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The Parliament of the Commonwealth of Australia

# Current vacancies:

## **Workforce challenges facing the Australian tourism sector**

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

June 2007  
Canberra

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Mr Chris Hayes MP, Ms Jill Hall MP, Mr Brendan O'Connor MP, Hon Roger Price MP

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## Foreword

The tourism sector plays an important role in the Australian economy. Australia is a key destination for those tourists from overseas experiencing our natural wonders and relaxed lifestyle, and for Australians exploring more of their own country.

Tourism campaigns have been highly successful – the tourism sector is projected to continue to grow, and with that growth comes a heavy demand for skilled employees. So while we have campaigns to sell Australia to tourists, we need similar support to sell the tourism industry to potential workers. We also need to guard against a lack of suitable staff which would undermine the industry's ability to meet the growth of the sector and the service quality expectations tourism promotions create.

This report comes at an important time. In a time of economy-wide growth, the demand for skills and labour is at a premium. The tourism sector struggles to maintain competitiveness with other sectors which have the capacity to offer high wages and conditions such as the provision of housing.

While in the economy today, most new jobs are created in the services sector, especially in retail, lack of comprehensive data makes it difficult to project employment growth. The Committee has addressed this issue as well as recommending a standardised methodology for longitudinal analysis of industry trends. It is hoped that this will assist with workforce planning.

The sector also faces international competition for skilled employees. The portability of skills gained working in the tourism sector opens up worldwide employment opportunities in countries where these skills are more highly rewarded. The report makes recommendations aimed at supporting workforce and destination management planning.

Australian employers are also competing internationally for skilled employees. The need for changes to immigration arrangements to recognise the extent of skills

existing in the tourism sector is recommended, as well as changes to business, student and working holiday visa programmes.

One of the most significant challenges that the tourism industry faces is employee retention. Employers struggle with the balance of providing jobs on a seasonal basis as opposed to providing career opportunities for those committed to a prosperous tourism sector. The sector itself needs to be better defined to support workforce planning.

The Committee was told that the industry has a 'culture of turnover'. While this culture encourages and supports the free flow of seasonal staff, it limits opportunities for training and career progression within certain parts of the industry.

There also needs to be a change in public attitude towards careers in the tourism industry. The tourism industry can and does offer rewarding careers. This is evident in many European countries where front-of-house staff are highly sought after and well remunerated. In many Asian countries a career in housekeeping can lead to hotel management. Unfortunately, many Australians do not undertake these jobs, and do not see the opportunities they can lead to, both in Australia and internationally.

A change in attitude needs to come from industry itself. The report recommends the establishment of an industry leaders' forum to take responsibility for the promotion of careers and training, within and outside the industry. The establishment of a tourism industry long service leave scheme has been recommended to support the industry to position itself as offering careers, not just 'holiday jobs'.

The industry faces a number of workforce challenges, not least of which is the provision of training. The challenge for the industry as a whole is to support the small owner-operated businesses to provide more opportunities for their staff to gain training and recognition of their skills. The challenge for the Australian, state and territory governments is to provide a training system that delivers against competencies rather than student contact hours.

A true competency-based system, which makes full use of recognition of prior learning and does not rely on the out-dated concept of time served, is the best training mechanism to support an industry that undertakes extensive in-house training and relies on workers returning on a seasonal basis. Indeed, many individuals, such as tour guides, pursue careers only on a seasonal basis and the training system must accommodate this.

The capacity for jurisdictional portability of qualifications is explored. It is the responsibility of governments of all levels to make this a priority for action.




Employees must be supported to develop a career in the tourism industry, regardless of where they are working.

Finally, I would like to thank those individuals and organisations who took the time to contribute to the inquiry through written submissions, appearing before the Committee, or hosting it.

I would like to thank the former Chair, Phil Barresi MP, for his contribution to the inquiry. Without his initial work, the inquiry would not have been as comprehensive as it has been. I would also like to thank the Committee. Members have worked cohesively to produce a report that contributes to the future of the tourism sector. I thank them for their support and contribution to the inquiry. In particular I thank the Deputy Chair, Chris Hayes MP, and former Deputy Chair, Brendan O'Connor MP.

