Inquiry into Workforce Challenges in the Australian Tourism Sector

SUBMISSION TO MELBOURNE PUBLIC HEARING BY SERVICE SKILLS VICTORIA

DECLARED INDUSTRY TRAINING BOARD VICTORIA FOR THE SERVICE INDUSTRIES

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SERVICE SKILLS VICTORIA

Service Skills Victoria (SSV) is the declared industry training board for, amongst others, the tourism and hospitality industries in Victoria. It provides advice to the Victorian Government through the Office of Training and Tertiary Education (OTTE) on skill requirements for the industry. This advice is then used to moderate decisions on the use of public funds to purchase training. Industry intelligence gathered by is also used by other public sector agencies, such as Tourism Victoria, Registered Training Organisations and other industry bodies to assist in planning to meet future workforce skill needs.

The corporate structure of SSV includes industry advisory committees that provide direct input into, and verification of the advice developed by SSV. The major form of this advice is an annual Industry Change Drivers Report that identifies key industry drivers, industry and enterprise responses to those drivers, the skill needs that emanate from the responses and the training implications of those skill needs. As the report is commissioned by OTTE and has not yet been given clearance for public distribution, it cannot be tabled for this hearing. As a result, the address to the enquiry will consist of the major findings that arose in the development of the report. It will be possible to forward the full report to the enquiry once it is cleared (probably in March).

SSV is a bipartisan, industry based, not-for-profit organisation that has strong industry networks to assist in the gathering of information relevant to the advisory position it holds.

PURPOSE OF THE CHANGE DRIVERS REPORT

The purpose of the change drivers report is to examine major change drivers shaping Victoria's service industries and the probable implications these drivers may have on skills and training required by industry over the next 10 years and beyond. The report focuses on the tourism and hospitality and wholesale, retail and personal services, although this address is restricted to the tourism and hospitality industries.

Information contained in the report will inform and assist the State Government Office of Training and Tertiary Education (OTTE) to moderate purchasing decisions regarding future training needs in Victoria. The report is also intended to assist individuals and organisations involved in workforce development and planning in the service industries.

INDUSTRY PROFILE

The tourism and hospitality industries include accommodation, restaurants, cafes, bars, catering, gaming, meetings, events, conferences, attractions, tour operations, tourist information services, tour guiding, cultural tourism and caravan park operations. A substantial percentage (83%) of all Victorian tourism and hospitality businesses are defined as small to medium-sized enterprises[1].

In 2003/04 tourism and events activity in Victoria contributed $10.9 billion or 5.3% of Gross State Product and employed 159,000 people or 6.6% of the State's workforce[2]. A characteristic of the tourism industry workforce is the significant levels of part - time/casual employees (54.6%), as indicated in the 2004 ABS Labour Force Survey data. This is also evident in the hospitality sector where 58.6% of the workforce is part-time and a high percentage of the workforce is female.

The number of visitors to Australia is forecast to experience an annual average growth rate of 5.5% from 2006-2015, with the highest proportion of visitors expected from China, India and Indonesia respectively. The visitation from China is forecast to rise by 15.7% from 2006-2015, with India at 15.6% and Indonesia 11.6% in the same period.

Victoria in particular is in an excellent position to capitalise on the growth in the Tourism and Events industry with an average annual growth rate forecast to be 4-5%. This growth rate, if continued for the next 10 years, will raise the industry's share of GSP to 7-8% of the GSP and create an additional 66,000 jobs[5].

MAJOR INDUSTRY DRIVERS

Economic drivers

Victoria has experienced significant economic growth over the past ten years and continues to perform above expectations with increased employment and low inflation. Victoria's gross state product has been has been growing at an average rate of 4.8% outdoing the national average growth rate of 3.9%.

Tourism, accommodation, cafés and the retail and personal services sectors were the major generators of jobs and job growth in the decade to 2004. This growth was mainly due to individual wealth doubling in the last two decades, resulting in greater demand for services and luxury commodities. These same areas are projected to be at the forefront of job growth for

> The major job growth, in Australia over the next decade will be in the service industries.

the next decade. As the economy grows, the standard of living rises; this in turn increases demand for services resulting in the service industries becoming a huge part of the economy as indicated by the Access Economics chart below (Figure 1).

