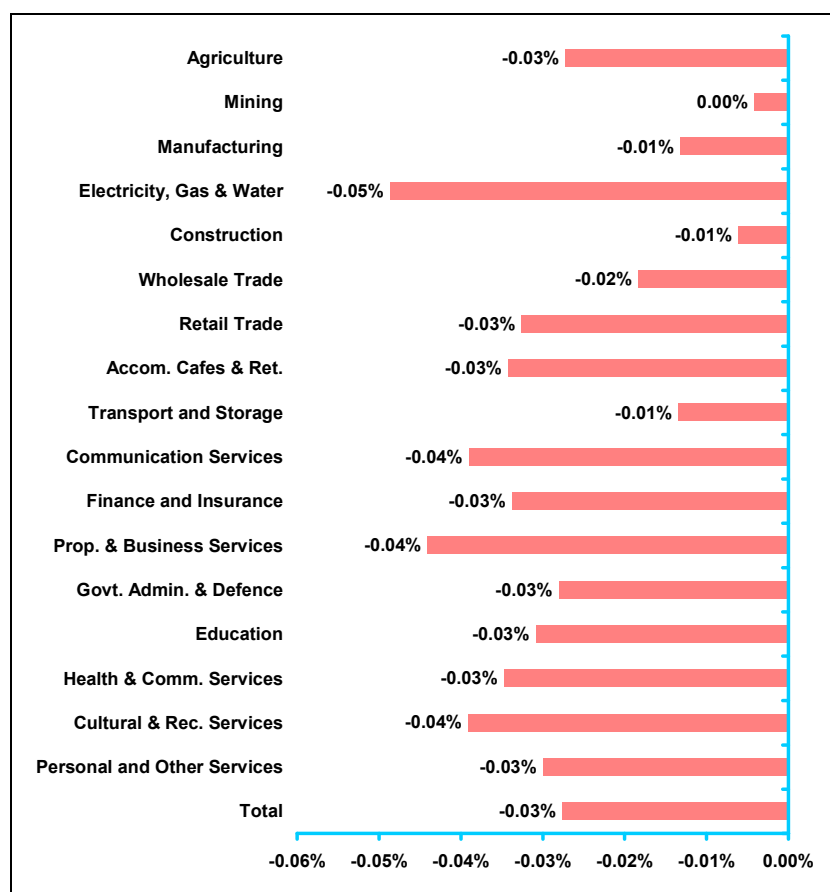


Figure 13 - Industry Employment Effects from Increasing the Federal Minimum Wage (deviations from the Baseline Scenario)

<sup>7</sup> Minimum Wages in Australia, DEWR, 2994

<sup>8</sup> Employee Earnings and Hours, ABS 6305.0.55.01, May 2004

Labour costs are not the only input costs to restaurant and catering businesses to have had significant increases. The cost of food has also increased significantly over recent years. An analysis of movements in CPI shows very clearly the detrimental effect of pricing movements on restaurants. In the CPI for the June Quarter 2006, the movement in the overall price of food over the past twelve months has been an increase of 8.3% in contrast the price of restaurant meals (a line item of its own in the CPI) has increased in the same period by 3.5%.

The cost of goods (food and beverages) and labour are together 72.9% of a restaurants input costs.

In the Cafes and Restaurants Australia report referred to above, the major cost areas and income are recorded for the two survey periods, 1998-99 and 2003-04. This survey, completed every five years, cites average annual percentage change in each of the cost areas.

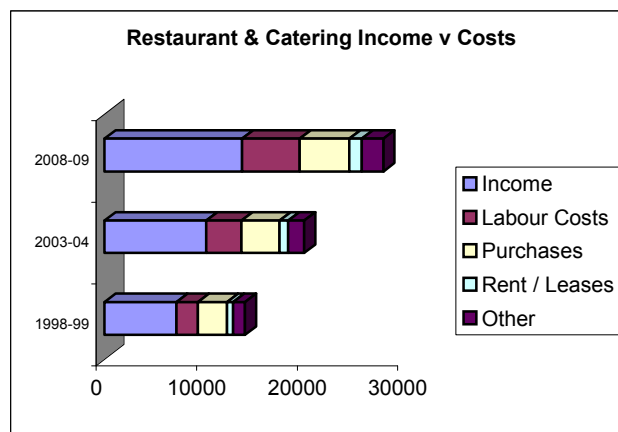


Figure 14 – Comparison of Costs and Projected 2008-09 costs.

