



CHAMBER OF COMMERCE
AND INDUSTRY
WESTERN AUSTRALIA

Parliamentary inquiry into Tourism Labour Force

A submission to the House of
Representatives Standing
Committee on Employment,
Workplace Relations

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Table of Contents

Overview.....	3
About CCI.....	3
Introduction.....	3
An overview of the tourism sector in Australia	4
Definition of tourism.....	4
Value of tourism.....	4
Current and future employment trends	5
Labour shortages and staff attraction and retention	7
CCI strategies to address the labour shortage in Western Australia	7
Staff attraction and retention strategies.....	7
Tourism training and education.....	8
Future opportunities	10
Increasing the profile of tourism.....	10
Migration legislation changes	10
Maintaining a flexible approach.....	11
Changes to unfair dismissal claims	11
Recommendations	11

Overview

About CCI

The Chamber of Commerce and Industry of Western Australia (CCI) is the leading business association in Western Australia.

It is the second largest organisation of its kind in Australia, with a membership of 5,000 organisations in all sectors including manufacturing, resources, agriculture, transport, communications, retailing, hospitality, building and construction, community services and finance.

Most members are private businesses, but CCI also has representation in the not-for-profit sector and the government sector. About 80 per cent of members are small businesses, and members are located in all geographical regions of WA.

Introduction

On 7 July 2006 the House of Representatives Standing Committee on Employment, Workplace Relations and Workforce Participation announced an inquiry into the labour force requirements of the tourism sector.

The inquiry was referred to the Committee by the Minister for Employment and Workplace Relations, Kevin Andrews MP. The Committee is to inquire into and report on 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.

CCI welcomes the opportunity to contribute to this inquiry and is pleased to make this submission which is divided into five sections:

1. An overview of the tourism sector in Australia;
2. Labour shortages and staff attraction and retention;
3. Tourism training and education;
4. Future opportunities; and
5. Recommendations.

An overview of the tourism sector in Australia

Definition of tourism

Tourism comprises the activities of visitors travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes.¹

Tourism is not a standalone industry but rather, a sector comprising a broad range of industries including hospitality, transport, retail, property, education, cultural and recreational and manufacturing.

The sector also draws upon services provided by federal, state/territory and local governments and agencies without direct charge to tourists, such as the provision and maintenance of major infrastructure (ie roads, airports, national parks), destination marketing, immigration and customs, information services and the provision of recreational facilities. This reiterates the notion that tourism infrastructure is rarely developed solely for tourism purposes, instead it is developed for the community as a whole, thereby enhancing a location's tourism appeal.

A tourism transaction is defined by the status of the customer being a visitor, not by the industry group of the goods or services provider. Almost every industry in the Australian economy provides goods and services to visitors. In some industries, a high proportion of industry output is associated with tourism. These "characteristic tourism industries," are as follows:

- Travel agency and tour operator services;
- Taxi transport;
- Air and water transport;
- Motor vehicle hiring;
- Accommodation; and
- Cafes' restaurants and food outlets.

Tourism characteristic industries have at least 25 per cent of their output consumed by visitors. Tourism connected industries are those industries not classified as characteristic that have products which are consumed by visitors in volumes which are significant² and include industries such as: clubs, pubs, taverns and bars; rail transport; food manufacturing; beverage manufacturing; libraries, museums and arts; and automotive fuel retailing.

Value of tourism

Tourism gross domestic product (GDP) represents the total market value of Australian produced goods and services consumed by visitors after deducting the cost of goods and services used up in the process of production. In 2004-05 tourism accounted for \$32.6 billion of total GDP – an increase of 1.9 per cent from 2003-04.³

¹ Australian Bureau of Statistics, 2006, **Themes: Tourism**, Viewed 28 July 2006, <http://www.abs.gov.au/Websitedbs/c311215.nsf/22b99697d1e47ad8ca2568e30008e1bc/2ca1bbf5a5d82db8ca2567220072eab3!OpenDocument>

² Australian Bureau of Statistics, 2006, **Year Book Australia 2006**, Cat. no. 1301.0, ABS, Canberra, p528.