Figure 1: Victoria's job growth by sector (2004-2031)
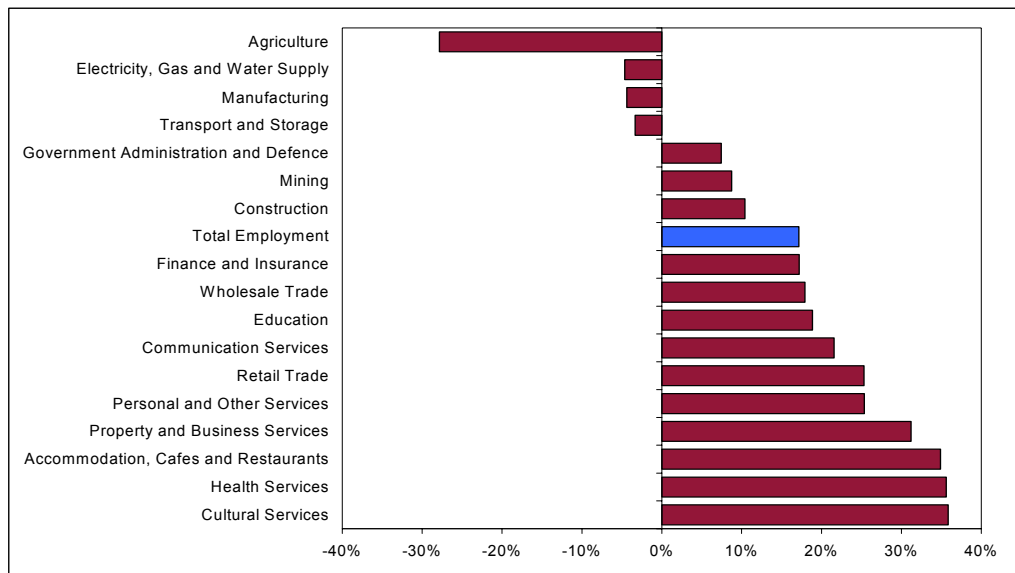
(Source: Macroeconomics Outlook:November 2005)

Access Economics projects broadly faster job growth in the service sectors than in the goods sectors (farming, manufacturing and mining). Within the service industries, the fastest growth is seen in 'luxuries' such as cafes and restaurants and cultural services, or in demographic driven areas such as health.

According to the Victorian Tourism Industry Council (2006) strong growth is forecast for the tourism industry over the next 10 years, caused predominantly by an increase in international visitation and average yield[3]. The tourism industry is currently a key contributor to Victoria's wealth and employment and, with the appropriate investment in training and development, this contribution will continue to grow. Additionally, Melbourne is becoming an increasingly popular destination with tourists and tourism is vital to the health of the city's retail sector[4].

Forecast international visitation to Victoria is 1.4 million visitors in 2006 to 2.2 million by 2010[5]. The industry is predicted to experience an annual compound growth of 4-5% over the next 10 years, lifting the industry to 7-8% of GSP and creating an additional 66,000 jobs[6].

The continued popularity with consumers of Low Cost Carriers (LCCs) within the domestic Australian market has changed domestic tourism demand particularly where

they have a regional presence. However, the emergence of international low cost carrier routes, such as Jetstar flying to many Asian and Pacific destinations in 2006, and the competition of these destinations combined with volatile fuel costs have contributed to a national decline in domestic tourism. Volatile petrol prices have particularly affected the caravan sector, which relies on 'drive by' business to sustain the operation of many parks. Consumers are choosing to drive shorter distances and stay in the one place longer, contributing to the emergence of larger tourist parks with a diverse range of facilities.

The Asian region is forecast to be the primary source of international visitor growth to 2016[7]. Specifically, the expansion of the outbound Chinese tourism market will continue to affect Victoria's tourism and retail sectors, which in turn will drive the demand for skilled labor in these sectors. The Chinese share of international visitors to Victoria is predicted to rise from 9% to 19% from 2006 to 2016[8]. As the Chinese are the highest spenders of all international visitors to the state, and 29% of tourism employment is in retail trade, the implications for growth in this sector are also significant. The Indian market is emerging as a key inbound tourist market for Victoria, with a growing middle class that has disposable income to spend on travel. There were more than 53,500 Indian visitors to Australia in 2004, with 32 per cent of this market visiting Victoria[9].

The Spa and Wellness industry has experienced strong growth with spending in the industry forecast to increase from $200million in 2002-03 to $60 billion in 2015 (including cosmetic procedures and complementary medicines). Spas are also experiencing growth through diversifying; combining beauty and wellness with retail and tourism with spa retreats and specialised products on the increase. The increase in 'medi-spas' from only 4 in Australia in 1997 to more than 300 in 2003 is also supported by the emergence of a combined approach to cosmetics and pharmaceuticals. Spa and culinary packages are also on the increase[10].

> The Asian region is forecast to be the primary source of international visitor growth

Demographic drivers

The tourism industry is shown by Industry Risk Indicators to be highly vulnerable to changing demographics. Two key determinants of an industry's risk profile are relative levels of retention/turnover and reliance on a steady flow of 'young' labour, which is in decline. Between 1998 and 2016, Australia's population is forecast to increase by 3 million people, or 16% with 94% of this growth is predicted among people aged over 45 years of age[10]. More specifically, between 2001 and 2031 those aged between 65-74 years of age will have increased by 113% and those 75 years and older by 131%. This will contribute overall to the 55+ age group making up 33% of the population in the year 2031 (see Figure 2).

