



Australian Government

**Department of Industry
Tourism and Resources**



**House of Representatives Standing Committee on
Employment, Workplace Relations and Workforce
Participation**

**Inquiry into workforce challenges in the Australian
tourism sector**

**Submission by the Department of Industry, Tourism
and Resources with input from Tourism Australia**

October 2006

CONTENTS

Section	Page
1. Introduction	3
1.1 Role of the Department of Industry, Tourism and Resources (DITR)	3
1.2 Tourism – Key Economic Indicators	4
1.3 Policy Settings	8
1.3.1 Tourism White Paper	8
1.3.2 National Tourism Investment Strategy	10
1.3.3 Emerging Markets Strategy	11
1.3.4 Action Agendas	13
1.4 Industry – DITR Consultations on Tourism Labour Force and Skills Issues	14
1.5 Analysis of Existing Labour Force Data and Information	15
1.6 Nature of the Tourism Labour Market	16
1.7 Impact of Significant Incidents on Tourism Labour Demand	19
2. Comments on Terms of Reference	21
2.1 Current and Future Employment Trends in the Industry	21
2.2 Current and Emerging Skill Shortages and Appropriate, Coordinated Training and Retention Strategies	24
2.2.1 Effectiveness of the Tourism Training System	26
2.2.2 Recent Changes to the VTE System in Australia	29
2.2.3 New Zealand Tourism and Hospitality Workforce Strategy	30
2.3 Labour Shortages and Strategies to Meet Seasonal Fluctuations in Workforce Demands	31
2.4 Strategies to Ensure Employment in Regional and Remote Areas	32
2.5 Innovative Workplace Measures to Support Further Employment Opportunities and Business Growth in the Tourism Sector	36

1. INTRODUCTION

1.1 ROLE OF THE DEPARTMENT OF INDUSTRY, TOURISM AND RESOURCES, AND TOURISM AUSTRALIA

The Department of Industry, Tourism and Resources (DITR) administers legislation, manages programs, undertakes analysis, provides services to the business community, and provides advice to the Australian Government.

DITR's vision is increased prosperity for all Australians through internationally competitive and sustainable business.

DITR has nine strategic priorities as areas of primary focus over the three years to 2009. Skills development to meet industry needs is one of those priorities.

The Australian Government is currently focused on addressing skills needs. Human capital and labour force skills are seen by COAG¹ as an integral component of ongoing economic reform. Skills and labour shortages are viewed by state and territory governments as a potential impediment to economic growth in their jurisdictions,² and they are seen by the tourism industry as a large and growing problem in the day-to-day operation of businesses.³ For educational and training institutions, responsible for the effective skilling of the workforce, these concerns impact directly on their core activities.

DITR communicates regularly with the Departments of Education, Science and Training (DEST) and Employment and Workplace Relations (DEWR) on implementation of the Australian Government's skills shortages agenda. DITR is working through official mechanisms to increase industry engagement with the skills formation process, supports industry skills initiatives through Action Agendas, and carries out research into the impact of skills shortages upon industry.

DITR, through its Industry Policy Division, also undertakes research on issues related to demographics, ageing and labour supply that directly and indirectly relate to skills issues. For example, a submission was made in 2004 to the Productivity Commission for its commissioned study, *Economic Implications of an Ageing Australia*, that explored labour market challenges facing Australian industries as a result of demographic trends.

Tourism Division is one of ten divisions in DITR. It advises on, and implements, Australian Government tourism policy. Its primary objective is to foster the development of a sustainable, internationally competitive tourism industry. Its policy advisory role distinguishes it from Tourism Australia, which has responsibility for international and domestic marketing and the delivery of research and forecasts for the tourism sector.

¹ Council of Australian Governments, 10 February, 2006.

² Queensland skills plan: *A White Paper*, 2005.

³ DEST, *The waiting is over, A report into skills shortages in the hospitality industry*, National Skills Shortages Strategy, June 2005.

The Division maintains close contact with industry, including by supporting consultations between the Minister for Small Business and Tourism and key industry leaders.

Tourism Australia (TA) is an Australian Government statutory authority responsible for international and domestic tourism marketing as well as the delivery of research and tourism forecasts. It was established on 1 July 2004 bringing together four organisations: the Australian Tourist Commission; See Australia; the Bureau of Tourism Research and the Tourism Forecasting Council.

Tourism Australia is a statutory body⁴ subject to the Commonwealth Authorities and Companies Act 1997 (CAC Act), and has a primarily commercial focus. Its main objectives are to:

- Influence people to travel to Australia, including for events;
- Influence people travelling to Australia to also travel throughout Australia;
- Influence Australians to travel throughout Australia, including for events;
- Help foster a sustainable tourism industry in Australia; and
- Help increase the economic benefits to Australia from tourism.

Tourism Australia works with industry and State and Territory tourism authorities to maximise Australia's overseas marketing dollars. Its activities in 21 countries include:

- Advertising and marketing programs;
- Public relations and media programs;
- Co-ordination of Australian industry participation in international trade events;
- Consumer promotions; and
- Ongoing development of a consumer website.⁵

Tourism Australia also plays a role in product development and provides input into Government and industry policies that affect tourism. Tourism Australia's functions are set out in further detail on page 9. By seeking to boost demand for Australian tourism, Tourism Australia contributes to the long term development and viability of the industry, which assists the development of improved workforce conditions within the industry.

1.2 TOURISM - KEY ECONOMIC INDICATORS

Tourism is essentially part of the wider service industries that respond to consumer demand and is an important contributor to the Australian economy. The Australian Bureau of Statistics (ABS) defines tourism as:

'Activity of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of activity remunerated from within the place visited'.⁶

⁴ [Tourism Australia Act 2004](#)

⁵ www.australia.com

⁶ Australian Bureau of Statistics, *Tourism Satellite Account*, Cat No. 5249, 2006.

The following key economic tourism data is taken from the annual DITR publication: *Australia's Tourism Facts & Figures, 2006*,⁷ and illustrates the major and growing contribution of tourism to the Australian economy.

Table 1: Tourism Economic Contribution to the Australian Economy (current \$s)

		1998- 99	1999- 2000	2000- 01	2001- 02	2002- 03	2003- 04	2004- 05
Direct contribution								
- Tourism GVA	\$ million	23,054	23,994	25,044	25,250	25,939	26,016	26,479
- Tourism GDP	\$ million	26,267	27,316	30,861	30,887	31,980	31,952	32,562
- Tourism exports	\$ million (‘000)	13,445	14,610	17,140	17,107	16,656	17,317	18,257
- Tourism employment	jobs	512.9	524.7	537.7	533.7	540.7	536.6	550.1
Indirect contribution								
- Tourism GVA	\$ million	21,627	22,488	24,095	24,048	24,664	24,555	n/a
- Tourism GDP	\$ million	22,519	23,416	25,090	25,040	25,680	25,566	n/a
- Tourism exports	\$ million (‘000)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
- Tourism employment	jobs	315.1	319.8	337.3	345.6	352.7	351.0	n/a
Total contribution								
- Tourism GVA	\$ million	44,681	46,482	49,139	49,298	50,603	50,571	n/a
- Tourism GDP	\$ million	48,786	50,732	55,951	55,927	57,660	57,518	n/a
- Tourism exports	\$ million (‘000)	13,445	14,610	17,140	17,107	16,656	17,317	n/a
- Tourism employment	jobs	828.0	844.5	875.0	879.3	893.4	887.6	n/a
Tourism economic contribution — percentage contribution								
		1998- 99	1999- 2000	2000- 01	2001- 02	2002- 03	2003- 04	2004- 05
Direct contribution								
- Tourism GVA	%	4.1	4.0	4.0	3.8	3.6	3.4	3.2
- Tourism GDP	%	4.3	4.2	4.5	4.2	4.1	3.8	3.7
- Tourism exports	%	11.9	11.5	11.1	11.1	11.1	12.0	11.1
- Tourism employment	%	5.9	5.9	5.9	5.8	5.7	5.6	5.6
Indirect contribution								
- Tourism GVA	%	4.0	3.9	4.0	3.7	3.6	3.3	n/a
- Tourism GDP	%	3.8	3.8	3.8	3.5	3.4	3.1	n/a
- Tourism exports	%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
- Tourism employment	%	3.6	3.6	3.7	3.8	3.7	3.7	n/a
Total contribution								
- Tourism GVA	%	8.1	7.9	8.0	7.5	7.2	6.7	n/a
- Tourism GDP	%	8.1	8.0	8.3	7.7	7.5	6.9	n/a
- Tourism exports	%	11.9	11.5	11.1	11.1	11.1	12.0	n/a
- Tourism employment	%	9.5	9.5	9.6	9.6	9.4	9.3	n/a

Source Australian Bureau of Statistics, *Tourism Satellite Account*, Cat No 5249.0; Tourism Research Australia, *Indirect Economic Contribution of Tourism to Australia*, 1998-99 to 2003-04

In 2004-05, tourism directly accounted for 3.2% of total Gross Value Added (GVA), 3.7% of total Gross Domestic Product (GDP), 5.6% of total employment and 11.1% of total exports.

⁷ Not yet released

The fall in the direct contribution of tourism to the economy as a percentage from 1998-99 to 2004-05 reflects the strong growth in other sectors of the economy, including the mining and resources sector. Indirect activity resulting from tourism contributed nearly as much as direct activity over the above period, so total tourism related activity accounted for nearly 7% of the total economy (2003-04 estimates).

Tourism's direct contribution to employment is higher than its contribution to GVA, reflecting its relatively high labour intensity.

The sharp increase in tourism's direct contribution to GDP in 2000-01 reflects both the effect of the GST on this mainly service-related sector and the impact of the Sydney Olympics.

Domestic tourism accounts for three-quarters of tourism's direct contribution to total GDP, the remaining quarter being contributed by international tourism.

Table 2: Domestic, International, and Total Tourism Consumption (current \$s)

Year	\$ billion			% of total	
	Domestic	International	Total	Domestic	International
1998-99	48.1	13.4	61.6	78	22
1999-00	50.0	14.6	64.6	77	23
2000-01	54.4	17.1	71.5	76	24
2001-02	54.1	17.1	71.2	76	24
2002-03	56.6	16.7	73.3	77	23
2003-04	55.7	17.3	73.0	76	24
2004-05	56.4	18.3	74.7	76	24

Source: Australian Bureau of Statistics, Cat No 5249.0

Between 1998-99 and 2004-05, total tourism consumption increased by 21% (without allowing for inflation). Domestic tourism consumption increased by 17%, while international tourism consumption increased by 36%. In 2004-05 total tourism consumption increased by 2.3% after a slight decline of 0.4% in 2003-04.

International tourism has become an increasingly important part of total tourism consumption, increasing its share of total tourism consumption from 22% in 1998-99 to 24% in 2004-05.

Table 3: International Visitor Arrivals to Australia

Year	Number	% change	TIEV	
			\$ billion	\$ per visitor
1999	4,459,600	7.0	17.0	3,812
2000	4,931,300	10.6	18.4	3,731
2001	4,855,800	-1.5	19.2	3,954
2002	4,841,200	-0.3	18.8	3,883
2003	4,745,800	-2.0	17.2	3,624
2004	5,215,000	9.9	17.8	3,413
2005	5,499,100	5.4	18.5	3,364

Source: Australian Bureau of Statistics, Cat No 3401.0, Tourism Forecasting Committee, April 2006, *Forecasts of Total Inbound Economic Value; real*, base December quarter 2005

Table 3 shows that international arrivals to Australia grew strongly following the Asian economic crisis of 1998 and through to the Sydney Olympics in 2000.