³ Australian Bureau of Statistics, 2006, **2004-05 Tourism Satellite Account, Australian National Accounts**, Cat. no. 5249.0, ABS, Canberra, p3.

The tourism sector has become an increasingly important part of the Western Australian economy and is spread throughout the State, from the Kimberley region in the north, to the South West region.

In 2005, there were 635,200 international visitors and 6.0 million overnight domestic (which includes intra and interstate) visitors to WA, with a combined expenditure of \$4.0 billion.

To clearly demonstrate the value of tourism for a particular region (country, state, local shire, etc), Tourism Satellite Accounts are internationally recognised as the appropriate methodology for providing accurate data on the economic significance of tourism, and the linkages that exist between tourism and other industries.

Western Australia's first Tourism Satellite Account shows that in 2001-02 54,000 jobs were directly related to Western Australia's tourism sector, with a further 18,000 jobs indirectly related to tourism. In total this represents 7.7 per cent of total state employment.

The Western Australian tourism sector directly accounted for \$2.2 billion of Gross Value Added (value of industry's production before net taxes on products) – representing 3.1 per cent of Western Australia's value added which equates to 8.5 per cent of Australia's total tourism value added.

The contribution of tourism to a firm's viability varies although some of the more significantly affected industries include:

- the air and water transport industry, contributing around \$500 million to the state's economy, is nearly 80 per cent dependant on tourism;
- accommodation, cafes and restaurants, contributing around \$1.5 billion to the state's economy, is 35 per cent dependant on tourism;
- retail trade and takeaway food, contributing nearly \$2.5 billion to the state's economy is approximately 15 per cent dependant on tourism.⁴

Tourism is becoming increasingly important for the long-term prosperity of regional communities in Western Australia. Appendix 1 demonstrates the economic contribution of tourism in Western Australia's regions in comparison to other selected industries.

It should be noted that although Satellite Accounts clearly demonstrate the value of tourism to Western Australia's economy, the figures are considerably out-of-date and may not accurately reflect the sector's current economic contribution to the State. CCI understands an updated Satellite Account will be available towards the end of 2006.

For the sector to be accurately measured so that operators can make sound business decisions, it is crucial that Satellite Accounts be regularly updated.

Current and future employment trends

Future economic growth in Australia is projected to slow over coming decades due to the impact of population ageing. However, this projected slowdown can be averted by increased productivity and importantly by tapping potential alternative sources of new employees.

Australia has enjoyed nearly 15 years of uninterrupted economic growth with consequential strong labour market conditions. Employment growth has been particularly robust in recent

⁴ Access Economics, 2003, *The Economic Contribution of Tourism to the State of Western Australia: A Tourism Satellite Account-based Analysis*.

times and the unemployment rate nationally is at a very low level. Western Australia currently enjoys the lowest of all states at 3.6 per cent.

In the past decade employment growth has been dominated by a handful of service industries, including retail trade and accommodation, cafes and restaurants⁵. This strong growth is expected to continue over the next few years.

The impacts of an ageing population coupled with an already tight labour market, particularly for skilled labour, clearly has significant implications for individual businesses both now and in the future. These limitations further constrain expanding output to keep up with the consumption desires of Australians and the growth in export markets.

Western Australia is currently experiencing labour and skills shortages across many sectors, largely due to the current “resources boom”. Businesses operating in tourism are similarly experiencing labour and skills shortages. In particular, labour shortages are being experienced in all food-based trades Australia-wide and in Western Australia chefs (especially Asian cuisine), bakers, pastry cooks and cooks are in strong demand.⁶

A view has emerged in some industry sectors that there is also an increasingly growing shortage of sales professionals, supervisors, maintenance roles and transport workers such as taxi and coach drivers.