Figure 2: Aging Population
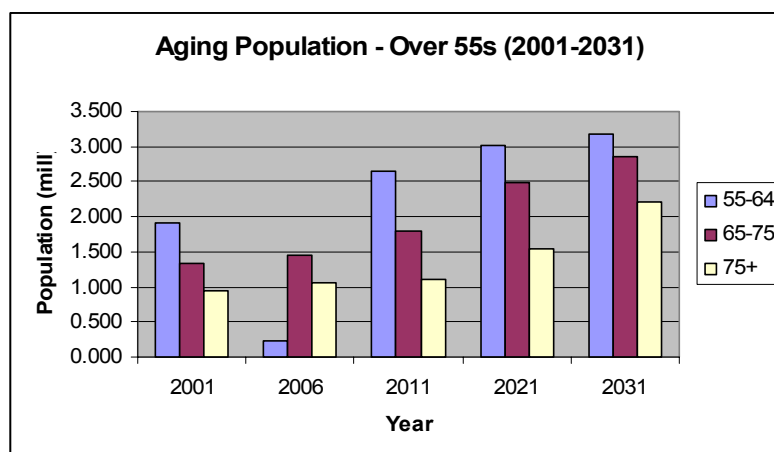
(Source: Macro Economics, 2006)

In Victoria specifically, the age groups of 60-69 years, 70-84 years and 85+ will experience a cumulative rise of 217% from 2001 to 2031. This will mean in 2031, people aged over 60 years will make up 29% of Victoria's population. The movements in population will lead to considerable workforce changes, pressure on economic growth and increased pressure on Government spending[11].

The aging population and the decline in the percentage of young people in the workforce will lead to an increased emphasis on retention strategies and being an employer of choice. Within the service industries, the aging workforce combined with low retention rates and the shift in young employees' expectations and attitude to work will put further pressure on labour markets.

> The aging population and the decline in the percentage of young people in the workforce will lead to an increased emphasis on retention strategies.

This changing attitude, particularly from the Generation Y employees, includes a perception of not what they [as employees] can do for the company, but what the company can do for them. In the travel industry, as fewer younger people are being attracted to work in the sector, independent agencies are at a higher risk of surviving as franchise chains lose a large percentage of members. Within many of the service industries, the reluctance to take on workers with little or no experience acts as a catalyst for them to move to other industries[12].

Social drivers (incl Values and Attitudes)
Community perception of the service industries is currently that many service jobs are "staging posts" prior to the determination of a career direction, creating the "transitional" component of the service industries workforce. This perception, when combined with the low wages and long, inconsistent hours attributed to the service industries, creates a barrier to entry as well as contributing to high staff turnover and increased training costs for employers.

There is a need to counter the perception that employment in the service industries, particularly in tourism and retail, do not offer a career path and opportunities for advancement. Strategic marketing initiatives have been developed to assist to counter this perception, but are yet to have a significant impact on the younger, emerging workforce.

Technological drivers
The internet continues to create new demand for online processes in the tourism industry for information and booking services e.g. touch screen information ports used in visitor information centres[5]. In 2005, 63% of all internet users across Australia gained travel information via the internet, while 29% used travel agents. Additionally, caravan park marketing and operations have needed to become more sophisticated to accommodate the demand for on-line enquiries and bookings. Caravan parks have been slow to take up "business to business" e-technology.

Environmental drivers
Extreme environmental events, such as bushfire and drought, are common in Victoria and are often naturally occurring and uncontrollable. The consequences of these events to the service industries are substantial. Although often not preventable, the outcomes of an event such as the 2006 Grampians and Gippsland Region bushfires can devastate an entire community, its industry and therefore employment of locals.

Climate change is increasingly becoming a very real environmental issue globally. It is now widely accepted that the planet is becoming warmer through increased human activity, sea levels are rising and we are experiencing more volatile and unpredictable weather[13]. Environmental sustainability will become increasingly significant for business, as a cost issue, as a consumer demand issue and as businesses commit to environmental sustainability as a business principle. Dealing with related issues such as drought, water and energy restrictions and managing waste will also become a key feature of the skills required by all service businesses.

Additionally, in the tourism industry, in order for the growth the industry is experiencing to be maintained there needs to be a willingness to invest in initiatives which support the development of alternative fuel technologies for airlines. Some airlines, such as Virgin Blue, are setting fuel emission targets and changing operational processes in order to be sustainable[14]. As carbon taxes become a reality, such initiatives will become imperative.

Water shortages are a major driver of the sustainable practices of all sectors in the service industries. In 2005, Australia recorded its hottest year on record and in Victoria high monthly temperature averages in 2006, combined with 'very much below average' rainfall for the year, continue to put pressure on water resources[15]. In the caravan industry, drought has already had a marked effect on caravan parks situated on lakes, rivers and wetland areas. Many of these businesses are in areas where vineyards and other such enterprises have been established, and the increased demand for water has further reduced lake levels traditionally used for recreation. A number of these caravan park businesses will fail unless lakes increase in their water levels[16].

In order for the service industries to become competitive on a consumer level as well as sustainable environmentally, no sector can fail to address the effects of water shortages. Tourism in particular will be affected by water shortages with regional tourism a major concern.

Workforce drivers

> Tourism, hospitality and retail will all be affected by water shortages with regional tourism a major concern.