However, the next three years saw declines in arrivals due to a number of external shocks, including September 11, the Ansett collapse, a slow down in global economic growth in 2001, and the impact of SARS in 2003. In addition, the Australian dollar noticeably strengthened against foreign currencies from 2001 to 2005, impacting on Australian tourism price competitiveness.

Arrivals recovered strongly in 2004 and continued to grow in 2005, reaching a record 5.5 million, an increase of 5.4% on the previous year.

In 2005 the total inbound economic value (TIEV) – a measure of the contribution of inbound tourism to the economy – increased by 3.9% to \$18.5 billion.

Table 4: Australia's Top Ten Markets, 2005, by arrivals and economic value (\$bn)

	Visitor numbers	% change on 2004	TIEV	% change on 2004
New Zealand	1,098,800	6.4	1.6	-0.4
United Kingdom	708,700	4.8	3.1	9.3
Japan	685,200	-3.5	2.1	-0.6
United States	446,200	2.9	1.8	-3.8
China	285,000	13.5	1.5	19.5
Singapore	265,900	5.9	0.7	4.1
Korea	250,500	18.3	0.9	14.6
Malaysia	166,000	-0.5	0.6	2.2
Hong Kong	159,500	16.3	0.5	-2.1
Germany	146,600	4.3	0.7	-4.4

Source: Australian Bureau of Statistics, Cat No 3401.0; Tourism Forecasting Committee, *April 2006 Forecasts*

In 2005, New Zealand remained our largest market for international visitors, accounting for approximately 20% of total arrivals. The United Kingdom was our next biggest market, accounting for 12.9% of arrivals. Japan provided 12.5% of all arrivals, while the United States provided 8.1% of our arrivals.

After New Zealand, the United Kingdom and the United States, our major markets are sourced from the Asia region. The year 2005 saw strong inbound growth from China (up 13.5%), Hong Kong (up by 16.3%) and Korea (up by 18.3%), although arrivals from Japan declined by 3.5%. Inbound growth in newer Asian markets has been faster than our 'traditional' markets, New Zealand, United Kingdom, the United States and Japan.

The United Kingdom was our single most valuable market with a TIEV of \$3.1 billion, followed by Japan with a TIEV of \$2.1 billion.

Approximately 45% of inbound visitors came from New Zealand, Japan and the United Kingdom, with the rest of Europe and Asia accounting for almost another 40% of all arrivals.

In 2005, 54% of our visitors travelled for a holiday, while a further 20% visited friends or relatives. Approximately 13% travelled for business or to attend a conference/convention.

In 2004 the United Nations World Tourism Organization's (UNWTO) 'World's Top Tourism Destinations' ranked Australia the 34th largest destination in terms of international visitor arrivals for that year. This equates to 0.68 per cent of international market share. However, Australia ranked 10th in the world in terms of total earnings from international tourists.⁸

This is of significance, as Australia has not been previously ranked in the top ten. Such rankings highlight the importance of the tourism industry and government focusing on high yield tourism in order to maximise returns in an increasingly competitive global market. The Tourism Forecasting Committee (TFC), forecasts for April 2006 indicate that the TIEV of tourism for Australia is projected to reach \$35.6 billion by the year 2015. Forecast TIEV of tourism and the average annual growth from 2006 to 2015, by market, are shown in **Table 5**.

Table 5: Total Inbound Economic Value of Tourism and the Average Annual Growth from 2006 to 2015 by Market

Market	Current Economic Value (\$billion) (real, base = Q4 2005)	Economic Value by 2015 (\$billion) (real, base = Q4 2005)	Average Annual Growth From 2006 to 2015 (%)
China	\$1.5	\$7.1	17.6
India	\$0.2	\$0.8	15.7
United Kingdom	\$3.1	\$5.2	5.5
United States	\$1.8	\$3.5	7.5
New Zealand	\$1.6	\$2.4	4.7
Japan	\$2.1	\$2.0	-0.3
Other Europe (includes Eastern Europe)	\$0.8	\$1.3	6.0

Source: Tourism Forecasting Committee, *April 2006 Forecast*,⁹

1.3 POLICY SETTINGS

1.3.1 Tourism White Paper

Over the past decade, overseas competitors, particularly those in developing countries, have been expanding their tourism product base to provide tourists with new experiences, often at low prices. This raises issues of differentiation, product quality, and diversification for our tourism industry, as Australia will not be able to compete on price alone.

The Australian Government's *Tourism White Paper: A Medium to Long Term Strategy for Tourism*,¹⁰ was released in 2003. It set a policy foundation for the

⁸ United Nations World Tourism Organization, *Tourism Highlights*, 2005.

⁹ Tourism Research Australia, 2006

¹⁰ <http://www.industry.gov.au/assets/documents/itrinternet/TourismWhitePaper20050209174539.pdf>

medium term and covers a range of policy initiatives aimed at helping to place the tourism industry on a firmly sustainable footing. The Tourism White Paper recognises that to grow and prosper, the tourism industry will need to be more flexible and responsive to challenges. These challenges range from catering to a better informed, more discerning, culturally and linguistically diverse consumer, to effectively using the internet in motivating long-haul travel in the face of fears of terrorism and events like the outbreak of SARS.

The Tourism White Paper introduced a suite of measures, underpinned by structural reform of related government agencies, to position Australia as a world leader in the provision of tourism goods and services aimed at bringing increased tourism revenue by providing value-for-money experiences second to none.

A key plank of this structural reform agenda was the creation of Tourism Australia. Tourism Australia now markets a revitalised Brand Australia (Australia's 'brand' in overseas marketing campaigns) in key global markets. It leverages international and domestic promotion of Australia through strategic partnerships with state and territory marketing bodies and industry. It assists in the attraction of major events to Australia and the growth of business tourism. It conducts an expanded range of research and analysis tailored to meet government and market needs.

Two new business units within Tourism Australia focus on industry and market needs. Tourism Research Australia (TRA), incorporating a merger of the Tourism Forecasting Council, the Bureau of Tourism Research and research elements of the Australian Tourist Commission, focus on meeting industry research and data needs. One of its key roles is to improve both the International and National Visitor Survey data collections, through increased sample sizes.

Tourism Events Australia, a new unit, focuses on working with industry, and government partners, to attract major events and business tourism. It focuses on branding and promoting Australia as a business and events destination and acts as a coordinator to provide assistance to State and Territory event agencies in relation to potential events. It also works with industry, regions, states and territories on the development of a national events calendar.

Tourism Australia also has responsibility for promoting growth in the domestic tourism market. See Australia, which previously had responsibility for promoting domestic tourism to Australians, has become an integral part of Tourism Australia. Together with TRA, Tourism Australia provides research necessary to identify new and high-yield markets and guide development of tourism product.

The Tourism White Paper identifies the development of a skilled workforce as a major ingredient in establishing Australia as a quality destination, and refers to a number of training initiatives being implemented by other areas of government.

Labour force initiatives and programs, including those addressing skill shortages, are implemented by Australian Government agencies other than DITR, often in conjunction with state and territory governments. For example, DEST is currently working on a raft of measures recently announced by COAG to address national issues of quality controls for training; workforce mobility to help meet skills needs; a

more flexible and responsive training system; and a targeted response to skill shortages in regions.¹¹

1.3.2 National Tourism Investment Strategy (NTIS)

A National Tourism Investment Consultative Group was established by the Minister for Small Business and Tourism in March 2005 to identify opportunities for reform to encourage private sector investment in infrastructure for the tourism industry, including tourism facilities. It was also charged with identifying potential bottlenecks within the tourism sector that might hinder industry growth over the next decade.

The Consultative Group's report was released in March 2006.¹² The report makes 44 recommendations, eight of which (recommendations 37 to 44) relate to workforce and training issues. It was noted by the Consultative Group that despite the tourism industry's strong performance over the past 20 years, it continues to face challenges in attracting private sector investment. One potential bottleneck to investment and growth is the availability of suitably trained and skilled staff to fulfil the industry's growth potential.

The Australian Government is presently considering the recommendations of the NTIS in a whole-of-government context and is expected to table its response by the end of 2006.

In support of the work of the Consultative Group, research was commissioned by DITR from the AEC Group. The research included a national Tourism Skills Survey (NSS). The resulting research report informed the NTIS process and was published in July 2006. Chapter seven of the report: Skills Requirements, provides an important overview of employment trends in the industry. Specifically, the AEC Group was asked to research and report on:

- a. What are our current and forecast skills capabilities and deficits in tourism and hospitality?
- b. How will factors such as changing labour market demographics, workplace technology, labour demand in other industries and workplace relations affect skills needs? For example, what are the impediments to meeting the future labour demand and supply?
- c. How are returns on investment in training influencing this investment?
- d. What are the drivers of, and market failures in, tourism and hospitality skills investment? For example, do the current national training modules adequately address the industry's current and future training needs? and
- e. What are appropriate remedies to the identified market failures that can be addressed by the government, industry and training providers?¹³

The AEC Group research report contains a range of findings relating to skills requirements in the tourism industry, including forecasts of skills and labour

¹¹ COAG Communiqué, Attachment F, 8 February, 2006

¹² <http://www.industry.gov.au/content/itrinternet/cmscontent.cfm?objectID=EBA64402-65BF-4956-B7FBE9B3FE5C55CF>

¹³ *National Tourism Investment Strategy, AEC Group Research Report*, July 2006, p. 2

requirements out to 2013-14. The information and findings of the AEC Group report are referred to extensively throughout this submission.

1.3.3 Emerging Markets Strategy

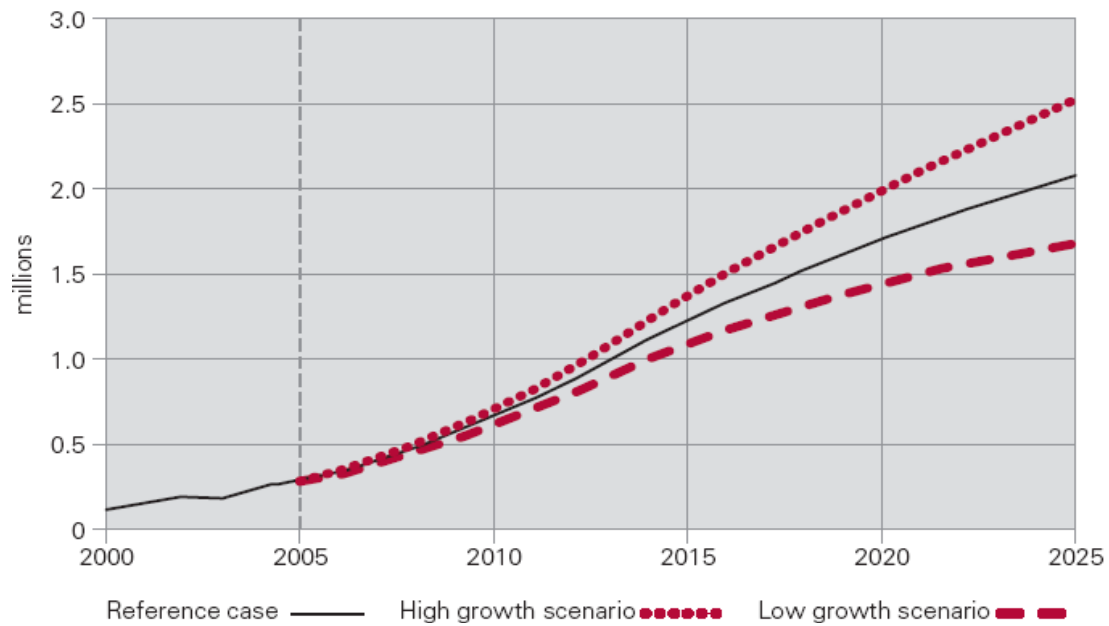
The Asia-Pacific region has been one of the most dynamic for international tourism over the last decade and the potential for further growth over the medium and long term remains strong. It currently accounts for around one-eighth of all international tourist arrivals but a somewhat larger share - approaching one-fifth - of international tourist receipts. Following the financial crisis of 1997, when tourism to the region temporarily collapsed, international tourism had been steadily regaining lost ground until the security incidents of September 2001. While China was the clear front-runner, almost all countries (with the exception of those suffering political unrest and security concerns) saw growth in international tourism volumes and/or receipts.¹⁴