The tourism sector is characterised by high service and relatively low pay. As a consequence, many tourism staff (skilled, semi-skilled and unskilled) are being enticed by the lucrative salaries offered by the resources sector for seemingly similar work.

While employment growth in the Western Australian accommodation, cafe and restaurant industry (a characteristic tourism industry) has been consistent with employment growth in the mining industry on average (3.47 per cent and 3.21 per cent per annum respectively) for the past 20 years and above the employment growth rate of the State (2.52 per cent per annum for the same 20-year period), the past three years has seen a growth rate of just 1.31 per cent per annum compared to 13.19 per cent in the mining industry and 3.46 per cent for the entire State.⁷

Although there is a lack of published data on the present migration of the workforce from tourism to the resources sector, the figures suggest that recruitment and retention of staff in the tourism sector may be a highly challenging issue for a number of years to come. Furthermore, the low growth rate may indicate that school leavers and those new to the workforce are reluctant to embark upon training or a career in tourism.

⁵ Department of Employment and Workplace Relations, 2006, *Workforce Tomorrow: Adapting to a more diverse Australian labour market*, Commonwealth of Australia, Canberra.

⁶ Department of Employment and Workplace Relations, 2006, *Skills in Demand Lists States and Territories – 2006*, Commonwealth of Australian, Canberra.

⁷ Australian Bureau of Statistics, 2006, *Labour Force (Supplementary)*, Cat. no. 6203.0, ABS, Canberra.

Labour shortages and staff attraction and retention

CCI strategies to address the labour shortage in Western Australia

CCI has developed initiatives and strategies that provide practical assistance and solutions to the labour shortage issue. These strategies, which assist businesses to develop an integrated approach to address workforce recruitment and retention include:

- increasing investment in vocational training;
- increasing the number of traditional trade apprenticeships by engaging in fast track and other accelerated pathways for existing employees, recruit school leavers and mature age workers;
- developing retention strategies to retain current employees;
- planning and forecasting for future skill and labour requirements and increasing the skill base of the existing workforce with re-skilling and up-skilling programs to meet future needs, remain competitive and increase business activity; and
- information and advice on various available initiatives, financial incentives and assistance from State and Federal governments

In developing long term solutions to this problem, CCI continues to work towards greater flexibility and reforms to the apprenticeship and traineeship system, the provision of adequate infrastructure and funding to respond to the current and future needs of industry.

In Western Australia, the State Government is responding to calls for reform with changes to apprenticeships including the hospitality sector that recognise competency rather than the traditional “time served” approach.

These long term solutions will assist in reducing the span of the skills labour shortage in Western Australia, however, these will take time to have effect.

CCI has applied other solutions and initiatives to help address labour shortages, by sourcing of overseas labour to meet the immediate worker needs of employers including:

- represented its members at the Department of Immigration and Multicultural Affairs (DIMA) Skilled Workers Expos in the UK and India in 2005 and more recently in Asia in 2006 - DIMA expos will continue later this year with expos planned in the UK and Ireland cities of London, Manchester and Dublin
- established the Skills Match Service, a database of skilled workers interested in migrating to Western Australia;
- provided professional immigration advice and assistance through CCI's Business Migration Service; and
- secured the services of a senior DIMA officer to provide feedback to Government on employer needs.

CCI also supports and implements the Wise Workforce Workshops, a series of workshops that assists employers to develop strategies for managing and maintaining the ageing workforce in their business.

Staff attraction and retention strategies

Operators in the tourism sector are finding it increasingly difficult to attract and retain suitably experienced and qualified workers, let alone the difficulty in attracting inexperienced staff. Such trends are even more apparent in remote and regional areas.