Hon Gary Hardgrave MP  
Chair



## Membership of the Committee

Chair            Hon Gary Hardgrave MP (appointed 6/2/07)

Mr Phillip Barresi MP (discharged 6/2/07)

Deputy Chair   Mr Chris Hayes MP

Members        Mr Mark Baker MP

Ms Jill Hall MP

Mr Stuart Henry MP

Mrs Margaret May MP

Mr Brendan O'Connor MP

Hon Roger Price MP

Mr Don Randall MP

Mr Ross Vasta MP

## Committee Secretariat

Secretary	Dr Anna Dacre
Inquiry Secretary	Ms Siobhán Leyne
Research Officer	Ms Loes Slattery
Administrative Officer	Mr Daniel Miletic



## Terms of reference

On 1 June 2006, the Minister for Employment and Workplace Relations requested the House of Representatives Standing Committee on Employment, Workplace Relations and Workforce Participation to inquire into and report on workforce challenges in the Australian tourism sector, with particular reference to:

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



## List of abbreviations

AAA	Australian Airports Association
ABS	Australian Bureau of Statistics
AHA	Australian Hotels Association
ANZSIC	Australian and New Zealand Standard Industry Classification
ARTRC	Australian Regional Tourism Research Centre
ASAA	Australian Ski Areas Association
ASCO	Australian Classification of Occupations
ATA	Aboriginal Tourism Australia
ATC	Australian Technical Colleges
ATEC	Australian Tourism Export Council
AWU	Australian Workers Union
AWU(Q)	Australian Workers Union of Queensland
BTRE	Bureau of Transport and Regional Economics
CCIWA	Chamber of Commerce and Industry Western Australia
CDEP	Community Development Education Program
COAG	Coalition of Australian Governments
CMCA	Campervan and Motorhome Club of Australia

DFAT	Department of Foreign Affairs and Trade
DEST	Department of Education, Science and Training
DEWR	Department of Employment and Workplace Relations
DIAC	Department of Immigration and Citizenship (formerly DIMA)
DIMA	Department of Immigration and Multicultural Affairs (see DIAC)
DITR	Department of Industry Tourism and Resources
FPIA	Furnished Property Industry Association
GDP	Gross Domestic Product
GSP	Gross State Product
HMAA	Hotel, Motel and Accommodation Association
IBA	Indigenous Business Australia
ICAE	International College of Advanced Education
ITC	Industry Training Council
LHMU	Liquor, Hospitality and Miscellaneous Union
MODL	Migration Occupations on Demand List
NCVER	National Centre for Vocational Education Research
NQC	National Quality Council
OEA	Office of the Employment Advocate
QTIC	Queensland Tourism Industry Council
RCA	Restaurant and Catering Australia
RPL	Recognition of Prior Learning
SATC	South Australian Tourism Commission
SCU	Southern Cross University
SHG	Seashells Hospitality Group

SME	Small and Medium-sized Enterprises
STCRC	Sustainable Tourism Cooperative Research Centre
TAFE	Tertiary and Further Education
TFC	Tourism Forecasting Committee
TICT	Tourism Industry Council Tasmania
TSA	Tourism Satellite Account
TTF	Tourism and Transport Forum
TTNQ	Tourism Tropical North Queensland
UNWTO	United Nations World Tourism Organisation
UTS	University of Technology Sydney
VECCI	Victorian Employers' Chamber of Commerce and Industry
VTIC	Victorian Tourism Industry Council
YATA	Young Australians Tourism Association



# List of recommendations

## 2 Employment in Australia's tourism industry

### Recommendation 1

The Committee recommends that the Australian Government expand data collection and analysis of the labour needs of the tourism industry to enable comprehensive workforce planning. This data should encompass all tourism-related employment.

### Recommendation 2

The Committee recommends that the Australian Government, in partnership with regional research institutions and industry bodies, undertake a review of the compilation and analysis of employment data for tourism and related sectors. The review should address the development of a standardised methodology for longitudinal analysis of tourism industry trends with particular focus on rural and regional areas.