As the tourism market in the Asia-Pacific region matures, it also accounts for an increasing share of world outbound travel - representing around 17% of all international arrivals in 2001. Travel intensity remains low, however, at 3 trips per 100 population, compared with a world average of 11 trips per 100. The region generated almost 121 million international arrivals in 2001, three-quarters of which (77%) were to destinations within the region itself (Europe accounted for 12% and the Americas 7%). Japan exceeds any other regional outbound market in terms of both volume and expenditure (accounting for almost half the region's expenditure), but this market has been stagnant over the last few years. China, Hong Kong China, India, Republic of Korea and Vietnam have shown strong growth over the last two years.¹⁵

According to the UNWTO, by 2020 China outbound tourism will grow to 100 million, with China becoming the world's fourth-largest source of outbound travel. **Figure 1** shows China's forecast visitor arrivals to Australia to 2025. Forecasts for India are more modest in the short term, but show strong growth over the longer term. UNWTO figures indicate that between 1995 and 2000 there was a 20% increase in spending by international travellers from India. In 2003, their travel expenditure reached US\$3.579 billion, equating to 3.3% of all international tourism expenditure by travellers from the Asia-Pacific region. According to TFC forecasts, the market value of travel from India, to Australia, is expected to increase 103% between 2004 and 2010, and the TFC has predicted that China and India will be Australia's two fastest-growing tourism markets over the next decade, with average annual growth rates of 16.5% and 14.3% respectively. **Figure 2** shows India's forecast visitor arrivals to Australia to 2025.

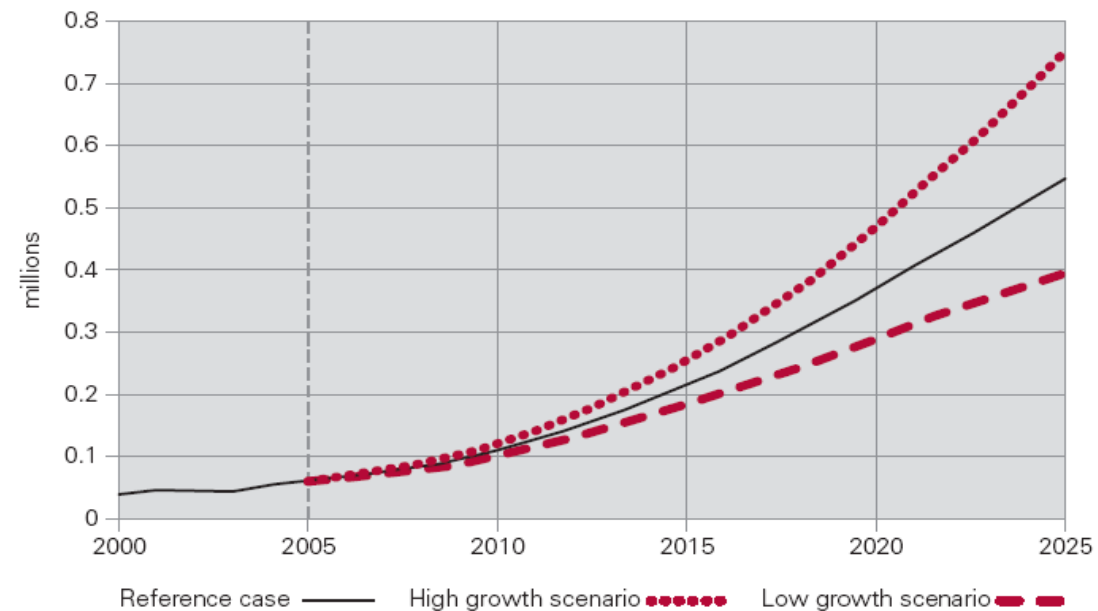
¹⁴ International Labour Office, *Employment and Human Resources in the Tourist Industry in Asia and the Pacific*, Sectoral Working Paper 204, Geneva, 2003, p. 4

¹⁵ *ibid*, p. 7

Figure 1: Forecast visitor arrivals from China 2005 to 2025

Source: *National Tourism Emerging Markets Strategy: China and India*, December 2005

The development of an Emerging Markets Strategy was a 2004 election commitment and reflects the Government's resolve to seize opportunities presented by rapid economic growth within the region, and outbound tourism growth in China and India.

Figure 2: Forecast visitor arrivals from India 2005 to 2025

Source: *National Tourism Emerging Markets Strategy: China and India*, December 2005

Competition for outbound tourism from China and India is formidable. With low English proficiency in the emerging market of China, the Australian tourism industry anticipates a shortage of language skills amongst its tourism workforce, particularly in

Cantonese and Mandarin. TRA reports that around 54% of Chinese travellers have identified communicating in English as a problem when travelling.¹⁶

The International Labour Organization (ILO) recognises the need for improved acquisition of skills in languages other than English, and the development of cross-cultural skills to support enterprises in dealing with customers from a variety of cultures, as a genuine and emerging need within the Australian tourism industry, and as an issue for most international tourist destinations.¹⁷

The issue is most acute for employees working away from capital and major gateway cities where they have less exposure to foreign languages and less opportunity for language training. Asian languages are seen as becoming increasingly important.¹⁸

Language skills needs are likely to be greatest in tour guiding, airports, hotels and motels, casinos and restaurants. Tour guiding is identified as facing a particularly serious language skills deficit given the large amount of group travel likely from China and a preference by Chinese visitors for guides with relevant language skills.¹⁹

For Australia to maximise its tourism growth potential, it needs to position itself strategically in terms of language skills, and cross cultural understanding. Despite this, only around one in ten tourism businesses report a need for staff to be proficient in another language and only 1.3% of respondents to the AEC Group Tourism Skills Survey indicated that their staff required Cantonese or Mandarin language skills.²⁰

1.3.4 Action Agendas

Action Agendas are a central element of the Government's industry strategy. Their primary purpose is to help industries realise opportunities and overcome impediments to growth, with a particular emphasis on identifying actions that industry itself can implement to realise its full potential.

DITR has responsibility for coordinating whole-of-government Action Agenda processes. Individual Action Agendas are championed by a Minister or Parliamentary Secretary, but Ministers from a number of portfolios, including DEST and DEWR can be engaged in their development.

High-level industry commitment is a vital prerequisite for Action Agendas. Industry has primary responsibility for driving each Action Agenda.

Almost all Action Agendas place a strong emphasis on improving workforce skills.

¹⁶ TRA (2005)

¹⁷ DEST, *Industry Skills Report: Service Industries*, June 2006, p. 38

¹⁸ International Labour Office, *Employment and Human Resources in the Tourist Industry in Asia and the Pacific*, Sectoral Working Paper 204, Geneva, 2003

¹⁹ DITR, *National Tourism Emerging Markets Strategy: China and India*, December 2005, p. 33

²⁰ *National Tourism Investment Strategy, AEC Group Research Report*, July 2006, p. 171

The Restaurant and Catering Industry Action Agenda

At the end of 2002, the Australian Government announced its intention to work with industry to develop an action agenda for the restaurant and catering industry, an industry separate from but closely allied with tourism.²¹

The Restaurant and Catering Industry Action Agenda: *The Business of Eating Out; An Action Agenda for Australia's Restaurant and Catering Industry* (RCIAA) was released in March 2004.²² It is an industry-led strategy that gives high priority to the implementation of a range of innovative measures to meet the needs of the industry. During its design stage, industry leaders, parliamentarians, ministerial advisers, industry association members, and industry operators were involved in a series of public roundtable meetings. Written submissions were also invited, and one-on-one interviews were conducted with industry operators.

One of the five goals identified through that consultation process was the need to develop an industry that is more skilled and professional, with a good supply of quality staff and business managers.

Of the 31 recommendations contained in the RCIAA, recommendations 10 to 17 relate specifically to labour and skills issues. Activities associated with the implementation of individual recommendations are identified in more detail under individual terms of reference later in this submission.

The RCIAA expires at the end of March 2007. An end of implementation evaluation process is expected to commence shortly.

1.4 INDUSTRY - DITR CONSULTATIONS ON TOURISM LABOUR FORCE AND SKILLS ISSUES

DITR maintains several mechanisms through which it consults with industry on skills related issues. The Industry Implementation Advisory Group (IIAG) was an advisory group with membership that included industry leaders from key tourism sectors and was chaired by the Minister for Small Business and Tourism, the Hon Fran Bailey MP. It had responsibility for advising on implementation of the Australian Government's Tourism White Paper. It has recently been re-configured, with a broader advisory role, as the Tourism Minister's Advisory Council (TMAC). At the request of the IIAG, DITR organised a workshop earlier this year involving industry representative and government departments to examine issues relating to tourism industry labour force and skills. Government was represented by DITR, DEWR, DEST and the Department of Immigration and Multicultural Affairs (DIMA).

²¹ <http://www.industry.gov.au/assets/documents/itrinternet/RCIAAdoc20060404100601.pdf>

²² *The Business of Eating Out, An Action Agenda for the Restaurant and Catering Industry*, and the 2nd year implementation report are available at <http://www.industry.gov.au/>

There was a further meeting between DITR and industry representatives on 15 June 2006 to discuss areas of key concern, including access to relevant data on the labour market.

Other consultative mechanisms for industry to engage government on tourism labour force and skills include: the Restaurant and Catering Industry Action Agenda Implementation Group, tasked with managing implementation of the RCIAA, and the Service Industries Skills Council – Tourism and Hospitality Industry Advisory Committee, tasked with advising on industry needs as they relate to National Training Packages. DITR is represented on the Industry Advisory Committee by the General Manager, Industry Sustainability Group, Tourism Division.

In addition to these consultative mechanisms, DITR engages directly with DEST and DEWR through participation on committees and related bodies associated with guiding strategic initiatives. These include the Skills Outlook Working Group managed by DEWR. This group informs Ministers on skill shortage issues and response strategies. The group also guides the development of an Australian skills website (Skills Australia).

Within these various consultative and Action Agenda forums, industry has expressed a range of views on labour and skills issues concerning the tourism industry. The most common views are:

- At the regional level, there is insufficient labour force supply and demand data, or visitor forecasting, to support informed decision making by industry, local governments, and training providers;
- There is a need to build a stronger nexus between industry and training providers to encourage a more demand-driven training system;
- Assessments of each training candidate's aptitude and attitude prior to formal training would help reduce the high rate of wastage in tourism training through non-completion of courses;
- *WorkChoices* can help ease the effect of skills shortages by increasing labour flexibility and multi-skilling;
- The current environment of skills shortages is likely to be amplified by strong competition for skilled people from high growth regional economies such as China and India (e.g. demand for Australian hotel managers to work in China); and
- Tourism industry skills and labour issues will not be resolved by any one policy change – a comprehensive strategy is needed.