The trend toward a more globally mobile workforce is already, and will continue to have an impact on employment and skills needs in the service industries. The emergence of a more transient workforce that has transferable skills is imminent, brought on by the demographic and social changes within Australia, the region and the world. This will create an increased requirement for national workforce policies to accommodate these changes through flexibility in the migration of workers and the transferability of skills.

Other drivers that will increasingly influence the service industries employment, training and skills environment are the introduction of longer trading hours, competition with other industries for skilled labour, multiple job handling, the increasing availability of labour hire and the trend for people to remain in the workforce longer, but in varied roles, industries and locations.

Other major drivers that will affect workforce composition include the move towards casual and part time work arrangements and away from permanent work (see Figure 3) as currently half of all the casuals in the Australian workforce work in the service industries[17]. Examples of these shifts in employment arrangements can be seen in the tourism and hospitality industries with major shifts in the composition of the workforce. In August 2003 the number of part time employees in the service industries was almost 53%, up by 10% from 1987-88. Within the Tourism sector, Tourism Alliance Victoria (2006) reported that of their surveyed members, 69% of respondents indicated that casual positions were the most difficult to fill[18].

Figure 3: Labour Force Structure - Casualisation of the Workforce
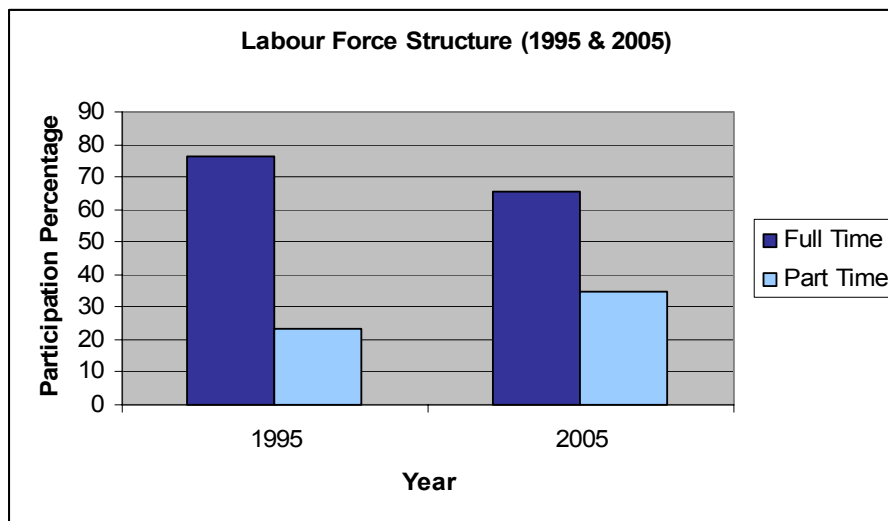
Source: ABS Labour Force Projections, 1999-2016

As labour supply becomes critical, the segments that will be the focus for increasing participation rates will be the under employed, older people and women re-entering the workforce (see Figure 4). This will have a flow on effect and create another major trend, a high proportion of females re-entering the workforce after having families.

Figure 4: Female Labour Force Participation Rates (1986, 2006, 2016)
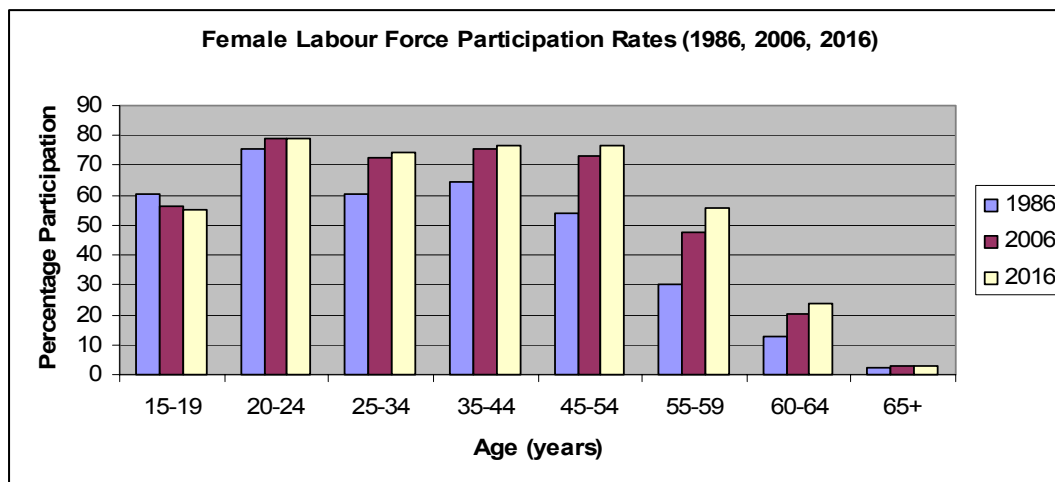
Source: ABS Labour Force Projections, 1999-2016

More than 80% of projected growth in the labour force to 2016 will be in the 45+ age group. The least wealthy 40% of the baby boomer segment appear to hold less than 7% of all wealth held by those aged 65+ years thus they will be required to continue to work. This segment has also been proven by new research to be willing to participate in training as well as personally investing in their skill development[19]. The research reported that 66% of 40-60 year olds have completed some form of training that will assist their career path.