## 3 Addressing labour shortages and skills demands

### Recommendation 3

The Committee recommends that the Australian Government, in partnership with owners and operators, develop a seasonal workforce management plan for the tourism industry that focuses on building community and industry-wide cooperation.

### Recommendation 4

The Committee recommends that the Department of Industry, Tourism and Resources develop a destination management planning tool for the tourism industry that assists regions to undertake workforce planning and strategic product development and support community infrastructure.



#### **Recommendation 5**

The Committee recommends that the Australian Government provide facilitative support to the furnished property industry and the Australian Local Government Association to assist the development of a national short-term rental accommodation code of conduct.

#### **Recommendation 6**

The Committee recommends that the Australian Government place an obligation on the Department of Immigration and Citizenship to report to the Minister for Immigration and Citizenship when processing times for the Temporary (Long Stay) Business Visa (sub class 457) exceed the service standards of between 30 days and six weeks for applicants from low risk countries, and six weeks to three months for medium risk countries.

#### **Recommendation 7**

The Committee recommends that the Australian Government amend the Migration Occupations on Demand List to include tourism occupations in areas of skills demand where these occupations meet recognised national training standards but do not meet the formal three-year post-school qualification criteria.

#### **Recommendation 8**

The Committee recommends that the Australian Government apply a second-year visa extension to the Working Holiday Maker visa (subclass 417) and the Work and Holiday visa (subclass 462) for individuals who undertake at least three months work in a regional or remote location in the tourism and hospitality industry.

#### **Recommendation 9**

The Committee recommends that the Australian Government establish a taskforce to investigate the full range of options for better tailoring the immigration program to address labour shortages in regional and rural tourism businesses.

#### **Recommendation 10**

The Committee recommends that the Australian Government identify countries where there is training to a high level in areas such as front of house skills and provide an option for Australian recognition of these qualifications in order to enable an avenue for entry into a fast-track visa scheme.

#### Recommendation 11

The Committee recommends that the Australian Government introduce visa extensions of up to two years for overseas tourism and hospitality students who:

- successfully complete a tertiary course in an area of skills demand; and
- undertake an appropriate level of work placement as a part of course completion.

The Committee further recommends that after the completion of two years continuous employment in the tourism industry, there should be the option of moving into the permanent migration scheme.

### 4 Recruitment and retention

#### Recommendation 12

The Committee recommends that the Australian Government establish an industry leaders' forum to take responsibility for the development of a campaign to promote the career choices available and benefits of working in the tourism industry, ensuring that there are pathways available that allow tourism workers to gather credentials across a range of employers.

#### Recommendation 13

The Committee recommends that the Australian Government conduct research into barriers to the workforce participation of older workers, particularly in seasonal short-term work and implement the necessary changes to ensure the greater capacity of workforce participation by retired and semi-retired workers.

#### Recommendation 14

The Committee recommends that the Australian Government establish an inquiry into opportunities for growth in Indigenous tourism, investigating employment, training and business investment.

#### Recommendation 15

The Committee recommends that the Australian Government commission an analysis of staff turnover costs versus investment in retention and provide this to industry bodies and state and territory industry councils to promote the benefits of staff retention.

**Recommendation 16**

The Committee recommends that the Australian Government work in partnership with the states and territories to develop a tourism industry long service leave scheme to allow jurisdictional portability of long service leave.

**5 Investing in business: training and taxation incentives****Recommendation 17**

The Committee recommends that the Australian Government ensure that the proposed training package, Tourism, Hospitality and Events Package (SIT06), is finalised as a matter of priority.

**Recommendation 18**

The Committee recommends that the Australian Government amend the funding model for vocational and technical education to allow funding that is competency based rather than time based.

**Recommendation 19**

The Committee recommends that the Australian Government streamline the application of recognition of prior learning initiatives to encourage the industry to up-skill and provide qualifications to existing workers.