1.5 ANALYSIS OF EXISTING LABOUR FORCE DATA AND INFORMATION

The activities identified as being most important to overcome existing data limitations are the development of a tourism-specific, regional data collection methodology, to capture labour force supply and demand data at a regional level, and the forecasting of tourist visitor numbers, also at the regional level.

The provision of meaningful labour force data at the regional level is a complex issue. Data analysis, collection and forecasting issues that must be considered include the:

- Possibility of invalid results arising from analysis based on collections of data that are too small to be meaningful;
- Extent to which data estimates can be disaggregated to enable regional forecasting; and
- Resources and time required to establish infrastructure for on-line gathering of data and to ensure a statistically valid level and quality of data from participating businesses.

1.6 NATURE OF THE TOURISM LABOUR MARKET

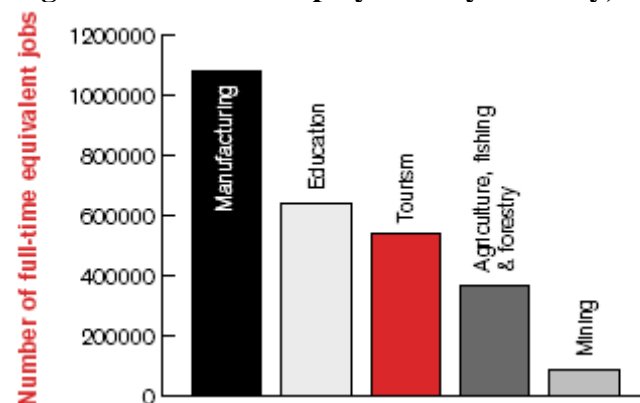
According to the 2004-05 Tourism Satellite Account²³ (TSA), the Australian tourism industry employed 550,100 persons in 2004-05. The number of tourism-employed persons grew 8.1% between 1997-98 and 2004-05, slower than the growth rate in total employed persons of 13.6% over that period. Tourism's share of total employment fell from 5.9% in 1997-98 to 5.6% in 2004-05.

Nationally, tourism provides much higher direct employment than the mining industry (85,337) and more than agriculture, forestry, and fishing combined (365,069).

Tourism also provides higher direct employment than road transport (213,996); air and water transport (48,579); and libraries, museums, and arts (64,694); but less than retail (1.74 million jobs), manufacturing (1.08 million), and education (643,099).

Figure 3 provides a graphic comparison between tourism employment and employment in mining; agriculture, fisheries and forestry; education; and manufacturing.

Figure 3: National employment by industry, a comparison



Source: Tourism Transport Forum Australia, *National Employment Atlas*, 2004

The ABS Satellite Account attributes more than half of total tourism employment to tourist demand in the retail trade, accommodation, cafes and restaurants industries combined. The retail trade sector accounts for 26.2% of total tourism employment.

²³<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/7639A207753F8A78CA25697A007D60A9?OpenDocument>

Table 6 shows the number of people employed in tourism by industry and percentage change, 1997-98 to 2004-05.

Table 6: People employed in tourism by industry

Tourism employment sector	Number of employed persons ('000s)							Change, 97-98 to 03-04		% of tourism employment		
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	Total ('000s)	Avg. %	1997-98	2003-04	% Chg
Tourism characteristic and connected industries												
Travel agency and tour operator services	24.9	25.5	23.9	23.8	23.6	22.0	22.2	-2.7	-1.9%	4.9%	4.1%	-0.8%
Road transport and motor vehicle hiring	24.1	24.2	23.8	24.5	25.3	25.0	26.2	2.1	1.4%	4.7%	4.9%	0.1%
Air and water transport	31.0	32.1	34.1	37.8	36.5	33.7	33.4	2.4	1.3%	6.1%	6.2%	0.1%
Accommodation	84.4	84.2	90.3	95.6	92.8	97.3	94.2	9.8	1.8%	16.6%	17.6%	1.0%
Cafes and restaurants	45.3	46.4	49.0	56.1	54.9	52.8	50.7	5.4	1.9%	8.9%	9.4%	0.5%
Clubs, pubs, taverns and bars	26.8	26.7	27.4	27.6	26.3	25.2	25.7	-1.1	-0.7%	5.3%	4.8%	-0.5%
Manufacturing	42.2	42.2	44.5	45.8	44.5	45.8	43.4	1.2	0.5%	8.3%	8.1%	-0.2%
Rail transport	4.0	4.0	3.6	4.1	3.5	3.9	4.2	0.2	0.8%	0.8%	0.8%	0.0%
Retail trade	141.0	140.2	137.8	133.1	134.4	140.4	140.5	-0.5	-0.1%	27.7%	26.2%	-1.5%
Education	17.8	19.3	20.7	22.9	23.9	24.6	25.8	8.0	6.4%	3.5%	4.8%	1.3%
Libraries, museums and arts	8.2	8.9	8.5	10.5	10.3	10.3	9.6	1.4	2.7%	1.6%	1.8%	1.3%
Other entertainment services	14.2	14.5	15.0	14.1	15.4	16.5	16.5	2.3	2.5%	2.8%	3.1%	0.3%
Casinos and other gambling services	2.5	2.0	2.0	2.0	1.9	1.7	1.8	-0.7	-5.3%	0.5%	0.3%	-0.2%
Total	466.5	470.4	480.7	497.8	493.3	499.3	494.2	27.7	1.0%	91.7%	92.1%	0.4%
All other industries	42.4	42.5	44.0	39.9	40.5	41.5	42.4	0.0	0.0%	8.3%	7.9%	-0.4%
Total tourism employed persons	508.8	512.9	524.7	537.7	533.7	540.7	536.6	27.8	0.9%	100.0%	100.0%	
% change		0.8%	2.3%	2.5%	-0.7%	1.3%	-0.8%					
Total employed persons (all industries)	8,574.6	8,638.4	8,886.6	9,074.3	9,207.4	9,441.4	9,528.0	953.4	1.8%			
% change		0.7%	2.9%	2.1%	1.5%	2.5%	0.9%					
Tourism share of total employment (%)	5.9%	5.9%	5.9%	5.9%	5.8%	5.7%	5.6%					

Source: AEC Group Research Report, July 2006, p. 139

According to the 2003/04 TSA, as components of total tourism employment, education, and the accommodation, cafes and restaurants sectors recorded the largest employment increases between 1997/98 and 2003/04, while the travel agency and tour operator services, manufacturing and casinos and other gambling services sectors recorded the largest employment declines.²⁴

The tourism industry in Australia, as is the case in most countries, is dominated by small and medium-size businesses. More than 88% of tourism businesses in the accommodation, cafes and restaurant sector, and over 95% of tourism business in the cultural and recreational services sector in Australia employ fewer than 20 people.²⁵ There are also a large number of owner-run businesses within the accommodation, cafes and restaurant sector that do not employ paid staff.

ABS statistics indicate that in March 2005 more than 35% of employees in the accommodation, cafes and restaurants and the retail trade sectors were aged between 15 and 24, more than double the all-industry average. Part-time positions in the tourism industry record even higher rates of young workers aged less than 25 years, with a high proportion of female employees. Overall, the tourism industry accounts for around 10-11% of total national employment in the 15-24 year old age-group, double its share of total employment of 5.6%.

The tourism and hospitality industries are labour intensive. In many hospitality businesses labour is the most significant operating cost. Intense price competition and low labour productivity have resulted in an industry that provides low net profits to

²⁴ National Tourism Investment Strategy, AEC Group Research Report, July, 2006

²⁵ International Labour Office, *Employment and Human Resources in the Tourist Industry in Asia and the Pacific*, Sectoral Working Paper 204, Geneva, 2003

operators. As an example, the average net profit of restaurants across the cafés and restaurants industry was 4.9% in 1998/99 and declined to just 4% in 2003/04.²⁶

Average weekly earnings in the tourism industry are significantly below the all-industry average for full-time staff. This is despite the different hours often worked by tourism employees and the penalty rates that apply to work outside normal business hours and on weekends. On an hourly basis, wage levels in the tourism industry are also well below the all-industry average. An award is the most common pay setting arrangement in the tourism industry.²⁷

In terms of labour mobility, just 68% of employees in accommodation, cafes and restaurants had worked in the same job for more than one year in February 2004, below the all-industry average of 80%. The ratio of persons who had changed industry in the previous year was 10.9% in accommodation, cafes and restaurants, almost double the all-industry average of 5.9%.²⁸

Distribution of tourism employment across Australia has been estimated based on the 2001 census and estimated percentage shares of tourism employment of each industry sector.²⁹ It is estimated that around 340,700 persons (or 63.5% of the total) employed in the tourism industry in 2003-04 are employed in capital cities, with 195,900 persons (or 36.5% of the total) employed in regional and rural areas, see **Table 7**. Regional and rural areas of NSW and Queensland are relatively significant, while Sydney and Melbourne represent the largest tourism employment locations.

Table 7: Estimated tourism employment by region 2003-04

State/territory	Capital city		Regional/rural		Total	
	'000s	%	'000s	%	'000s	%
NSW	114.4	21.3%	64.8	12.1%	179.1	33.4%
VIC	94.9	17.7%	35.5	6.6%	130.4	24.3%
QLD	47.1	8.8%	61.6	11.5%	108.7	20.3%
SA	29.2	5.4%	10.9	2.0%	40.1	7.5%
WA	37.5	7.0%	13.7	2.5%	51.2	9.5%
TAS	5.2	1.0%	7.1	1.3%	12.3	2.3%
NT	3.4	0.6%	2.5	0.5%	5.9	1.1%
ACT	8.9	1.7%	0.0	0.0%	8.9	1.7%
Total	340.7	63.5%	195.9	36.5%	536.6	100.0%

Source: *AEC Group Research Report*, July 2006, p. 141

In general, tourism employs a greater share of the workforce in regional areas than it does in the capital cities, accounting for 6.5% of regional employment in tourism and only 5.3% of city employment in tourism. Over the last five years, however, tourism

National Tourism Investment Strategy, AEC Group Research Report, July, 2006

²⁷ *National Tourism Investment Strategy*, AEC Group Research Report, July, 2006, p. 143

²⁸ *ibid*

²⁹ *ibid*, p.141

employment in capital city areas has been growing more rapidly than tourism employment in regional areas.³⁰

A measure of the intensity of tourism employment (the proportion of the resident workforce that is employed in tourism) by tourism region shows that employment in the tourism industry is, to a large extent locally and regionally focused.³¹

In many parts of Australia tourism has become a major employer as job opportunities in traditional industries have declined. It now provides one in every fifteen jobs in non capital city areas.³² **Table 8** shows the top 18 tourism regions by tourism employment intensity.

Table 8: Top tourism regions by tourism employment intensity

Rank	Tourism Region	State	Tourism employment (no. of jobs)	Tourism's share of employment (%)
1	Petermann	NT	613	46.3%
2	Kakadu	NT	274	27.0%
3	Whitsundays	QLD	3,138	22.2%
4	Snowy Mountains	NSW	2,030	20.6%
5	Kangaroo Island	SA	300	14.5%
6	West Coast	TAS	336	14.3%
7	East Coast	TAS	481	13.7%
8	Tropical North QLD	QLD	14,365	13.2%
9	Gascoyne	WA	567	11.3%
10	High Country	VIC	2,840	9.9%
11	Gold Coast	QLD	21,899	9.7%
12	Alice Springs	NT	1,290	8.9%
13	Spa Country	VIC	539	8.9%
14	Kimberley	WA	1,256	8.6%
15	Sunshine Coast	QLD	8,777	8.3%
16	Phillip Island	VIC	792	8.2%
17	Upper Yarra	VIC	531	8.0%
18	South Coast	NSW	4,526	7.9%

Source: TTF Australia, *National Employment Atlas*, 2004

1.7 IMPACT OF SIGNIFICANT INCIDENTS ON TOURISM LABOUR DEMAND

³⁰ Tourism and Transport Forum Australia, *National Tourism Employment Atlas*, 2004. The employment atlas project is supported by DITR. The second employment atlas was published in 2004. A 2006 employment atlas is expected to be released soon.