Older workers re-entering the workforce could be a great source of skilled labour, however, this group may encounter problems of not being hired due to work cover issues. Many age pensioners, however, may have no choice but to work part-time as they will only be partially superannuated. Attracting seniors to the workforce will increasingly depend directly on their wealth as of those in the 55+ age group in 2031, 45% will not be superannuated. This segment therefore will be a major source of labour for the service industries over a 20 year period.

The way the workforce is managed will require increased flexibility to allow these groups to fill skills gaps, a need that will have to be addressed through changes in government policy and employer attitudes. In order for employers to create opportunities for the groups 're-entering' the workforce, there may be a need for government assistance, such as removing the requirement to withhold income tax at marginal rates on second jobs.

In order to re-engage workers into the service industries, the attitude of employers toward the expectations of their employees will also need to change. With increasingly sophisticated consumers, employers are expecting employees to be able to relate and communicate effectively with the consumers, often with little or no training. This approach will need to change.

Although experiencing record low unemployment levels, labour force participation rates in Australia are low compared to other countries, particularly amongst women with families and those aged over 55 years[20]. Over the next ten years, participation in the workforce by the 55-59 year old segment will grow considerably, which will assist labour shortages.

Attraction and retention of skilled labour will remain an issue for the service industries in the future. These key elements of a successful and productive workforce are influenced greatly by many factors, including remuneration and leave entitlements. Specifically, attraction of younger workers into the services industries will be a key challenge as sectors will need to meet the different needs of the younger generations.

Government intervention and development policy drivers
Statutory changes that affect the service industries such as IR legislation, new and/or changed licensing requirements, OH&S, migrant VISA requirements and duty of care obligations will continue to have significant impact on workforce arrangements and work practices and processes.

Public infrastructure investment is a major driver of tourism and retail growth. Developments in Victoria such as the Geelong Bypass, Frankston freeway and the new convention centre in Melbourne will allow further growth in the Great Ocean Road, Mornington Peninsula and CBD areas for service sectors. Government assistance in attracting private investment to regional areas will be essential as the growth in the tourism, retail and hospitality industries will require approximately $69 billion of private investment Australia wide over the next ten years to be sustainable. Without this level of investment in infrastructure, the industry and employment growth will be hampered, resulting in a lower economic contribution from these sectors particularly in regional areas.

Government and industry based strategies such as the "Maintaining the Advantage: Skilled Victorians" government initiative, the 10 Year Tourism & Events Industry Strategy, Victorian Tourism Excellence Strategy and the Melbourne 2030 Strategy are drivers for the service industries. In particular, these strategies help to drive the development of retail projects for designated growth corridors in Victoria. Major shopping centre operators are using this strategy as a blueprint for future planning and development within growth corridor areas.

In July 2006, the Migration Regulations were amended to increase the amounts of time that the holders of both the Working Holiday (Subclass 417) and Work and Holiday (Subclass 462) visas will be able to work and study. The changes now allow the visa holders to work with the same employer for a period of six months, from the previous 3 months. Under the changes, the study training limitation was extended from 3 months to 4 months. These changes will ensure that relevant employees are able to be retained in an industry for up to 6 months with the one employer contributing to productivity and skill development. Additionally, changes to the Temporary Business and Employment visa (Subclass 457) introduced in April 2005 allow the visa to be applied for in Australia or

overseas, making the process easier for both applicants and employers and providing a simplified pathway for Australia's services industry to gain skilled labour from overseas, in the absence of domestic short term solutions.

A concerning trend that is emerging, particularly in cookery, is the use of the Student Visa, Vocational Education and Training (Subclass 572) to gain entry into Australia with a significant number of holders having no intention to continue working in the industry for which they are trained. This is a rare example of immigration compounding the skills shortage issue by people using certain qualifications in the vocational training system to gain residency, then leaving the industry. The end result is the allocation of significant training resources with no impact on skill shortages.

The tourism industry, including the hospitality and retail sectors, is highly dependent on convenient and frequent air access for domestic and international visitors[5]. In Victoria particularly, tourism growth has been stunted by the federal government's strict open skies policy which has prevented some overseas carriers from landing in Melbourne, resulting in frustrated promotional campaigns and restrictions on the supply of potential tourists[21]. The recently released 10 year plan for Tourism in Victoria states that "70% of Victoria's tourism growth over the next decade is forecast to come from international markets, so increasing the number of direct international flights to Melbourne is obviously critical to our tourism success"[22].

> A greater priority needs to be given to international aviation policy development and advocacy to deliver more direct flights to Victoria

Geographical and regional drivers

In 2003/04 tourism was worth $3.4 billion to regional Victoria's economy, 31% of the state's total tourism output and employed 61,000 people, or 0.24% of the total Victorian workforce. This represents a 27% increase from 1997-98. The Great Ocean Road and Mornington Peninsula regions are experiencing the highest growth in employment, as shown from their share of direct tourism employment growing by 21.5% and 24.1% respectively from 1997-98 to 2002-03[19].