Forecasting cost growth based solely on the average annual increase over the past five years, using the projected growth decline in the Econtech Report (a decline in growth of 0.3% per annum), restaurant profitability will fall to -2.8% by the next reporting period.

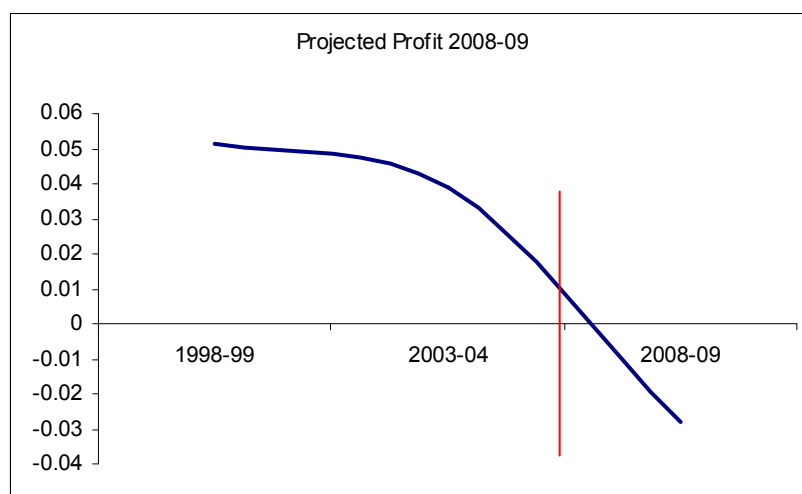


Figure 15 – Projected Restaurant Profits (2008-09)

### *Employment*

Despite reduced growth, one of the key drivers of industry demand for skills is employment growth. The DEWR Job Outlook (June 2004) has identified the hospitality industry as the third strongest industry for projected employment growth to 2011-12 at 2.2% per annum. Projections conclude that food, hospitality and tourism will provide 8% of new jobs to 2011-12.

As a result it is anticipated that around 65,000 new jobs will be created over the next five years<sup>9</sup>. The DEWR Job Outlook (June 2004) indicates good prospects exist for hospitality occupations across the skill spectrum, including receptionists, chefs, and cooks (including fast food cooks), restaurant and catering managers, bakers and pastry cooks, waiters and bar attendants.

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, it is becoming increasingly obvious, it is much more far reaching. As a result, one of the immediate challenges for the industry will be addressing the need for skilled staff in Australia in order to realise the full economic potential of the industry.

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<sup>9</sup> Fact Sheet Accommodation, cafes and Restaurants Industry – Australian Government, Department of Employment and Workplace Relations

## The Inquiry

Restaurant & Catering Australia acknowledges the scope of the inquiry into workforce challenges in the Australian tourism sector, with particular reference to the following:

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

### *Restaurants, hospitality and the tourism industry*

The restaurant industry is a significant slice of the tourism industry. 14.7<sup>10</sup>% of tourists spend is on meals and 31% of restaurant turnover is from tourists (both domestic and international).

Tourism employment is cited at around 550,000 in the Tourism White Paper – A Medium to Long Term Strategy for Tourism, 2004. The Australia Bureau of Statistic Year Book 2005, cites 478,000 people employed in accommodation, cafes and restaurants (ABS Division H).