³¹ TTF Australia, *National Employment Atlas*, Map 1 and Map 2, 2004.

³² *ibid.*

Tourism's share of GDP has been decreasing since attaining an historic high in 2000-01, due to a combination of factors that include the impacts on international travel of terrorism attacks and health scares such as SARS, the appreciation of the Australian dollar and the strength of the base year due to the Sydney Olympics.³³

Tourism is particularly susceptible to abrupt changes in the global economy and geopolitical environment. Although these events do not only affect the tourism industry, they will often be felt by the tourism industry first and hardest through an immediate impact on vital industry inputs such as long haul air travel. Forecast predictions of tourism visitor numbers cannot factor in unpredictable short term disruptions to the market. During and immediately after such unforeseen incidents, forecasts can bear little resemblance to actual industry indicators. **Figure 4** provides a graphic reference of the direct impact of unforeseen incidents on the Australian tourism industry. Demand for labour in the tourism industry is affected indirectly as the impact of these incidents flow through the industry.

Figure 4: International Visitor Arrivals – December 1991 to June 2003



Source: Australian Government, *Tourism White Paper: A Medium to Long Term Strategy for Tourism*, 2003, p. 5

³³ *National Tourism Investment Strategy, AEC Group Research Report, July 2006, Executive Summary*

2. COMMENTS ON TERMS OF REFERENCE

2.1 CURRENT AND FUTURE EMPLOYMENT TRENDS IN THE INDUSTRY

The tourism industry is characterised by 24-hour, seven days-a-week service, employing a comparatively young, casual and part-time, and relatively low skilled work force with a high staff turn-over.

Factors such as limited opportunities to apply new and innovative technologies (as is common in service industries) and low profitability levels have reduced the capacity to invest in new capital. This has resulted in low labour productivity growth in the tourism industry over the past six years, with an average growth per annum of just 2%, compared to an all industry average of 4.4%³⁴ per annum. Worker productivity is a major influencing factor in both the profitability of individual tourism operators and the competitiveness of the tourism industry as a whole.

Another factor that influences demand for labour in the tourism industry is business size. There are differences between the well capitalised 'top end' of the industry and the poorly capitalised, cost-focused 'lower end' of the industry. Large hotels, for example, provide different services from those provided by small hotels, and, each has different staff requirements. In smaller businesses, each employee generally requires a broader range of skills.

Training is more common amongst larger employers, which commonly have a staff training policy and undertake more formal training with external training providers. For smaller or more marginal businesses, economic circumstances dictate that fewer resources are spent on formal training. These smaller businesses prefer on-the-job training.³⁵

There are a number of other factors that impact on the demand for skilled labour in the tourism industry, particularly in remote and regional areas. There are seasonal fluctuations in the tourism industry that influence decisions by employers to invest in training and skills development. This, coupled with the tourism industry's high turn-around rates of casual and part-time labour, contribute to the low investment in staff development, and difficulties attracting and retaining skilled labour, in comparison to other industries.³⁶

These findings are supported by DEST.³⁷ Commenting on worker attraction and retention in the hospitality and tourism industry, DEST reports that from 1987-88 to 2002-03, the percentage of part time employees in the tourism industry increased from around 43% in 1987-88 to almost 53% in August 2003.

³⁴ *National Tourism Investment Strategy, AEC Group Research Report, July 2006, p. 143*

³⁵ *National Tourism Investment Strategy, AEC Group Research Report, July 2006, p. 155*

³⁶ *National Tourism Investment Strategy, AEC Group Research Report National Tourism Investment Strategy, AEC Group Research Report, July, 2006*

³⁷ DEST, *Industry Skills Report, Service Industries, June 2006*

The tourism industry is likely to experience increasing difficulty in finding all labour categories, including suitably skilled labour, in an economy characterised by an ageing population. A report commissioned by the Department of the Treasury³⁸ shows that Australia, like other OECD countries, is experiencing an ageing of its population, driven by declining fertility and mortality rates.³⁹ The number of persons aged 15-24 years is projected to remain relatively unchanged at 2.5-3.0 million over the next 50 years, while much faster growth will be recorded in the population as a whole. Our ageing population means that the 15-24 year age-group will account for a sharply decreasing share of the population, from 17.4% in 1971 to a projected 10.5% by 2051.

The shrinking pool of available young workers from which the tourism industry can draw increases the relative importance of effectively competing for this pool of workers across industries. Recent industry consultation suggests that many students normally employed on a part-time or casual basis in tourism are now finding part-time work in other areas.⁴⁰ Projections of employment growth by tourism industry sector, based on ABS trend data, are shown in **Table 9**.

Table 9: Forecast change in tourism employment, by sector

Sector	Total, 2003-04	Total, 2013-14	Change	Capital cities	Regional/ rural
Travel agency and tour operator services	22.2	16.1	-6.1	-3.9	-2.2
Road transport and motor vehicle hiring	26.2	34.2	8.0	5.1	2.9
Air & water transport	33.4	40.7	7.3	4.6	2.7
Accommodation	94.2	134.2	40.0	25.4	14.6
Cafes & restaurants	50.7	72.3	21.6	13.7	7.9
Clubs, pubs, taverns and bars	25.7	23.8	-1.9	-1.2	-0.7
Manufacturing	43.4	53.5	10.1	6.4	3.7
Rail transport	4.2	4.9	0.7	0.4	0.3
Retail trade	140.5	158.2	17.7	11.2	6.5
Education	25.8	46.0	20.2	12.8	7.4
Libraries, museums and arts	9.6	14.8	5.2	3.3	1.9
Other entertainment services	16.5	24.2	7.7	4.9	2.8
Casinos and other gambling services	1.8	1.2	-0.6	-0.4	-0.2
All other industries	42.4	43.3	0.9	0.5	0.3
Total	536.6	667.4	130.8	83.0	47.7

Source: *AEC Group Research Report*, July 2006, p. 167

There appears to be a correlation between trend employment growth in the mining industry and continuing difficulty recruiting labour to skilled occupations in the tourism industry, particularly in regional and rural Australia. In the twelve months to April 2006, at a national level there was a trend increase in employment in the mining industry of between 16 and 30 per cent, per quarter, whereas in the accommodation, cafes, and restaurants sector (a leading indicator of tourism employment), the trend ranged between minus six per cent and three per cent. DEWR data indicates that trend vacancies at a national level in the accommodation, cafes and restaurants sector remained flat during the same period.

³⁸ Treasury, Budget Paper No. 5, 2002,03, *Intergenerational Report*

³⁹ *ibid*

⁴⁰ *National Tourism Investment Strategy*, *AEC Group Research Report*, July 2006, pp.150-160

According to the ILO, the tourism sector suffers from a poor image in most places in the world, being commonly regarded as a less attractive one in which to work. Other sectors such as finance or information and communications technology are more appealing, particularly to the younger generation. Employment in hotels and restaurants is generally regarded as offering lower pay, unsocial hours, shift-work, work over holiday periods, and often the need to work in remote areas.⁴¹

Respondents to the 2005 AEC Group - Tourism Skills Survey commonly commented that more could be done by governments, together with industry, to make the sector a more attractive one to employees. The lack of a career path in hospitality and tourism was also identified as a deterrent to school-leaver entry. **Table 10** shows the proportion of employees by industry sector that were entitled to leave, as an employment benefit in August 2005. The percentage of employees in tourism related industry sectors that are entitled to leave as an employment benefit, are at the lower end of the table.⁴²

Increasing competition across industries for people from younger age-groups is placing more importance on the attractiveness of the tourism industry as a career option. Industry consultations, such as those conducted for the RCIAA, suggest working in tourism and related industries is commonly seen as an 'entry way' to the workforce as a first job while studying, or a 'stop gap' in between other work, if another job or study opportunity falls through. The reasons for the sometimes low enthusiasm for working in the industry stem from a perception of a working environment which is seen as having low pay, tough conditions, and undesirable hours.⁴³ The lack of a career path is another contributing factor mentioned during consultations.

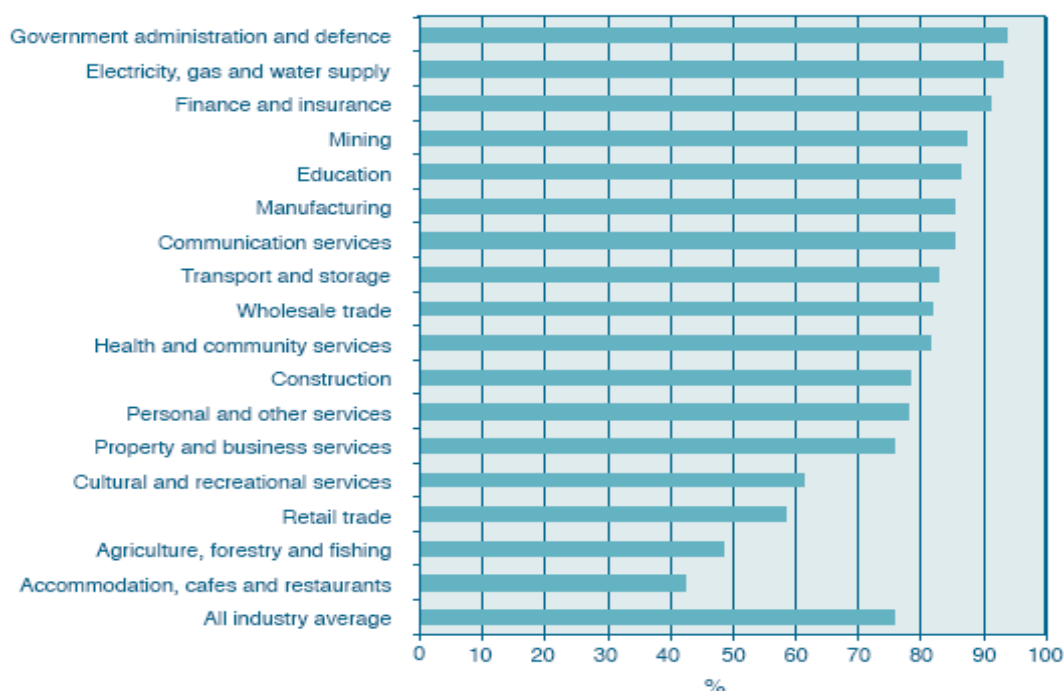
⁴¹ International Labour Office, *Employment and Human Resources in the Tourist Industry in Asia and the Pacific*, Sectoral Working Paper 204, Geneva, 2003, p.12

⁴² DEST, *Industry Skills Report: Service Industries*, June 2006, p. 33

⁴³ *National Tourism Investment Strategy, AEC Group Research Report*, July 2006, p. 160

Table 10: Employees with leave entitlements by industry sector

Proportion of employees with leave entitlements, August 2005



Source: DEST, *Industries Skills Report: Service Industries*, June 2006, p. 33

2.2 CURRENT AND EMERGING SKILL SHORTAGES AND APPROPRIATE RECRUITMENT, COORDINATED TRAINING AND RETENTION STRATEGIES

In a rapidly globalising economy, skills are an important determinant of competitiveness. The OECD reports that low worker commitment and a shortage of skills are the most frequently cited problems facing industry in general.⁴⁴ In many places there are acute shortages of qualified staff necessary to fill positions created in rapidly developing tourism industries. Formal education and business training schemes need to be constantly reviewed in order to satisfy changing labour market demand.⁴⁵ The OECD recommends that collaboration between industry, training providers, and certification and accreditation bodies is essential to accurately gauge training requirements within industry. More flexible training and skill upgrading programs are sought by industry to cope with tourism's world-wide development, and the technological advances that are necessary to maximise labour productivity and ensure the provision of quality services in emerging tourism markets.