In the regions, industry has committed to a range of incentives to attract and retain skilled staff, such as:

- contract completion bonuses for staff who commit to a fixed term contracts (usually for six months or more);
- casual employment options offering a guaranteed number of hours work per week (including all applicable penalty rates and allowances);
- full time and part time employment whereby all additional hours worked are paid, rather than accrued as additional time off;
- subsidised accommodation (for staff and their families); and
- relocation allowance or travel reimbursements

Staff accommodation is a critical factor in attracting and retaining staff, especially higher skilled staff and managers. Provision of subsidised staff accommodation is a business cost in remote locations. Failure to recognise this reality will inevitably impact on the economic health of most regional / remote tourism businesses.

In response to the shortage of available workers, Western Australia's regional operators have expanded their recruitment campaigns to attract employees from other states and in some cases overseas.

Staff recruitment campaigns have also changed focus to offer not only employment in the tourism sector but a "lifestyle package" – prospective employees are offered flexible working conditions so that they can "experience" the region in which they have relocated, along with the range of incentives already outlined.

To improve employee remuneration and industry appeal, there are suggestions that a "tipping-based" culture, similar to that of the United States, be adopted by the Australian tourism sector. However, such proposals would need to be thoroughly investigated as to the effectiveness of such a system in attracting and retaining staff, as well as the likely effects such a system would have not only on the sector itself but the Australian economy as a whole.

Tourism training and education

Formal studies in tourism, or more particularly "tourism" as a defined academic discipline, are only now emerging as a serious and legitimate academic endeavour. However, tourism is arguably still viewed as a combination of established disciplines that may not yet possess sufficient doctrine to be a fully developed academic discipline.

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 work hours for less monetary reward than some other industries, so some simply leave tourism to join other industries.

As unemployment rates in Australia have declined to record levels, there is a corresponding decline in the level of enrolments in the nation's educational institutions.

Formal education and training available within the tourism sector is widely varied and often fragmented. A large number of agencies provide courses at many different levels, therefore it is important for State Government, Federal Government and industry to ensure the provision

of coherent and effective tourism training courses that meet industry needs. These training courses should be incorporated into the development of the industry training packages.

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.

With international visitor numbers expected to increase on average 5.5 per cent to 2016⁸, the rapid development of a skilled workforce, capable of sustaining high levels of service competency, is critical to the long-term viability of the sector.

Training programs need to be structured and allow for flexibility in methods of delivery. For example, the provision on “online” training can offer both time and cost savings for the trainee, training organisation and industry. As technology becomes increasingly advanced, tourism must expand online tourism courses.

Unlike many similarly competitive industries, a large number of senior managers working within the tourism sector do not have relevant tertiary or professional qualifications. This may reduce managers’ motivation to encourage or require their own workforce to possess or attain formal qualifications.

It is probable that until those employed in the sector are more widely required to hold formal qualifications, the sector may fail to attract the highly qualified managers it requires to sustain it.

If the diminishing number of applicants entering tertiary institutions for tourism related courses continues, together with a fragmented approach to tourism education and little apparent reward for attaining tourism qualifications or professional experience, Australia’s tourism potential will be severely limited.

Although Australian educational institutions have attracted an increasing number of international students to tourism and hospitality studies, due to visa restrictions, most are required to depart Australia upon completion of their studies.

The pressures that current visa restrictions place on the sector is two-fold. Firstly, the sector is deprived access to appropriately trained employees in a tight labour market. Secondly, the hospitality expertise developed in Australia is lost to tourism destinations that compete with Australia.

Recognising other tourism-related skills in addition to the food-based trades on the migration occupations in demand list (MODL) would go some way to alleviate these challenges. However, it is recognised that skills placed on the MODL should be based on detailed assessment which clearly demonstrates the level of demand for a particular skill in Australia. This assessment should be consistent amongst industry groups and occupations.

⁸ Tourism Forecasting Committee, 2006, *Tourism Forecasting Committee April 2006 Forecasts*, Tourism Research Australia, Canberra.