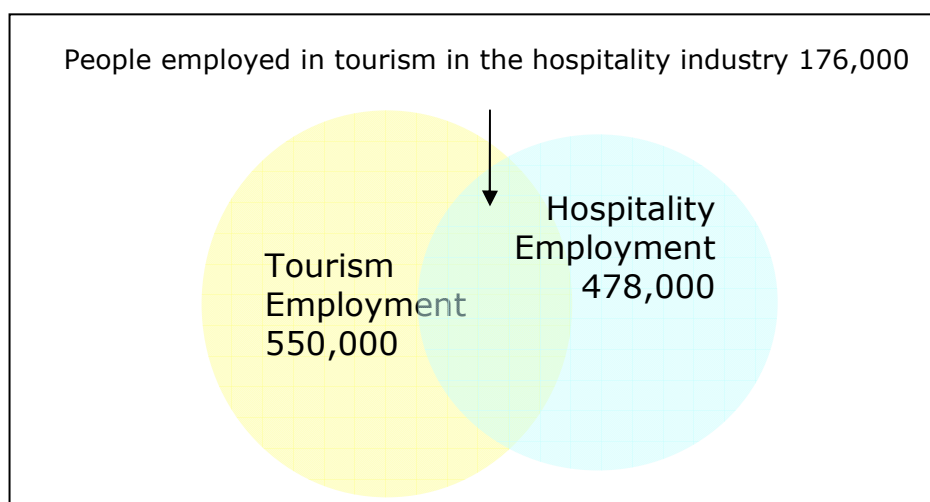


Figure 16 – Tourism Employment in Hospitality

The Tourism Satellite Account<sup>11</sup> reports that there are 176,000 people employed in tourism in the hospitality industries. At one third of all tourism employment, hospitality employment is the largest employment sector in tourism. In addition, the actual employees that make up the 176,000 are impossible to identify. The proportion of tourism employment is allocated on the basis of the proportion of hospitality turnover that is on tourism activity. For the purposes of labour market analysis and the determination of skill shortages, the hospitality and tourism labour markets can not be split.

<sup>10</sup> ABS Tourism Satellite Account, 2004-05

<sup>11</sup> ib id

*Current and future employment trends in the industry;*

The report above details the forecast increases in tourism and hospitality industry employment. In summary there is increased demand in the major occupations for some 65,000 additional jobs, in restaurants, cafes and caterers in the next five years.

It should be acknowledged that, despite the data assembled above, there are very significant gaps in the available labour market data in the tourism and hospitality industry.

To correct this the industry recommends the development of a model to identify current and future labour force needs of the hospitality and tourism industry. It is suggested that the work should involve a consolidation of existing labour market data from the large range of government and other sources that are involved in the industry and include robust labour force mapping of regional areas, including identification of trends that will assist in projecting labour market needs, including skill requirements, for the next five to ten years.

In addition it is recommended that an examination also be undertaken of current and future labour market supply taking into account the available supply streams such as the school and post compulsory education students, the existing workforce, income support recipients and migrants.

*Current and emerging skill shortages and appropriate recruitment, coordinated training and retention strategies*

There has been a number of the reports undertaken in the relatively recent past that have examined the nature of skills shortages in the hospitality industry. In 2003 a report *A Recipe for Change* was commissioned under the *National Industry Skills Initiative*, aimed at identifying the extent of the skills shortage problem in the industry. The report estimated a shortfall in the number of cooks and chefs in Australia of around 2000 individuals. Data subsequently assembled by R&CA revealed similar shortages in the number of service staff (an additional 2000 required), kitchen hands (an additional 2500 required) and supervisors (an additional 1500 required).

The principal objective of *A Recipe For Change* was to overcome skill shortages within five years, and achieve a balanced employment situation. Assuming the industry would continue to grow, recommendations were made on three fronts:

1. Recruit and train large numbers of fresh and commercial cooks/ chefs, which was already happening through the New Apprenticeships schemes and through the short-term skilled migration program. Recruitment campaigns and targeted training programs were also suggested to draw people back into the industry to make a major contribution to meeting the shortfall.
2. Action to reduce attrition: an improvement was needed with regard to employer's management skills in the area of retention and better management to motivate and encourage commercial cooks and chefs to stay in the industry.
3. Employers use innovation and operate in a way that requires fewer commercial cooks and chefs by embracing technology more fully.

In 2004/05 Restaurant & Catering Australia and the Australian Hotels Association undertook a *National Skills Shortages Strategy (NSSS) – Food and Hospitality Project* to look at the breadth and depth of skills shortages currently being experienced by the hospitality industry in Australia. Previous research had been undertaken into the skills shortages being experienced in the cookery professions of the industry (as noted above), however, no similar research had been undertaken in the non-cookery

professions of the industry. At this time it had become increasingly obvious to the industry that the skills shortages and needs were wider and more encompassing than just cookery, however, cookery professions were experiencing extreme shortages.