According to the Australian Chamber of Commerce and Industry (ACCI),⁴⁶ the lack of suitably qualified staff has been a major concern for Australian industry over the past decade, and is one of the most significant barriers to investment in tourism. In 2005⁴⁷ finding quality staff was the most pressing concern for small and medium

⁴⁴ OECD, *Economic Survey Australia*, July 2006

⁴⁵ OECD, *Economic Survey Australia*, July 2006

⁴⁶ Submission to the AEC Group, by the Australian Chamber of Commerce and Industry, 2005

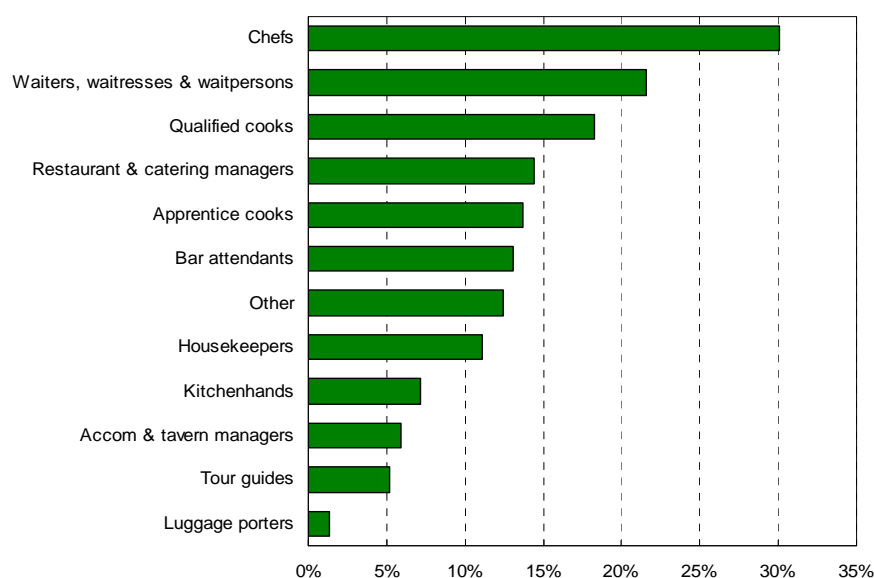
⁴⁷ Sensis, *Business Index – Small & Medium Enterprises*, 2005

enterprises, with the issue at its highest level of concern in February 2005 since commencement of the survey in May 1993.⁴⁸ In July 2006, ACCI's global survey of investor confidence found that, the availability of suitably qualified employees was reported as being the greatest single constraint on investment.⁴⁹

The significance of skills issues to tourism is also highlighted by the QTIC in its recent annual member survey. It reports that a lack of skilled and qualified staff is now the most pressing issue facing the Queensland tourism industry.

A recent member survey by TTF indicated that 75% of its members were seriously affected by the current labour shortage and had trouble filling positions. The positions most difficult to fill were chefs, cooks and food and beverage staff, followed by sales and call-centre staff and front-of-house staff. According to the TTF survey, shortages varied by location. Businesses had particular trouble recruiting in Darwin, Perth, and in regional areas, specifically Central Australia, regional Western Australia, Tasmania and far north Queensland.⁵⁰ **Figure 5** shows areas of reported skill shortage within the tourism industry by occupation.

Figure 5: Skills shortage areas in the tourism industry, % of survey respondents



Source: *AEC Group Research Report*, July 2006, p. 148

DEWR provides several services to assist matching labour supply and demand. Australian JobSearch is a 24 hour service that provides a national job vacancy database and internet site⁵¹ that displays details of job vacancies lodged by contracted service providers such as Job Network members, as well as newspapers and employers. As well as browsing for vacancies, job seekers can lodge a résumé on JobSearch and be automatically matched to job vacancies.

⁴⁸ *ibid*

⁴⁹ SAI Global-ACCI Survey of Investor Confidence, July 2006

⁵⁰ *National Tourism Investment Strategy*, AEC Group Research Report, July 2006, p. 147

⁵¹ www.jobsearch.gov.au

The Australian Government's Welfare to Work reforms came into effect on 1 July 2006. The reforms are designed to increase workforce participation and employment and reduce welfare dependence for working age Australians. The Welfare to Work package provides incentives for Australians of working age to move from welfare into work backed up by a range of new and expanded services and targeted initiatives to increase job opportunities.

The four main groups affected by the Welfare to Work changes are:

- People with disabilities;
- Parents;
- Mature age people (50 or over); and
- Very long term unemployed people.

The Disability Employment Network (DEN) provides specialist assistance to job seekers with disabilities who require ongoing support to find and maintain employment. DEN is delivered by a network of organisations around Australia.

A job seeker can be referred to DEN if they:

- Have a permanent (or likely to be permanent) disability;
- Have a reduced capacity for communication, learning or mobility;
- Require support for more than six months after placement in employment; or
- Require specialist assistance to build capacity in order to share the financial, social and personal benefits that employment offers.

AEC Group research indicates there are a number of challenges for the hospitality and tourism industries, which, unless addressed, will seriously limit the industry's effectiveness in competing for workers in an increasingly competitive labour market.

This is particularly important for small and medium enterprises. Unless small and medium enterprises can gain a competitive advantage, they will be at risk of being unable to maintain their market share in an increasingly globalised tourism labour market. Some of the innovation initiatives already being looked at within the Australian tourism industry are addressed under later terms of reference.

States and territories are approaching the issue of skills shortages through the development and implementation of 'Skills Formation Strategies'. Whereas the Australian Government has responsibility for higher level policy in these areas, state and territory industry councils, such as the Queensland Tourism Industry Council, are responsible for addressing these issues at the operator level. Skills formation strategies provide a process whereby industry, community and government stakeholders, collaborate to analyse the reasons for skills shortages, then develop strategies to address the issues identified.⁵²

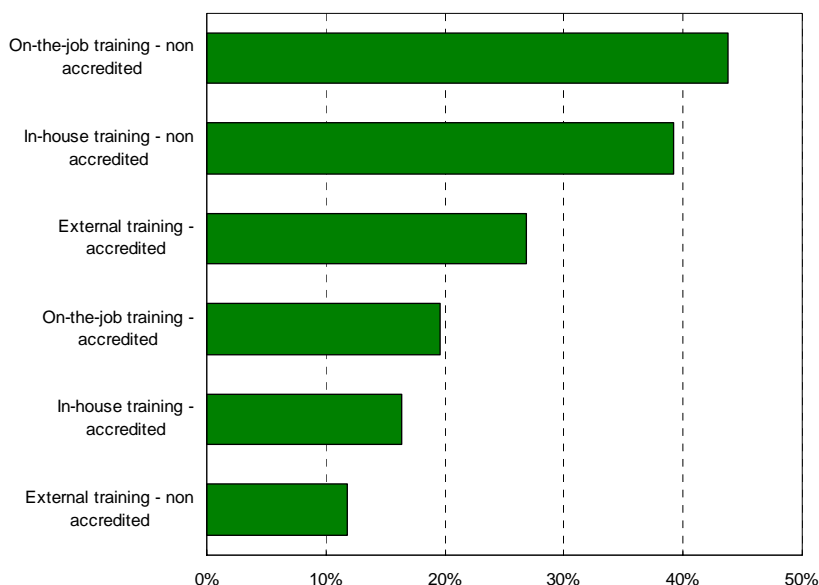
2.2.1 Effectiveness of the tourism training system

The effectiveness of the tourism training system is a key contributing factor to the supply of skilled labour to the tourism industry. How well the tourism training

⁵² info@qtic.com.au

system performs affects the willingness of employers and individuals to invest in skills development. If employers or individuals are dissatisfied with the system, it can be expected there will be lower levels of, and returns on investment in, formal training courses. **Figure 6** shows types of training undertaken in a twelve month period by respondents to the AEC Group, 2005 Training Skills Survey.

Figure 6: Types of training undertaken during past 12 months, tourism businesses



Source: *AEC Group Research Report*, July 2006, p. 145

At present there are high attrition rates for students undertaking studies in tourism-related courses and training, according to National Centre for Vocational Education Training Research (NCVER) student enrolment statistics. The fall-out of students while studying, and the inability to retain students in the industry after graduating, significantly impacts the supply of skilled labour to the industry. For example, attrition rates in commercial cookery courses typically average 50 per cent based on industry consultation undertaken during AEC Group research, and analysis of apprenticeship completion rates. Added to this is an industry retention rate of 40%-60% of graduates from these training courses after five years, according to industry experts.⁵³

Industry leaders identify uninformed career choice and lack of screening by training providers as the main reasons for high student attrition and low post-qualification retention rates.⁵⁴ The effectiveness of the tourism training system from an employer perspective was assessed in the 2005 AEC Group's Tourism Skills Survey:

- Only around 30% of tourism employers agree the Vocational Education and Training (VET) sector is providing graduates with skills appropriate to employer needs;
- More than 75% of tourism employers believe that the VET sector should provide more practical job skills;

⁵³ *National Tourism Investment Strategy, AEC Group Research Report*, July 2006

⁵⁴ Restaurant & Catering Australia, *Complete Policy Document*:
<http://www.restaurantcater.asn.au/rc/content.aspx?id=10>

- Approximately 75% of tourism employers agree they should have more input into course content;
- Approximately 40% of tourism employers believe the VET system does not take into account the needs of employers;
- 80% of tourism employers find it is difficult to tell what a person's skills are from their educational qualifications;
- More than 85% of tourism employers believe that the training should be competency-based i.e. that qualifications should be based on what a person can actually do, rather than time spent studying;
- More than 80% of the tourism industry believe there should be more work experience and work placements as part of training;
- Approximately 65% of tourism employers believe the assessment process for VET should be improved to assist employers in comparing the skills of prospective employees; and
- Only 40% of tourism employers believe graduates from tourism training have adequate literacy and numeracy skills.⁵⁵