Future opportunities

Increasing the profile of tourism

The tourism sector should be promoted as a viable long-term career option. As already described in this submission, public perception of the sector as providing a viable career path is relatively low, largely due to the low-levels of training and qualification for the respective industries. Operators need to ensure that their employees are adequately trained, either reskilled or upskilled.

There is opportunity for industry to increase the profile of tourism through engaging at high school level. With the increase in school-based training, opportunities exist for industry to engage with students through work experience programs that can offer students the prospect of paid employment at the end of their program or upon completion of their schooling.

An effective means for industry groups and individual operators to engage with high school students is through their Regional Industry Career Advisor (RICA), which is a Career Advice Australia initiative. One of the objectives of this initiative is to identify skill gaps of local and regional businesses and support solutions to address skill shortages.

RICAs have been established in 57 regions nationally with 10 in Western Australia. They provide quality industry career advice, information and resources to the Local Community Partnerships, schools, employers, business and young people.

The establishment of a national professional tourism body to formally recognise and accredit individuals who attain prescribed educational qualifications and/or relevant industry expertise and provide ongoing professional development programs (similar to such associations for doctors, lawyers, accountants, etc) would also greatly enhance the perceived status and appeal for long term careers within the sector.

Migration legislation changes

Recent changes to Australia's migration legislation provide increased opportunity to address the seasonal fluctuations in workforce demands, particularly experienced by regional tourism operators. In particular, changes to the work limitation on Working Holiday-maker (WHM) visa which in effect allows all WHM visa holders from 1 July 2006 to work for any employer for up to six months (this was previously only three months).

This marks a significant departure from the previous WHM visa regime which has been increasingly disruptive particularly for employers needing to engage working holiday makers beyond three months and reflects a better understanding by DIMA of the specific needs of business and industry.

The extended time with any one employer will also provide for a smoother transition for suitably skilled WHM visa holders who are seeking sponsorship from employers under the temporary business (long stay) Subclass 457 visa arrangements.

There is now increased opportunity for both industry and government to more actively promote the WHM visa at overseas careers expos, such as DIMA's Skilled Workers Expos, as well as travel expos, targeting travellers looking to subsidise their travel costs with part time or casual work in the tourism sector.

The WHM visa program could also be expanded so that agreements are formed with countries that do not currently hold a reciprocal agreement with Australia.

Maintaining a flexible approach

In order to keep up with the changing population and labour force trends, employers will need to be more innovative in how they fill their vacancies. For example, groups of employees in the labour force who may not have been the first choice for some employers, such as older workers, people with disabilities, parents with family commitments and indigenous employees should be considered.

Indigenous tourism training in the regions is a particular training area that operators are keen to be involved. Through industry and government collaboration programs, such as the Indigenous Cadetship Program, indigenous university graduates are provided with valuable workplace experience to prepare them for management roles within the tourism sector. At the same time, industry is able to secure skilled indigenous employees.

Employers will also need to be more innovative in how they retain and attract employees by offering flexible work arrangements for example, for employees with family responsibilities that compete with their work demands.

Cross industry collaboration, whereby tourism operators could team with resource companies to develop, maintain and enhance training opportunities is also an avenue for further exploration.

Changes to unfair dismissal claims

Limitations on employees pursuing unfair dismissal claims under WorkChoices legislation should encourage employers to try different approaches to filling vacancies. With small business now exempt from the unfair dismissal laws and larger employers exempt for the first six months of an employee's engagement, employers can more readily move away from a risk averse approach to hiring.

Recommendations

- Tourism Satellite Accounts for Australia and each State/Territory should be updated, released and promoted each year to enable the tourism sector to accurately monitor its performance. The economic analysis will greatly assist in increasing the profile of tourism within the community as well as assist all stakeholders in their decision making and future planning for the sector.
- Government and other policymakers should clearly define the term “tourism” when creating and implementing policy for the sector.
- Federal and State Governments should work with training providers and industry to implement coordinated and integrated training strategies to best meet the current and future needs of the tourism sector.
- School-based and part-time training programs (including apprenticeships) should be encouraged as this will promote and enhance the appeal of the tourism sector to those entering the workforce.
- Training programs should be structured and allow for flexibility in methods of delivery.