The skills shortages in the industry were acknowledged by the Australian Government in "The Business of Eating Out" an Action Agenda for Australia's Restaurant and Catering Industry, which is a partnership between industry and the Australian Government. From an employment, education and training perspective the Action Agenda seeks to build an industry that "...is more skilled and professional, with a good supply of quality staff and more skilled business managers..."<sup>12</sup>.

The NSSS Project examined skills shortages from a recruitment perspective, and examined the areas of employment and training of Apprentices and Trainees, Vocational Education and Training and Owner/Manager Training Requirements as a means of drawing out the issues, as well as developing recommendations and action plans to address the skills shortages. Methodology involved both surveys and focus groups.

Detailed information was collected on recruitment issues, which operators are dealing with on a daily basis. In general operators are finding it increasingly difficult to recruit staff, with 94% of those surveyed finding it more difficult to recruit staff in 2005 that it was in 2004. In addition, the survey work found that employers are hesitant to hire trainees and apprentices. With better support, of the workplace training, by the training organization, the best means to encourage businesses to employ more trainees and apprentices. The report found industry's knowledge of vocational education and training, was limited with only 15% of those surveyed being familiar with the training system. Additionally, owners and managers found training for themselves to be worthwhile attending, but not accessible. A large proportion of owners and managers believed that it would be useful for them to be able to gain a qualification for skills they have learnt on the job.

As an outcome of the information gathered through the surveys and focus groups a set of eleven recommendations have been generated. The recommendations were:

- Increase recruitment options available to hospitality operators;
- Promote the industry as a career path to the complete range of job seekers, looking for all types of employment (full-time, part-time and casual) through all methods available;
- Educate employers on the value of adopting more contemporary human resources practices;
- Increase the number of suitable applicants presenting to employers for job vacancies;
- Improve the quality of training of apprentices and trainees in the workplace;
- Promote the uptake of apprentices and trainees with employers;
- Increase the number of mature age workers entering the industry;
- Increase the hospitality industry's understanding of, and engagement with the training system;
- Increase the quality and effectiveness of the delivery of hospitality training by Registered Training Organisations;
- Increase the amount of owner/operators in the industry who hold formal qualifications; and
- Increase the ease of access, by employers to immigration as a means of addressing the skills shortage.

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<sup>12</sup> The Business of Eating Out – An Action Agenda for Australia's Restaurant and Catering Industry



### Strategies to overcome skills and labour demand in the tourism and hospitality industries

Given the significant amount of work Restaurant & Catering Australia has done to examine and resolve the skills shortage in the industry, a comprehensive seven prong strategy has been developed. The aspects of the strategy are:

- Attracting welfare recipients moving off welfare (that have the aptitude to work in the industry) into the hospitality industry;
- Attracting school leavers (that have the aptitude to work in the industry) to the hospitality industry;
- Attracting previous employees from the hospitality industry back to work in restaurants, cafes and catering businesses;
- Providing potential industry entrants with the skills necessary to do the job they have the potential to do;
- Slowing labour and skills attrition from the hospitality industry;
- Address the lack of sustainability of businesses in the restaurant/café/catering sectors and make them more attractive to employees, and;
- Utilising skilled migration to supply adequately trained workers for the hospitality industry.



Figure 17 – Restaurant & Catering Australia Skill Shortage Strategy

#### Attracting the right people to the industry

Given the need for 65,000 new workers in the next 5 years, the restaurant, café and catering sector faces a significant challenge in attracting people to work in the industry. The industry acknowledges that potential employees can be drawn from a number of sources including school leavers, welfare recipients and previous and existing employees.

A significant amount of research has been undertaken (including quantitative and qualitative research through focus groups of these target markets) to ascertain how to best attract and retain staff.

The relative level of difficulty in finding staff was analysed in the *National Skills Shortage Strategy* work (cited above). Respondents to the survey undertaken for this report rated the occupational areas by how difficult they found recruitment. As demonstrated in the results below cooks, chefs, food and beverage supervisors and managers are the most difficult categories.