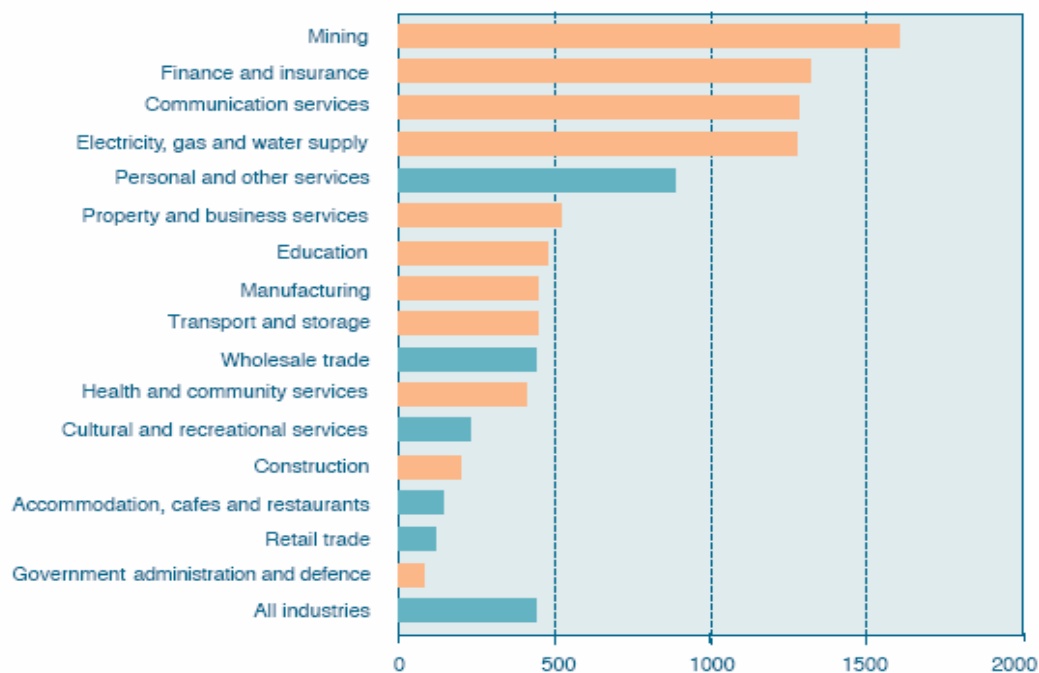
Table 11 shows training expenditure per employee by industry sector for 2001-02. Although tourism is not directly identified, accommodation, cafes and restaurants; cultural and recreation services; and retail trade, of which a significant proportion are tourism-related, are at the lower end of the table.

Since the mid-1990s, the VET system, which is a responsibility of the states and territories, has expanded rapidly, notably since the introduction of the New Apprenticeship Scheme in 1998. The system does not focus only on the young, with more than 50% of VET clients being aged 25 to 64, though participation drops off sharply after age 45.

The number of people in training has reached a plateau since early 2003 and the number of completions is only half of commencements, with completions rising only slightly between 2000 and 2005.⁵⁶ Completions are much lower for younger students than for older students.

⁵⁵ *National Tourism Investment Strategy, AEC Group Research Report*, June 2006, pp. 160-161

⁵⁶ NCVET, 2006

Table 11: Training expenditure per employee by industryEmployers: Net direct training expenditure per employee, 2001–02⁸¹

Source: DEST, *Industries Skills Report: Service Industries*, June 2006, p. 60

2.2.2 Recent changes to the VTE system in Australia

The Australian Government's Minister for Vocational and Technical Education, the Hon Gary Hardgrave MP, recently announced major changes to Australia's vocational and technical education sector that come into effect from 1 July 2006. These changes are intended to make the Vocational and Technical Education sector significantly more responsive to industry skills needs.

The changes include re-branding Australian Apprenticeships which will reinforce apprenticeships as a first-choice career option that is as professionally, financially and personally rewarding as a university pathway. Australian Apprenticeship Centres will facilitate Australian Apprenticeship placements either by becoming a Job Placement Licensed Organisation (contracted through the DEWR), or by establishing formal linkages with Job Network Members and/or Job Placement Licensed Organisations.

Strategies to improve educational outcomes include early intervention and ongoing support; apprentice retention and completion; linkages with other key players in the Australian Apprenticeships market; achieving better participation for key priority groups; and improved marketing and promotion.

To improve the quality of programs and tackle increasing skills shortages, the Australian Government launched the *National Skills Shortages Strategy* in 2004. This industry led process aims to identify what industry and government can do - individually and in partnership - to redress the shortages in industry skills.

A 2005-08, Commonwealth-State Agreement for Skilling Australia's Workforce was reached in mid-2005. Twenty-four technical colleges are also being built to strengthen the VET system.

2.2.3 New Zealand Tourism and Hospitality Workforce Strategy

New Zealand has recently (11 July 2006) released its *Tourism and Hospitality Workforce Strategy*. The report, a product of close collaboration between New Zealand industry leaders and the New Zealand Government, has relevance to the Australian tourism industry. Many of the issues raised are similar to those facing industry in Australia, with some minor differences - for example, New Zealand tourism does not appear to suffer from the same degree of isolation in regional areas.

Based on a forecast of visitor numbers through to 2010, New Zealand faces a serious skills shortage and plans collective and concerted action to avert this. As in Australia, tourism and hospitality is traditionally a low wage industry that is often seen as a first employer for young people. It also finds it difficult to attract enough people committed to making a career of tourism, leaving the industry very reliant on casual workers and low skilled staff.

Although quite general in nature, the strategy sets out a wide and interesting array of measures. It describes skills shortages as being a workplace rather than a workforce issue. Its recommended strategies place much of the onus upon business operators and industry leaders by focusing on the factors that influence how well people work, such as training, pay, career paths, learning and development opportunities and how the business they work for is managed. Specific measures include:

- Encouraging industry to invest in skills development and in providing attractive workplaces, such as through flexible working hours;
- Measures to promote the industry to potential employees, such as an industry-owned website and working with secondary schools;
- Working with education managers to ensure that the delivery of training matches industry needs, such as through industry input to qualifications, so as to ensure that qualifications are credible and portable;
- Breaking down barriers that inhibit small and medium enterprises from investing in training and building their understanding of what influences staff retention;
- Advocating further research into the causes of staff turnover;
- Development of a training needs assessment tool that operators can use to assess the training needs of staff; and
- Development of a best practice toolkit for operators to draw upon, including industry, best-practice case studies.

Development of this strategy was based on prior research, notably the *Tourism Workforce and Skills Projections Report* published in November 2004. That report concluded that industry growth would be severely constrained by projected skills shortages.

The strategy was developed through a leadership group comprised mainly of industry associations, training organisations and government agencies. Industry played the

lead role in developing the strategy, a key element of which is a standing invitation to make submissions and submit ideas. The leadership group will monitor results of the strategy and provide a mid-term report in the *New Zealand Tourism Strategy 2010*.

2.3. LABOUR SHORTAGES AND STRATEGIES TO MEET SEASONAL FLUCTUATIONS IN WORKFORCE DEMANDS

The seasonal nature of the tourism industry is a contributing factor to labour shortages in the industry. Seasonal variations in visitor numbers are recorded in all tourism regions but are reported as being most extreme in the Northern Territory and Tasmania.⁵⁷ Demand for labour in the tourism industry is significantly higher during the autumn and winter months in the Northern Territory, but much lower during the wet season across the spring and summer months.

Seasonality creates issues not only for the availability of labour required in an area, but also the skills development of staff. Employers and individuals are less willing to invest in skills that are not utilised all year round.

The issue for the tourism industry is how it can attract an adequate workforce willing to work on a seasonal basis. Employers in remote and regional Australia often depend on working holiday makers travelling in Australia to alleviate staff shortages across a range of sectors. However, the temporary nature of this employment means that investment in skills and training is low.⁵⁸

The Working Holiday Maker (WHM) program provides opportunities for people aged between 18 and 30 to holiday in Australia and to supplement their travel funds through incidental employment. Australia has reciprocal WHM arrangements with 19 countries. Holders of a WHM visa are entitled to stay in Australia for up to 12 months and undertake any kind of work of a temporary or casual nature.

The Minister for Immigration and Multicultural Affairs, Senator Amanda Vanstone, recently made two significant announcements regarding changes to the WHM program. On 14 April 2005, she announced that working holiday makers who have undertaken at least three months seasonal harvest work in regional Australia will be entitled to apply for a second WHM visa, enabling them to stay in Australia for an additional 12 months. This announcement took effect on 1 November 2005. Seasonal harvest work covers picking fruit, nuts and other crops, pruning and trimming vines and trees, general maintenance crop work, and other work associated with packing or processing the harvest. The work must be undertaken in regional Australia, defined as anywhere in Australia except Sydney, Newcastle, Wollongong, the NSW Central Coast, Brisbane, the Gold Coast, Perth, Melbourne or the ACT.

On 3 May 2006, Senator Vanstone announced additional changes to WHM arrangements, which included two elements important to the tourism industry:

⁵⁷ *National Tourism Investment Strategy, AEC Group Research Report, July 2006, p. 153*

⁵⁸ *National Tourism Investment Strategy, AEC Group Research Report, July 2006, p. 171*

- All working holiday makers will be able to work with one employer for up to six months (formerly WHM visa holders were able to work with individual employers for only 3 months); and
- In addition to seasonal harvest work, working holiday makers working in primary industries such as fishing, pearling, shearing, butchery and forestry will be entitled to apply for the visa extension.

These measures took effect from 1 July 2006. One further implication is that the combination of these two announcements effectively means that a WHM visa-holder who has worked in a specified primary industry sector can work for one employer for six months on a first visa, and work for the same employer for a further six months on a second visa. The 12-month period could be virtually sequential. While such changes to the WHM program are beneficial for the tourism industry overall, particularly in its appeal to the backpacker segment, it remains that WHM visa-holders who have worked solely in the tourism/hospitality industries are unable to apply for a visa extension beyond 12 months.

2.4 STRATEGIES TO ENSURE EMPLOYMENT IN REGIONAL AND REMOTE AREAS

Skill shortages are particularly acute in regional Australia, where all states/territories report difficulties in attracting and retaining skilled staff. This is reinforced by findings from recent TTF member surveys, and skills shortage analysis undertaken by DEWR. As noted under previous terms of reference, operators in regional and remote areas traditionally face difficulties in recruiting trained and experienced staff. Isolation, lack of suitable accommodation for staff and swings in seasonal employment demand, often compound recruitment and retention problems.⁵⁹ There is also evidence of recent strengthening of competition for labour resources in the regions.⁶⁰

The Department of Transport and Regional Services, has recently published findings of research into the causes and possible remedies of skill shortages in the regions.⁶¹

In its working paper it concludes:

- The causes of skill shortages are complex, and there may be many drivers that could be causing a shortage in a region or occupation;
- No two situations are alike, and what works in one region or occupation may not work in another;
- Each shortage needs to be assessed individually, and responses need to be tailored to the situation;
- One reason labour markets do not adjust quickly to resolve skill shortages is inflexibility in the wage system;
- Another reason is the reluctance, or inability, of employers to raise the wages of skilled workers in demand;

⁶⁰ *National Tourism Investment Strategy, AEC Group Research Report, July 2006, p. 171*

⁶¹ Bureau of Transport and Regional Economics, *Skills Shortages in Australia's Regions*, Working Paper 68, July 2006

- The popular belief is that more publicly funded training is required to alleviate skill shortages. Publicly funded training may not always be an effective solution. In many cases, industry must take the lead on training and development;
- Working conditions and wages play an important role in skill shortages. In occupations where there are poor conditions or wages, the problem may not be in the supply of labour, but rather in the willingness of labour to take up positions; and
- It is essential to have accurate, region specific, information on labour and skill shortages in order to identify the causes.⁶²

Looking at domestic overnight tourism performance, there is also some evidence that the regions have been impacted by recent declines in domestic tourism to a greater extent than capital cities. At a regional level, between 1999 and 2005:

- The fall in visitor numbers and nights has been sharper in regional areas than in capital cities;
- The fall in visitor expenditure has been stronger in capital cities than in regional areas;
- Visitor nights have fallen on both an intra and inter-state basis, but the decline in intra-state nights was stronger; and
- No clear pattern has yet been established between the characteristics of better or poorer performing regions. However, the decline in annual spending on domestic travel between 1999 and 2005 has been most pronounced amongst residents of the capital cities and many tourism regions in Eastern Australia.⁶³