**Recommendation 20**

The Committee recommends that the Australian Government investigate and reduce the barriers to take-up of recognition of prior learning at the employer, employee and training organisation level and require that recognition of prior learning be offered at the commencement of all training courses.

**Recommendation 21**

The Committee recommends that the Australian Government take steps to actively promote the development of competency based apprenticeship pathways in areas of skills shortages in the tourism industry.

**Recommendation 22**

The Committee recommends that the Australian Government, through the National Reform Agenda actions, pursue as a matter of priority, the portability of qualifications between jurisdictions.

The Committee further recommends that training which has been legislated as mandatory for employment in the tourism industry be a priority for national recognition.

**Recommendation 23**

The Committee recommends that the Australian Government task the industry leaders' forum (referred to in Recommendation 12) with the role for establishing a professional tourism body to be responsible for formally recognising and accrediting individuals against prescribed qualifications and training.

**Recommendation 24**

The Committee recommends that the Australian Government assess the extent to which fringe benefits taxation exemptions apply, and are accessed, by remote and regional tourism operators and review these arrangements to ensure they are adequate to assist the industry in employee retention.

**Recommendation 25**

The Committee recommends that the Australian Government introduce tax averaging arrangements for rural and remote tourism operators similar to arrangements available to primary producers, to ensure the tax paid by these operators is comparable to tax paid by those on similar, but regular, incomes.

## Introduction

- 1.1 The tourism industry is an important contributor not only to the economy, but to Australia's identity on the world stage. It is our iconic imagery and unique land that Australia is best known and the experiences that tourists have here enhances our reputation overseas.
- 1.2 The country also has much to offer to domestic visitors who play a vital role in supporting the tourism industry. Strong growth is predicted for the tourism industry, with anticipated growth in both international and domestic tourists.
- 1.3 Being people focussed, the industry has high service standards and consequently has demanding labour needs. The growth of the sector comes at a time of economy-wide growth and demand for labour and skills.
- 1.4 The industry therefore faces a number of workforce challenges, foremost of which is to retain employees in a highly competitive market against sectors that have the capacity to offer very high wages.
- 1.5 The inquiry looked at the challenges posed by labour and skills shortages and the need for innovation in recruitment and retention strategies. Training became a particular focus for the Committee. Evidence indicated that employers needed to have a greater understanding of the connections between training and retention.
- 1.6 The Committee was tasked to specifically look at strategies to ensure employment in remote and regional areas. Many peak tourism attractions are located outside of the major metropolitan areas, and

the Committee has taken into account the particular challenges facing remote and regional areas throughout the report.

- 1.7 The Committee travelled widely, to far north Queensland, the Northern Territory, and the far north west of Western Australia. The Committee was impressed by the many tourism ventures it saw and was told about. The Committee was also grateful for the involvement of individual employers in the inquiry who spoke directly to the Committee or contributed to submissions.
- 1.8 Although many more issues were raised in the course of the inquiry than are discussed in this report, the Committee was anxious to report in a timely manner. The labour shortages facing many parts of the industry are critical and the Committee considered it pertinent to ensure possible industry strategies and Government initiatives are progressed without delay. The Committee refers interested parties to the extensive transcripts of evidence and the many excellent submissions listed on its website for fuller discussion of issues facing the industry.

## **Background to the inquiry**

- 1.9 On 15 June 2006, the Committee agreed to conduct an inquiry into the workforce challenges in the Australian tourism sector as referred by the Minister for Employment and Workplace Relations.
- 1.10 The terms of reference called on the Committee to inquire into and report on the following:
- current and future employment trends in the industry;
  - current and emerging skill shortages and appropriate recruitment, coordinated training and retention strategies;
  - labour shortages and strategies to meet seasonal fluctuations in workforce demands;
  - strategies to ensure employment in regional and remote areas; and
  - innovative workplace measures to support further employment opportunities and business growth in the tourism sector.
- 1.11 The inquiry was advertised in the *Weekend Australian* on 8 July 2006, the *Australian Financial Review* on 12 July 2006 and the *Travel Week Guide* on 4 August 2006.