The forecast for growth, not only in these two high performance regions, but state-wide is strong. The tourism and retail sectors are viewed as major contributing factors to the regeneration of regional areas through the creation of partnerships between other local businesses, organisations and people and, more directly, through the creation of jobs. In the Wodonga, Mildura, Wimmera, Grampians and the Bendigo regions retail trade accounts for 15-17% of employment, however these regions are consistent with the others in Victoria in that retail positions, especially casual, are the hardest to fill.

Regional development and employment growth may encourage younger people to remain in regional areas and contribute to their local area with a consequent requirement for flexible training delivery to accommodate the demand for a skilled service industries labour force. The accessibility of training for younger people in regional towns and rural areas is a concern of the service industries in regional Victoria. With low accessibility to training facilities near the regional towns that are in need of trained staff, younger people are forced to move further a field to seek training and often do not return with their skills. In regional and rural areas, tourism business development and expansion in particular is being hampered by staffing issues[23].

INDUSTRY RESPONSES TO THE IMPACT OF THESE CHANGE DRIVERS

Economic drivers such as globally competitive markets coupled with an aging population, low labour force participation rates and a continual increase in consumer service expectations will create greater pressure for industries to increase productivity gains through innovation.

The underlying motivation directing enterprise strategies to respond to change drivers is essentially to maintain and improve the competitive position of the business within its domestic and/or international market. Sector strategies share a similar aim in that they are essentially directed to minimise the influence of domestic and/or international market distortions which threaten the continuing viability of sectors within the service industries.

The implementation of such strategies can vary somewhat in the response to particular change drivers by various sectors within the industry. Some of the smaller sectors of the service industries are largely reactive to external influences, tending to respond to the immediate rather than having a cohesive approach to problem solving.

Changes in business practices and investment

Investment in infrastructure in response to the growth in tourist numbers and demand for special events will support the projected growth in the tourism, events and retail sectors. As the service industries generally respond to development, investment in roads and other infrastructure will continue to sustain the emergence of urban and regional growth corridors.

In the tourism sector, the high consumer demand for diversity in product and price has lead to lower end accommodation investing in a variety of options and facilities to gain market share. An example is tourist parks installing greater numbers of cabins in order to provide weather-proof holiday alternatives for consumers. Increases in trends such as this are a response of industry to lessen the seasonal effect of the market and flatten-out income streams.

Environmental awareness and the adoption of sustainable business practices are becoming more apparent across the board, particularly in service sectors heavily reliant on environmental assets. This is in response to market demands and as a reaction to compliance requirements. In order to remain competitive in the face of these drivers, service industry businesses are increasingly implementing environmental strategies and undertaking planning and education for staff and customers. The design of new accommodation, in particular high end hotels, is also changing due to consumer and environmental pressure, an example being the phasing out of spa baths in hotel bathroom design due to their high water usage. As environmental and energy efficient products and destinations become more preferred by the market, adaptation by the industry may result in small business instability with risk of failure and increased consolidation.

Sophisticated recruitment and retention strategies are becoming a major business priority mainly for large employers. These companies have recognised this as a key challenge for the service industries and are implementing improved people management systems such as performance management, succession planning, vertical and lateral movement, reward and recognition, feedback on performance and structured career planning strategies to retain their staff. Accor Hotels are combating the attraction and retention issues for their hotels through the introduction of a 12 month Graduate Management Traineeship where graduates are fast tracked into management training through the completion of studies and paid on the job training.

In the housekeeping sector, there is an increased use of contractors to provide staff as a response to labour shortages and leading hospitality staffing agency Compass Group are moving away from using agency staff, having established their own internal labour hire company as a more cost effective resource. Labour shortages have increased overseas labour sourcing in hospitality, particularly for trade chefs, due to industry image and demographic and workforce changes making it difficult to attract and retain staff in this discipline.

The services industry is a leader in customer service and other "employability" skills. It is beginning to utilise these high standards as a competitive advantage against other industries when competing for its share of the young, diverse and increasingly

transitional workforce of the future. An example of a sector strategy that aims to harness this advantage is the "Tourism Excellence Strategy"[37] currently being developed in the tourism sector.

Compliance with increased government regulation is becoming a more significant issue across the service industries. Due to the high proportion of small businesses in the services industry, owner/operators traditionally have difficulty in effectively conforming with complex legislation and regulation. As the industrial regulation arrangements increase flexibility, trading hour extensions and non-award staffing arrangements will subsequently affect business practices and management techniques. In order for businesses within the service industries to support growth, responses will need to include increased pressure on governments to support consistency in laws across states e.g. Responsible Service of Alcohol and Responsible Service of Gaming. Industry pressure will also increase on government to change aviation policy to support the tourism, hospitality and retail sectors.

Increased industry and Registered Training Organisation (RTO) linkages and external relationships are also emerging as a direct means to source employees, provide services and maximise funding opportunities. An example is Caravan Industry Australia linking with an RTO to provide specialised caravan park industry training, and an organisation which utilises an RTO in addition to providing recruitment services to the caravan park industry. Compass Group is also using external relationships to combat skills shortages, with a partnership arrangement with a Melbourne TAFE to deliver a traineeship program nationally, as well as currently investigating pre employment programs in each state for operational needs.