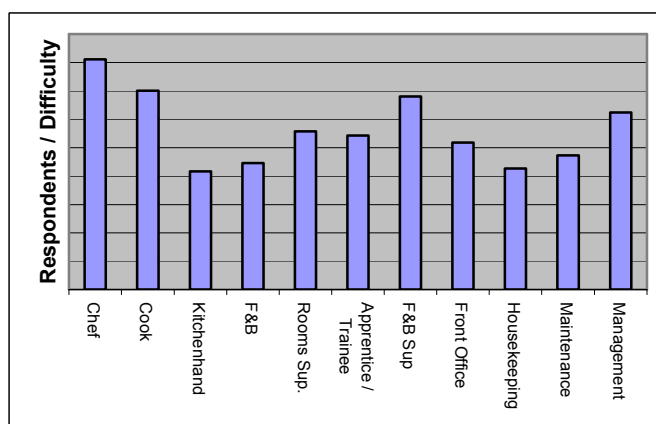


Figure 18 – Recruitment Difficulty by Occupation

Recruitment practice was also analysed in this report. Respondents rated the recruitment methods employers used most frequently. Of the businesses surveyed 97% indicated that they had recruited or advertised for staff in the last year. The most popular methods of recruitment were through newspapers and by direct approach from applicants, which is consistent with past findings. However, the popularity of newspapers appears to be decreasing with increasing usage of the Internet as a recruitment tool. Agencies are also being used more frequently by the industry to recruit employees.

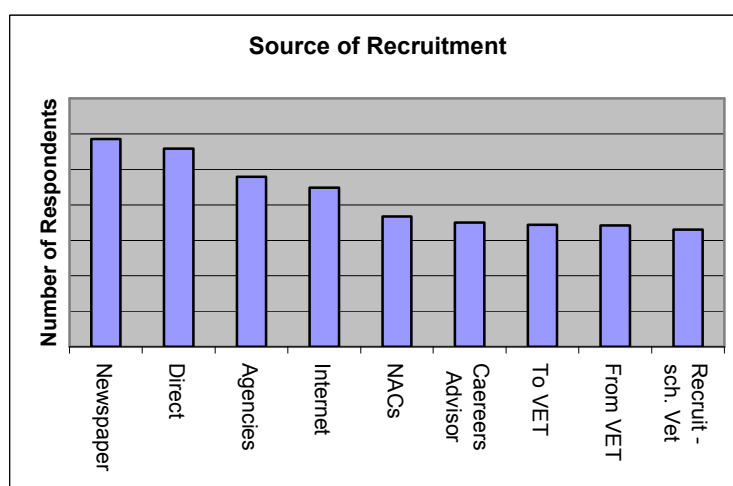


Figure 19 – Sources of Recruitment

The National Skills Shortages strategy project recommended to increase recruitment options available to hospitality operators, promote the industry as a career path to the complete range of job seekers, looking for all types of employment through all methods available and increase the number of suitable applicants presenting to employers for job vacancies.

As a result of this work the associations undertook focus group work to determine the most suitable resources to attract suitable candidates from each of the target groups to the hospitality industry. The recommendations flowing from this work were:

- The development of a Tourism and Hospitality Employability Skills Recruitment and Staff Screening Tool to address the high attrition rates of students and others who enter the industry and assist in the promotion of skills development for new and existing staff. It is suggested that the tool be trialled across the industry and a range of employment, education and training providers will be consulted. It will also be trailed in a range of small, medium and large businesses.
- Production of quality information on the hospitality and tourism industry for the full range of potential applicants required to meet the skilled and labour shortages in the industry. A particular focus on the categories of existing income support recipients impacted by the Federal Government's recent welfare to work reforms. A strategy targeting existing workers should also be initiated to promote the importance of formal training pathways and qualifications to employers and existing employees.

Restaurant & Catering Australia and its member Associations have undertaken a significant amount of work in implementing Employer Demand Demonstration projects with the Department of Employment and Workplace Relations. This work confirms the need to attract suitable workers to the industry through several channels. In the absolute majority of cases these projects have demonstrated great difficulty in attracting suitable candidates through the Job Network. The resources developed through the recommendation above must be able to be delivered to potential industry entrants both through and around the Job Network.