- 1.12 The Committee sought submissions from relevant Australian Government ministers and from state and territory governments. In addition, submissions were sought from the tourism sector, including employers, business organisations, major industry groups, academics and unions.
- 1.13 The Committee received 69 submissions, as well as eight supplementary submissions. A list of submissions is at Appendix A.
- 1.14 The Committee received six exhibits which were provided in addition to written submissions during public hearings. These are listed at Appendix B.
- 1.15 The Committee held 17 public hearings across Australia in Canberra, Cairns, Hamilton Island, Melbourne, Darwin, Perth, Sydney, and a roundtable in Broome. The Committee heard from 94 witnesses at public hearings. These witnesses are listed at Appendix C.
- 1.16 The Committee also made a number of site visits. In Cairns, the Committee visited Tjapukai Aboriginal Cultural Park and Deep Sea Divers Den. The Committee toured Hamilton Island and had an opportunity to see the many types of the staff accommodation.
- 1.17 In Darwin the Committee visited Crocodylus Park: Wildlife Research and Education Centre, where it heard about the role of tourism in supporting scientific ventures and Members met several crocodiles. In Broome, planned inspections were thwarted by the start of Tropical Cyclone George, but the Committee extends its thanks to Mr Don Bacon of Willie Creek Pearls who provided an informative tour of Broome and the shopfront facilities of Willie Creek Pearls.
- 1.18 The Committee offers its sincere thanks to those businesses that hosted it. Several individuals went out of their way to assist the Committee and these visits were not only invaluable to the inquiry but gave the Committee a view of the talent operating our tourism industry.

## **Structure of the report**

- 1.19 The inquiry covered a range of issues, including the size of the tourism industry, the challenges of labour and skills shortages, particularly with regard to seasonal employment, recruitment and retention practices, including turnover rates, training, and innovation and taxation.

- 1.20 The current and projected employment trends are set out in Chapter 2. This chapter presents available data, including the constraints on adequate planning due to conflicting data methodology.
- 1.21 Chapter 3 discusses labour and skills shortages. It examines the causes of labour and skills shortage and measures industry's standing in this regard.
- 1.22 This chapter also discusses the use of migrant labour, primarily the use of the '457 visa' and working holiday maker visas to fill skills shortages. It also discusses the industry's call for a seasonal visa to fill labour shortages in low-skill positions.
- 1.23 Chapter 4 examines recruitment and retention strategies. In addition, there is discussion of the cost burden that high turnover places on the industry as well as the apparent acceptance of a 'turnover culture'.
- 1.24 Training is discussed at length in Chapter 5. This chapter examines measures to improve the provision and take-up of training, both by the Australian, state and territory governments and by industry.
- 1.25 This chapter also discusses some of the taxation treatment adversely affecting the industry, with particular consideration to the seasonal nature of income streams



## Employment in Australia's tourism industry

- 2.1 Tourism is the world's fastest growing economic sector, in terms of foreign exchange earnings and job creation.<sup>1</sup>
- 2.2 This chapter sets out current and future employment trends in the Australian tourism sector. It discusses how factors such as the strength of the economy, the ageing population and workplace arrangements can affect Australia's potential to build employment in a more vibrant, internationally competitive tourism industry.

### Employment snapshot

- 2.3 The tourism industry comprises a diverse range of sectors, including:
- travel agencies, tour operators and guides;
  - café, restaurant and food outlets;
  - clubs, pubs and taverns;
  - accommodation and property;
  - the retail sector;
  - casinos and gaming;
  - libraries, museums and art galleries;
  - road, rail, air and water transport;

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1 United Nation's World Tourism Organisation (UNWTO), cited in *Australia, U.S. and Italy Rank Highest as Country Brands*, Future BrandWorldwide, accessed December 2006, <futurebrand.com>.