Service/production methods

Retail travel is undergoing changes in the structure of existing distribution services, due to a more competitive online environment and merging sectors such as wholesale and retail. Some travel agents are responding to this challenging environment by focusing on niche markets such as the packaging of specialised tours and having a greater role in the provision of the product. This new role will demand a broader coverage of specialist skills in managing destination marketing, mainly through web networks, customer service and business management.

Increased consumer sophistication and a culturally diverse workforce will lead to changes in service methods for the industry, across all of the service sectors. This will lead to investment in human capital according to specific needs of sectors, their consumers and the composition of their workforce. An example is the Melbourne City Ambassador program, where a varied workforce across generations and cultures applies tourism knowledge and skills to assist the Melbourne tourism and retail sectors.

Workforce organisation

There has been a major shift in labour workforce arrangements away from full-time, standard hours and permanent work to part-time, casual, contract, temporary and other working arrangements. These arrangements allow some businesses, most notably SMEs, to have greater flexibility in staffing and to enable better yield management to hedge against unforseen downturns in the market.

Reliance on casual employees in the services industry is most often due to employers seeking to achieve both labour flexibility and the filling of job vacancies. In the hospitality sector, the trend toward a higher proportion of casuals in the workforce has significant implications for training effort, cost, turnover, company loyalty, brand and productivity[38]. These trends can be viewed as consistent across the services industry.

As the population ages, the Australian labour market tightens and skilled labour is sourced from overseas, the services industry sectors will have to manage the increased generational and cultural diversity. The attraction of mature age workers will become progressively more difficult for businesses, as will the retention of staff in many of the

service industries sectors. The industry response to combat these trends will include the introduction of succession and career planning models, intensive training for inexperienced staff and increased marketing efforts to both attract and retain staff.

Employers will also increase their partnerships with casual labour agencies, or develop their own, engage contractors to avoid direct employment costs, seek more sponsorship opportunities to engage overseas workers and offer flexible labour arrangements and management approaches.

Trends toward home based employment are also growing within some service sectors. This is particularly evident in the retail travel sectors. A major travel company, Harvey World Travel announced in 2005 that it was actively looking to employ home-based consultants in order to increase its network sales volume. This 'in-house workforce' concept is becoming a more realistic option, with advances in technology helping to make this work mode a cost effective solution to increasing market pressures.

In the long term as the distinction between sectors and even industries dissolve and the connections between companies, suppliers and customers grow, pressure on future workforce arrangements is likely to emerge, with a trend towards temporary projects and work teams that come together then disband when projects/tasks are complete.

IMPLICATIONS OF THE INDUSTRY'S RESPONSES FOR SKILL NEEDS

The need for efficiency and innovation will drive industry demand for a highly skilled workforce, which will in turn drive demand for ongoing training and retraining with high quality outcomes. The strongest drivers for skill development will continue to be innovation, product and service quality and ensuring service conforms to enterprise standards and provides a competitive advantage. Skill gaps within the existing workforce, in areas such as e-business, are becoming prevalent as industry embraces rapid changes and training packages evolve accordingly.

According to a state-wide tourism operator survey conducted by Tourism Alliance Victoria in 2006, 66.7% of those surveyed stated that the issue of skills shortages is greater than the issue of labour shortages. Of more concern from an industry development point of view is that 61.9% stated that they do not use Government training or employment schemes. This increased to 68.8% in metropolitan areas[32]. Businesses surveyed stated that skills gaps identified are evident in the areas of multi skilled workers, wine knowledge and also have problems with the retention of apprentice cooks.

Strong growth of the service industries together with increased global competition and demographic challenges will compel industry and individual businesses to make skill development a high priority business strategy and to engage in training to increase productivity and retain staff. There is weight of evidence to support the notion that when employers invest in developing the skills and knowledge of their employees, attrition rates decline. There is a particular opportunity for training to play a greater role in assisting industry to address retention issues for example in Human Resource (HR) training for small business.

> Skill development will become a high priority business strategy.

An aging workforce and increased competition between young entrants into the workforce in other industries will result in businesses promoting the fact they are flexible employers as "employers of choice" to the youth cohort. Equally, there will be widespread focus on the recruitment of mature age workers. Skills recognition for these older workers will become a common requirement and recognition services will be in high demand by industry.

The frenetic pace of change may mean that some skills will not stay relevant for long, especially those which entail specific product knowledge and technology. Therefore

training will need to be more dynamic and focus on the application of skills and knowledge.