#### Education and Training of Industry Entrants

There is a considerable amount of vocational and training effort expended on the hospitality industry. The effort extends from Government funded training to training funded by individuals being trained to a very significant contribution to training by employers in the industry.

The National Skills Shortage Strategy work demonstrated clearly that restaurant and catering industry employers believed that their employees were lacking in the basic skills and that qualifications made no distinction between students' skills levels and ability. They believed the system was pushing through students who were not suited to the industry and that there was a lack of monitoring of students to improve retention and decrease burnout. Employers also believed greater consultation with industry about the training system is needed.

In addition to the recommendation above to decrease the wastage in the training effort through the adequate selection of individuals to undertake training, there are several other recommendations for ways in which the training system could be changed to better meet the needs of the hospitality industry. In terms of the recommendations within the National Skills Shortages Strategy – Food and Hospitality Project, they include :

<b>Recommendation</b>	<b>Strategy</b>
<ul style="list-style-type: none"><li>• Improve the quality of training of apprentices and trainees in the workplace.</li></ul>	<ul style="list-style-type: none"><li>• Encourage State Training Authorities to establish and enforce requirements for organisations taking on apprentices to have suitably skilled trades persons working in their organisation.</li></ul>
<ul style="list-style-type: none"><li>• Promote the uptake of apprentices and trainees with employers.</li></ul>	<ul style="list-style-type: none"><li>• Encourage New Apprenticeships Centres to be consistent and proactive Australia wide in the services that they provide to hospitality employers;</li></ul>

- Encourage the Government to implement their 2004 Election promise to pro-rata the incentive payments to employers who take on apprentices;
  - Encourage the implementation of this promise in a practical way that will not increase the regulatory burden on hospitality businesses;
  - Encourage New Apprenticeships Centres to take a proactive role in the management of the incentive payments;
  - Encourage Group Training Companies to use innovative job sharing – multi employer models, across borders, to lessen the impact of seasonality; and
  - Encourage development of a network of group training companies – that specialize in hospitality, to include a 1300 number and a generic website.
- Increase the number of mature age workers entering the industry.
  - Develop case studies of successful outcomes of employers taking on mature age employees including as apprentices and trainees;
  - Distribute case studies to employers using various Associations' communication methods;
  - Develop case studies of assessment pathways of mature age job seekers into the industry;
  - Distribute case studies to mature age job seekers through the Job Network, Centrelink etc; and
  - Develop financial incentives for employers taking on mature age trainees/apprentices.
- Increase the hospitality industry's understanding of, and engagement with the training system.
  - Make industry responsible for promotion of the benefits of engaging with the training system;
  - Develop or redraft promotional information on the training system with a focus on the benefits of training to enterprises, including using language easily understood by operators;
  - Distribute promotional material to employers using various Associations' communication methods;
  - Develop industry-contextualized information on the national training system and New Apprenticeships, which is available in a central location and accessible both on line and in printed format; and
  - Ensure that New Apprenticeships Centres and the Job Network have access to, and understand this information so that they can use it with employers
- Increase the quality and effectiveness of the delivery of hospitality training by Registered Training Organisations.
  - Develop and distribute cases studies of RTO's working closely with the hospitality industry and delivering integrated on & off the job training to coincide with enterprise needs;
  - Encourage RTO's to customize courses and make use of the flexibility built into the Training Package, to ensure training meets enterprise needs;
  - Implement true user choice in the training system;
  - Incorporate into the review of the Hospitality Training Package the following requirements:
    - Trainers and assessors to have recent relevant workplace experience;

- "Real" workplace assessment; and
- RTO's to have the appropriate and necessary resources to deliver units of competence
- Facilitate a network of Private RTO's and TAFE's to encourage sharing of innovative approaches to hospitality industry training;
- Encourage RTO's to trial more flexible delivery of training including:
  - Integrated, holistic approaches
  - Clusters of units as versus qualifications
  - Distance delivery of training to meet regional needs
  - Small groups of participants at appropriate times in appropriate venues
  - "Real" Recognition of Prior Learning or Recognition of Current Competencies
  - Encourage assessment pathways into, and during the courses.
- Change the current funding models to allow for more flexible delivery of training including "real" RPL.