- Government funding allocations to education and training should provide incentives for employers to participate, maximise opportunities for participants and enhance efficiencies within the system.
- Industry should be actively supported to initiate the development of a national professional industry body which will recognise and accredit individuals who attain prescribed educational qualifications and/or relevant industry expertise. This body will provide ongoing professional development programs (similar to such associations for doctors, lawyers, accountants, etc).
- A targeted promotional campaign for the WHM visa should be implemented to attract those holidaymakers seeking to subsidise their travel costs to work in tourism-related positions.
- Federal Government should pursue expansion of the WHM visa program to form agreements with countries that do not currently hold a WHM reciprocal agreement with Australia.
- An analysis of the tourism labour force should be conducted to assess the current labour needs as well as the anticipated future labour needs of the tourism sector. The analysis could also provide evidence of a particular skill shortage that could be considered for addition to the Migration Occupations in Demand List.
- Tourism operators should consider incorporation to benefit from the flexibility of the WorkChoices legislation.

APPENDIX 1: ECONOMIC VALUE OF TOURISM TO REGIONAL WESTERN AUSTRALIA COMPARED TO OTHER PROMINENT INDUSTRIES*

REGION	TOWN	INDUSTRY	VALUE TO REGION
KIMBERLEY	Broome Derby Kununurra	Tourism	\$238 million
		Pearling	\$149 million
		Pastoral - Beef cattle	\$59 million
		Horticulture, Melons/Sugar Bananas/Mangoes, Cotton	\$32 million
		Fishing - Prawns	\$9.5 million
SOUTH WEST	Dardunup	Forestry	\$61.3 million
	Manjimup	Agriculture Fruit and vegetables	\$556.8 million (total) \$132.2 million
		Harvey	Beef Sheep Dairy
	Augusta Bunbury Busselton Dunsborough Margaret River Pemberton	Viticulture	\$60.5 million
		Wool	\$28.3 million
		Tourism	\$609 million
		Fishing Lobster	\$21.5 million \$13.8 million
GREAT SOUTHERN	Albany Katanning Mt Barker Denmark	Broadacre cropping Horticulture/Viticulture	\$373 million
		Livestock	\$353.6 million
		Tourism	\$171 million
		Fishing	\$6 million
GASCOYNE	Carnarvon Denham Coral Bay Exmouth	Crops	\$27.8 million
		Livestock	\$41.2 million
		Fishing	\$47.1 million
		Tourism	\$33.2 million
GOLDFIELDS/ ESPERANCE	Kalgoorlie-Boulder Esperance Ravensthorpe	Crops	\$179.4 million
		Livestock	\$137.9 million
		Fishing	\$12.2 million
		Tourism	\$20.9 million
MID WEST	Geraldton Dongara Kalbarri Carnamah	Crops	\$390.1 million
		Livestock	\$162.6 million
		Fishing	\$147.2 million
		Tourism	\$25 million
WHEATBELT	Northam York Narrogin Cervantes	Crops	\$1,070.2 million
		Livestock	\$709.3 million
		Fishing	\$74.3 million
		Tourism	\$14.1 million
PILBARA	Port Hedland Roebourne Onslow	Livestock	\$53.3 million
		Fishing	\$16.6 million
		Tourism	\$14.9 million

* Source: Department of Local Government and Regional Development, **Statistical Snapshot - Regional Economy**, Government of Western Australia, accessed 26 July 2006 at:
http://www.dlgrd.wa.gov.au/content.asp?page=statisticInfo/_pubBin/StatSnapshot_regionEconomy.asp

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