The TRA report: *An assessment of the Australian domestic tourism market*, 2006, it is suggested that increasing social and work life pressures, including the stockpiling of annual leave, are contributing to the decline in domestic tourism. In response, Tourism Australia has launched the *No Leave, No Life* campaign. In partnership with the Australian Human Resources Institute, the campaign is aimed at reducing Australia's accumulated annual leave burden and boosting domestic travel.⁶⁴

In the same report, TRA has identified three key areas for future research, grouped into three themes: consumer behaviour; consumer motivators; and structural issues. It is proposed that the findings of this research will assist in the generation of future tourism performance scenarios, which will, among other things, help to identify trends in labour requirements. This will allow more informed decision making by training providers and policy makers with responsibility for programs aimed at maximising the growth potential of domestic tourism.⁶⁵

The tourism industry contributes significantly to regional economies. **Table 12** shows that of total expenditure by tourists in Australia, 47 cents in every tourist dollar was spent in 2005 in regional Australia. Domestic visitors spend more in regional

⁶² Bureau of Transport and Regional Economics, *Skills Shortages in Australia's Regions*, Working Paper 68, July 2006, pp. xi-xii

⁶³ Tourism Research Australia, *An assessment of the Australian domestic tourism market*, 2006, p. 9

⁶⁴ <http://www.noleavenolife.com.au/hot-deals.htm>

⁶⁵ Tourism Research Australia, *An assessment of the Australian domestic tourism market*, 2006, pp. 78-82

Australia, 53 cents in every dollar, compared to international visitors who spend 23 cents in every dollar in regional and remote areas.

Table 12: % of total expenditure - urban and regional Australia

	1999	2000	2001	2002	2003	2004	2005
Domestic tourism							
- Urban	47	49	49	46	46	46	47
- Regional	53	51	51	54	54	54	53
- Total domestic	100	100	100	100	100	100	100
International tourism							
- Urban	75	77	76	78	78	78	77
- Regional	25	23	24	22	22	22	23
- Total international	100	100	100	100	100	100	100
Total tourism							
- Urban	52	54	54	52	52	52	53
- Regional	48	46	46	48	48	48	47
- Total Tourism	100	100	100	100	100	100	100

Source: Tourism Research Australia, *Travel Expenditure by Domestic and International Visitors in Australian regions*, Year ending December 2005. 'Regional' is defined as 'all tourism regions excluding capital cities and the Gold Coast'.

Western Australia and Queensland are the fastest growing state economies in Australia. However, in Western Australia the skills shortage in the tourism industry has become more evident since the resources and building boom started about three years ago. The tourism industry is facing a particular shortage of workers in the north-west of the state, forcing hotels to import chefs under skilled migrant and employer nominated migration visa schemes, and where possible from interstate. There are also ongoing shortages of waiters and bar staff.⁶⁶

Much of the growth in emerging tourism operations is occurring in regional and remote areas through the development of nature-based tourism attractions and activities.⁶⁷ This places additional demands on available labour and skills in these locations. A challenge for the tourism industry training bodies is to keep pace with these emerging market trends, and ensure flexibility in national training regimes necessary to adequately provide for changing patterns of demand for skilled labour and across different geographical locations.

⁶⁶ Tourism Research Australia, *An assessment of the Australian domestic tourism market*, 2006, p. 151

⁶⁷ *ibid*, p.153

Table 13: Tourism Expenditure by Region

Rank	Region	State or territory	Domestic visitor expenditure	International visitor expenditure	Total visitor expenditure
			\$ million	\$ million	\$ million
1	Sydney	NSW	6,006	4,290	10,296
2	Melbourne	VIC	5,337	2,138	7,475
3	Gold Coast	QLD	3,397	858	4,255
4	Brisbane	QLD	2,977	768	3,745
5	Experience Perth	WA	2,606	1,095	3,701
6	Tropical North Queensland	QLD	1,457	1,106	2,563
7	Adelaide	SA	1,728	391	2,119
8	Sunshine Coast	QLD	1,860	165	2,025
9	North Coast NSW	NSW	1,603	47	1,650
10	Hunter	NSW	1,076	98	1,174
11	Canberra	ACT	956	134	1,089
12	Northern Rivers Tropical NSW	NSW	987	99	1,086
13	Australia's South West	WA	997	81	1,078
14	South Coast	NSW	964	18	982
15	Darwin	NT	695	78	773
16	Hobart and Surrounds	TAS	641	105	747
17	Western	VIC	637	33	669
18	Australia's North West	WA	575	48	624
19	Central Coast	NSW	596	20	616
20	Hervey Bay/Maryborough	QLD	538	52	589

Source: Tourism Research Australia, *Inbound Visitor Survey and National Visitor Survey, 2006*

For the top 20 regions, international visitors' share of expenditure ranges from 43.2% in Tropical North Queensland down to 1.8% of total visitor expenditure on the NSW South Coast.

Backpackers continue to make a significant contribution to inbound tourism in Australia and most importantly to regional and remote areas of Australia.⁶⁸ In 2005:

- A record 498,900 international backpackers visited Australia, representing around 9.9% of all international visitors to Australia;
- International backpackers spent \$2.3 billion on goods and services in Australia, representing 19% of total expenditure by all international visitors;
- Backpackers visited an average of five regions while in Australia, compared with an average of two regions visited by other international visitors;
- International backpackers stayed an average of 64.0 nights in Australia, compared to an average of 22.8 nights for other international visitors;
- Average expenditure by international backpackers was \$4,674 per visitor, more than double the average expenditure of \$2,163 for all visitors;
- In 2005, 82% of backpackers stopped overnight in tourism regions outside the major entry ports (Sydney, Melbourne, Melbourne East, Brisbane and Perth) in comparison with 50% of non-backpackers; and

⁶⁸ Tourism Research Australia defines backpackers as 'an international visitor who spent one or more nights in a backpacker hotel or youth hostel during their stay in Australia.'

- There were around 413,000 domestic trips made by Australian resident backpackers travelling in Australia. On average, domestic backpackers travelled for around five nights per trip and spent around \$288 million.⁶⁹

Australia's migration program plays an important role in contributing to the economic, demographic and social development of regional Australia and low population growth areas. Research into the distribution of, and the reasons why, migrants decide to settle in certain areas of Australia, shows there are four factors which determine where migrants settle: location of family members; the availability of employment; business opportunities; and prior experience of an area.⁷⁰

Since 1996–97 the Australian Government, in consultation with state and territory governments, has introduced a number of initiatives designed to assist state and territory governments and regional authorities to encourage a more balanced dispersal of Australia's skilled migrant intake, and to address skill shortages that exist in specific regions.⁷¹

Skilled migration arrangements enable state/territory governments, regional employers and development bodies to access skilled migrants needed in regional and remote areas under a range of flexible visa program criteria. The criteria have been designed so that they do not undermine the overall integrity of migration program objectives - applicants must be skilled and meet mandatory health and character requirements.

2.5 INNOVATIVE WORKPLACE MEASURES TO SUPPORT FURTHER EMPLOYMENT OPPORTUNITIES AND BUSINESS GROWTH IN THE TOURISM SECTOR

The importance of training and innovation was also recognised by the Productivity Commission in its research paper, *The Role of Training and Innovation in Workplace Performance* (1999), where it concluded:

- Training and innovation are more prevalent in workplaces experiencing strong labour productivity growth;
- Different types of innovation have different effects on labour productivity growth, with changes in how work is done having a greater immediate effect than other forms of innovation;
- Labour productivity growth appears to be enhanced by the joint introduction of training and innovation. Introducing innovation in isolation can promote labour productivity growth, although returns are increased by the presence of training. Conversely, training is only of benefit to labour productivity growth if combined with innovation;
- The links between training, innovation and labour productivity growth differ between technically efficient and inefficient workplaces. It appears that training is an effective strategy for less efficient workplaces striving to 'catch-up' with

⁶⁹ DITR, *Australia's Tourism Facts & Figures* (2006, unpublished data)

⁷⁰ DIMA, *Population Flows: Immigration Aspects*, January 2006

⁷¹ *ibid*, pp. 41-42

competitors, whereas innovation appears to promote labour productivity growth among both technically efficient and inefficient workplaces; and

- The timing of the effects of innovation on productivity differ with the type of innovation. Changing the work of non-managerial employees appears to have immediate effects on productivity growth. Workplace restructuring and changes in products and services produced seem to have a delayed effect.

The Australian tourism industry faces many challenges in becoming more innovative. Findings relating to innovation in the tourism sector contained in the recent AEC Group⁷² research report include:

- Regular market research is only undertaken by about 10 per cent of tourism operators surveyed with little research on future demand on new products;
- Returns on investment in market research are not well known and understood;
- A lower proportion of turnover is spent on market research in the tourism industry than in any other service industry;
- Drivers of product innovation are highly profit focused;
- Collaboration between firms is lower than in other industries;
- Business skills relating to innovation are lacking;
- The main source of funds for innovation are internal, with minimal to no use of venture capital; and
- Investment in new technology is focused on improving efficiency and replacing old technology rather than for quality reasons.

This suggests a tourism industry that is focused on efficiency and cost cutting and is not well placed to invest in innovation or training. This has resulted, by necessity, from a need to survive recent shocks to international and domestic travel, as well as intense price competition within the industry. Labour costs, which make up a large proportion of total operational costs, have been targeted, and the resulting impact on profit margins has left few resources for investment in research, innovation, or new technology.

Compounding these restraints on innovation are factors related to employment within the industry which have already been touched on above: tourism is characterised by a younger, less experienced workforce; high labour mobility, and a lower qualification profile.⁷³

Innovation in the Australian tourism industry could be encouraged by continuing to develop and improve existing products and through process innovation in tourism business operations. Dissemination of best practice outcomes within the industry is an important part of the process to encourage learning from businesses that have already successfully innovated. Improved collaboration within the industry has the ability to improve efficiencies and economies of scale for business, as many small to medium enterprises (SMEs) lack the information and management skills to take advantage of opportunities as they arise.

⁷² *National Tourism Investment Strategy, AEC Group Research Report, July 2006, pp 141-142*

⁷³ *National Tourism Investment Strategy, AEC Group Research Report, July 2006, pp 141-142*

The RCIAA incorporates a number of innovative actions that address skills levels in the restaurant and catering industry, including measures to retain staff and foster their development. These include:

- Development of a mentoring model to up-skill staff, undertaken with support from the Small Enterprise Culture Program managed by AusIndustry;
- Reducing the high attrition of students, especially in school-delivered VET, by proposing an aptitude assessment tool that uses the streamed offering of hospitality training in schools including work placements to screen students before they undertake more advanced study. A successful pilot of such a tool has been undertaken in Queensland; and
- Developing and disseminating quality careers information on the restaurant and catering industry. A hospitality careers communication resource with related marketing plan was developed by industry. The aim is to provide quality careers information on the restaurant and catering sector. The design of the project was completed in July 2005 and R&CA is currently liaising with DEST on funding options for its implementation.

The Australian Tourism Export Council (ATEC), with Australian Government funding support, has developed a suite of new online interactive learning modules. The online training 'Export Ready' program focuses on skills development for individuals either working, or planning to work, in the tourism export sector, and is available through www.atec.net.au. 'Export Ready' is available to any individual across Australia with internet access.