#### Effecting change within the industry to stem attrition and capitalise on skills shortages initiatives

The industry has acknowledged that changes need to be made within the industry to slow attrition from the industry and to ensure that strategic initiatives are better able to impact on the skills shortage.

The first challenge in making the industry more attractive (thereby stopping employees leaving the industry) is the capacity of employers to improve conditions (both wages and other conditions). The capacity of employers to improve conditions is directly linked to the lack of profitability in the industry. As noted above the average restaurant makes 4% profit before tax and 63% of businesses (those with 10 employees or less) make 2% net profit. At this level of profitability there is very little scope for employers to pay higher wages or provide additional benefits to employees.

The questions of what would make the industry more sustainable and what would increase profitability in the restaurant and catering industry are beyond the scope of this report. These have been canvassed in a range of submissions recently (including the House of Representatives Standing Committee on Economics, Finance and Public Administration Inquiry into the current and future directions of Australia's service industries) and the Restaurant & Catering Industry Action Agenda. The reports are available if the Committee wishes to investigate these areas further.

The areas of broad impact on industry sustainability are:

- The yield generated from visitation;
- The taxation treatment of the hospitality industry;
- The impact of workplace relations arrangements on the hospitality industry, and;
- The level of regulation of foodservice businesses.

In addition to industry sustainability, the professionalism and conduct of employers within the hospitality industry has an impact on attrition and the extent to which skills shortage initiatives are effective.

Restaurant & Catering Australia has recently implemented a certification scheme (The Certified Restaurateurs Program) that is designed to improve the levels of professionalism with this sector.

To further develop the professionalism within the industry it is recommended that there should be further promotion of industry certification schemes that will increase the amount of owner/operators in the industry who hold formal qualifications. In order to achieve this recommendation it is suggested the industry and Government should:

- Encourage formal recognition of existing skills/short courses;
- Encourage existing employees/managers into RPL processes; and
- Develop a database of individual employee's competencies in order to facilitate recognition of current skills and knowledge.

It is also recommended that education of employers on the value of adopting more contemporary human resources practices would assist in the overcoming of skills shortages. This could be achieved through the development and dissemination of resources or case-studies focusing on the worth of taking on good, long-term casual or part-time employees and on rostering and management options to improve retention of existing employees.

### Immigration

Restaurant & Catering Australia recognises that migration programs have the capacity to significantly reduce skills shortage in the hospitality industry. Immigration is a useful adjunct to other strategies and the industry realises that it is not a stand-alone solution.

The industry has used a range of migration programs and has experienced a number of frustrations with the systems that negatively impact on the supply of appropriately skilled staff for hospitality businesses.

#### The Employer Nomination Scheme

Restaurant & Catering Australia has a labour agreement in place to bring in cooks and chefs for restaurant and catering businesses. Nominating employers can apply for either applicants for a temporary entry or for permanent residency.

It is recommended that the following changes be made to arrangements under the Employer Nomination Scheme:

- The process of justifying the skill shortage and justifying an adequate record of commitment to training and education, for immigration purposes, should be made easier through streamlining at an industry wide basis<sup>13</sup>.
- Skilled Front of House (Hospitality) Occupations should be added to the Migration Occupation in demand listing.
- Classify Perth as a region for immigration purposes.

#### General Skilled Migration

The basis for a number of processes in General Skilled Migration is the Skilled Occupations List. There seem to be several inconsistencies in the occupations in the Skilled Occupations list. These inconsistencies have the effect of stopping applicants for General Skilled Migration from coming to or staying Australia. In particular this is a concern when the affected individuals hold skills and are capable of executing skills that are in demand in Australia (ie. students that have completed a diploma or degree program in hospitality management).

There appears to be three specific ways in which this might be addressed:

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<sup>13</sup> Achieved through the signing of a Labour Agreement ONLY FOR COOKS / CHEFS.

1. Restaurant Managers should be added to the Skilled Occupations List (and attract 60 points just as Chefs do);
2. Degree Qualifications for Hospitality Managers should be moved to the 'professionals Listing' and attract 60 points (as other practical vocationally based degree programs do);
3. The points allocated to 'Work Experience' should be expanded to include students who have undertaken a significant Work Component (say 6 months or 1 Year) as part of the course of study<sup>14</sup> (this is standard practice in many cadetship style programs).