Enterprise demands for higher level skills will grow in the areas of change management, project and contract management, marketing, relationship management and innovation. Change management skills are critical for businesses to adopt new

> Service sector demands for higher level skills will grow.

working models to cope with pressures such as the ageing workforce, environmental changes and workforce legislation. Employer expectations of entry level training and skill requirements will rise, due to the services industries requiring multiple skills and higher customer service focus, to gain competitive advantage. Skill demands and expectations are especially high in the area of people management skills such as attraction, recruitment and selection, performance management, succession planning, reward and recognition. Additionally, increasing rates of pay in many industry sectors will assist businesses attract and retain quality staff. Further, few sectors in the services industry have defined career paths. Businesses that offer poor working conditions and remuneration for staff relative to other industries, and have no defined career path, will have higher staff turnover rates, in turn putting pressure on costs and sustainability.

Rapidly changing services and production methods are creating a trend toward a "decreased skill shelf life" leading enterprises to place less emphasis on recruiting people with existing technical skills and/or specific product knowledge. Essentially businesses are focusing on labour, capable of being deployed across multiple job roles with underlying

> Legislation and regulatory requirements will continue to significantly drive skill demand.

technology, project management and customer service skills. The recruitment focus will be on generic skills applicable across sectors; these include "employability" or "soft" skills (communication, teamwork, problem solving, relationship management, initiative and enterprise, planning and organising, self management, capacity for continuous learning and application of technology). It should be noted, however, that legislation and regulatory requirements will continue to significantly drive skill demand.

Skill shortages in tourism are substantially affected by geographic location and environmental shocks such as bushfire and drought. Shortages of skilled personnel in particular regions include the Gippsland, Central Highlands and Great Ocean Road regions. It needs to be remembered that these shortages occur across the spectrum of employment in the industry and include entry level skills such as housekeeping and hotel/motel operations. There is a greater need for business planning, marketing and industrial relations knowledge and skills in order for small businesses in the services industry to remain competitive. However, it remains the case, as it has for some time, that the major skill shortage in the industry is in commercial cookery.

THE IMPACT OF CHANGING SKILLS SETS ON TRAINING PROVISION

The "staging post" syndrome mentioned as a social driver has often been seen as the cause of a "skills leakage" from the service industries, with the accompanying analysis that resources allocated to service industries training are not optimised. As the employability skills debate gathers pace and industries recognise that "all businesses are service businesses", the transferability of service skills to other industries will be recognised as an investment in skills development across the economy.

> Transferability of service skills to other industries is an investment in skill development across the economy.

Increased demand for work based learning
In the service industries there are relatively low levels of post secondary education in many areas of the workforce. Although training in Australian Qualifications Framework (AQF) levels II & III will remain fundamental, changing requirements of the sectors mean that the breadth and depth of the training will continue to expand and become

more complex. This is driving the demand for workplace learning incorporating one on one mentoring as well as group learning in a workplace context.

Growth in the small business sector, non standard employment and increased transient labour may lead to more targeted training approaches. This will have implications for flexibility in training delivery. Therefore the requirement of skills to be transient and transferable and of training to be flexible and geographically accessible will be essential. Programs to assist Registered Training Organisations in the application of flexible delivery will also be required.

Accommodating the training needs of an older workforce
Institute based training currently focuses on new entrants (18yrs to 24yrs+). With changing demographics, training demand and markets will change significantly. The VET sector will be required to design and deliver courses for older workers to meet their particular requirements such as management of the diverse range of students of varying age and training backgrounds and flexible course delivery to fit older people's more complex adult lives. Formal recognition of prior learning (RPL) will become vital to engage older workers in skills development opportunities provided by the VET system (Demographic Impacts on the future supply of vocational skills, NCVER, 2006).

Industry and VET partnerships
Access to industry standard equipment will be imperative for learners to maintain currency in technical skills. Partnerships between industry and Vocational Education and Training (VET) providers will be a critical resource solution providing VET practitioners with increased understanding of new and emerging products and technologies. In addition, access to current industry equipment and practices will assist in meeting increased demand for VET to provide a simulated workplace training environment.

Up-skilling SMEs
Training for micro to medium sized businesses will become critical to remain sustainable and competitive, particularly in regional Victoria. A major source of recruits for this industry is owner/manager roles. Major training needs will be in customer service and best practice, IT, compliance, risk and people management skills.

Greater portability of skills and qualifications
Industry will place pressure on the VET system to respond to an increasingly global labour market and subsequent labour mobility; greater emphasis will be placed on portability of skills and qualifications. Skills and qualification recognition systems will be critical to support mobility, innovation and the building of learning networks (informal and formal). An example of this is the European Union model, "The Europass" which is designed to support mobility of skills and qualifications across the Union.

Broader definitions of RPL required
Recognition of Prior Learning (RPL) will need to integrate the outcomes of non-formal learning into the formal Vocational and Education Training (VET) systems. For example there will be an increase in vendor training (i.e. producer of equipment provides training for use of that equipment) as new technologies enter the workplace.

Reduced barriers to training for businesses that operate nationally
The array of training jurisdictions and differing state and territory training implementation requirements faced by national companies is impeding take up of VET training. Future consideration will need to be given to reduce training implementation barriers for companies that operate nationally and to facilitate recognition of skills for those companies mobile workforce e.g. Responsible Service of Alcohol, Responsible Service of Gaming.

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ENDNOTES

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