#### Part-time and Casual Work

Students and working holidaymakers are a significant in the part-time and casual workforce in the hospitality industry. Restaurant & Catering Australia is particularly supportive of the recent announcement of an extension to the amount of time a working holiday maker can spend with one employer. This was an area in which the Association had undertaken some advocacy over a period of time, on the basis that the previous three months maximum only just provided enough time for the worker to understand the businesses procedures.

Students studying in Australia are a much used source of labour for restaurateurs and caterers. These businesses find it difficult, however, to work within the 20 hour weekly limit placed on the student by their visa. Restaurant & Catering Australia believes that the maximum working hours per week for an international student on a student visa should be extended to 30 hours per week. Feedback from employers suggests that this extension would also be appreciated by the students themselves.

#### Unskilled Migration

Restaurant & Catering Australia has severe concerns that even in the event that all of the recommendations above were implemented, the underlying shortage of labour would still not be met.

The reality is that with the current rate of unemployment those seriously looking for work are very limited in number and in many cases they are not looking for work at the level of skill of many hospitality occupations. Increasingly newcomers to the workforce believe that hospitality work is beneath their aspirations. Whilst some change can be effected (and should be effected) by promoting careers within the industry, there will be unskilled job roles that will go unfilled.

Restaurant & Catering Australia believes that, if the level of service provided by the industry is to continue, a new source of unskilled labour needs to be found. It is suggested that the need for unskilled labour should be regarded as inevitable and some work done to pilot approaches in perhaps a geographically or occupationally bounded way. It appears that there is some opportunity presented by the eagerness of some of the countries in the South Pacific to send labour to Australia.

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<sup>14</sup> The Work Experience criteria currently allow 5 or 10 points for '3 – 4 years work in any occupation on the Skilled Occupations. Given there is no specification of casual or part-time work, a student working part-time during their course and full-time during placement periods could meet this requirement.

*Innovative workplace measures to support further employment opportunities and business growth and deal with seasonal fluctuations and employment in regional and remote areas in the tourism sector.*

Restaurant & Catering Australia believes that WorkChoices presents significant flexibilities that will, in part, enable businesses in the restaurant and catering industry to deal with the labour market of the 21<sup>st</sup> Century.

To the extent that these businesses can access the new more flexible workplace relations changes, there are great benefits in moving to agreements under WorkChoices. In particular, possibilities such as averaging weekly hours to 38 across a 12 month period, eliminating penalty rates and cashing out leave (given the relevant mutual concurrence) create ways in which the required flexibility can be obtained. This is particularly important for businesses with longer opening times and seasonal fluctuations and will assist to make restaurant and catering businesses sustainable.

The removal of the threat of unfair dismissal action (for businesses with less than 100 employees) will also support further employment opportunities. Restaurateurs and caterers reported prior to WorkChoices that they were reticent to engage new employees on a part-time or full-time basis for fear of unfair dismissal action. The removal of this threat will mean that employers are more likely to engage staff on a more permanent basis.

The take-up of these flexibilities will be limited by the level of understanding businesses have of the possibilities that agreement making under WorkChoices present and the status of the employing entity. Many restaurant and catering businesses are still sole traders or partnerships and therefore can not access WorkChoices. These businesses are typically the smaller and regional businesses that would benefit most from the changes.

The process of converting business to using workplace agreements (either Australian Workplace Agreements or collective agreements) is a lengthy and intensive one. In 2004 Restaurant & Catering Australia and its member Associations worked with the Office of the Employment Advocate to promote Australian Workplace Agreements. This initiative resulted in 20,800 Australian Workplace Agreements being signed in a 10 month period. This activity demonstrates that intensive (predominantly one on one) promotion of agreement-making does work for small businesses.

Restaurant & Catering Australia believes that further work should be done to promote agreement making and incorporation to small restaurant and catering businesses. This promotion should involve case studies of employers that have successfully used agreements and have incorporated to take advantage of these flexibilities. It should be acknowledged that this activity needs to be one-on-one with employers in their businesses.