- education; and
  - manufacturing.<sup>2</sup>
- 2.4 In 2004-05, these tourism 'characteristic' and 'connected' sectors employed a total of 506 400 persons. Inclusion of other related sectors brings the total to 550 000.<sup>3</sup> 'Tourism characteristic' industries are those that account for at least 10 per cent of total tourism consumption and 'tourism connected' industries include sectors such as clubs, pubs, road and rail transport and entertainment services.<sup>4</sup>
- 2.5 A majority of tourism and hospitality operators are small or micro-businesses, many family or owner-operated. More than 88 per cent of tourism businesses in the café, restaurant and accommodation sector, and 95 per cent in the cultural and recreational service sector have fewer than twenty employees.<sup>5</sup> In the accommodation sector, large hotels and resorts are among the 2.5 per cent who employ more than a hundred staff.<sup>6</sup>
- 2.6 Collectively, employees in the tourism and hospitality sectors are more likely than those in other industries to work non-standard hours and to be in part-time or casual employment. This is largely determined by work arrangements in the accommodation, café and restaurants sectors, the top employing sectors. The Department of Employment and Workplace Relations (DEWR) advises, however, that across the industry 56 per cent of tourism employees work full-time with 41.1 per cent employed part-time. This compares with the all industries position of 64.4 per cent in full-time employment and 32.4 per cent in part-time positions.<sup>7</sup>
- 2.7 The profile of the typical tourism employee is young and female, although there is variation within industry sub-sectors. In August 2001, the overall employment share of teenagers 15 to 19 years was 12.1 per cent, twice as high as the average for all industries. Persons 20-24 years were also over represented at 13.4 per cent, compared with 10.1 per cent for all industries. Only 29.3 per cent of workers are over 45.<sup>8</sup>

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2 Department of Employment and Workplace Relations (DEWR), *Submission No. 17*, p. 8.

3 DEWR, *Submission No. 17*, pp. 3-4.

4 Department of Industry Tourism and Resources (DITR), cited in Sustainable Tourism Cooperative Research Centre (STCRC), *Submission No. 16*, p. 2.

5 DITR, *Submission No. 55*, p. 17.

6 Liquor, Hospitality and Miscellaneous Union (LHMU) *Submission No. 10*, p. 12.

7 Statistics based on the 2001 census. DEWR, *Submission No. 17*, pp. 11-12.

8 DEWR, *Submission No. 17*, pp. 9-10.

2.8 Reflecting the diversity of activities in tourism and connected sectors, workplace employment structures range through individual contracts to collective union agreements, underpinned by various Federal and State-based awards. Most operators rely on the various award-based systems, although there has been an increase enterprise bargaining through the first quarter of 2007. Pay levels in the sector are low, compared to other sectors, and there is a high level of mobility both within and out of the sector.<sup>9</sup>

## Recent employment trends

2.9 Employment in tourism is reliant on the potential to attract and retain visitors, both international (inbound) and domestic.

2.10 In 2004, Australia received 0.68 per cent of world tourism arrivals, achieving a modest ranking of 34<sup>th</sup> on the United Nation's World Tourism Organisation's (UNWTO) list of top tourist destinations. However, in 2005, the growing importance of tourism to the economy was indicated when, for the first time, Australia ranked among the world's top ten nations in terms of total earnings from international visitors.<sup>10</sup>

2.11 The main source of data on employment trends in the tourism sector is the Australian Bureau of Statistics (ABS) *Australian National Accounts: Tourism Satellite Account (TSA)*.<sup>11</sup>

2.12 Table 2.1 shows the most recent TSA employment estimates for the various tourism categories.

2.13 Tourism employment is tied to earnings from international and domestic tourism flows, which are conditioned by a number of factors, such as the strength of the local economy, shifts in market composition, the effectiveness of domestic and international marketing activities, as well as demographic, health and security developments.<sup>12</sup>

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9 LHMU, *Submission No. 10.1*, p. 3; DITR, *Submission No. 55*, p. 18.

10 DITR, *Submission No. 55*, p. 8.

11 To determine which employment categories are relevant, the ABS refers to the UNWTO definition of tourism. DEWR, *Submission No. 17*, p. 3.

12 DEWR, *Submission No. 17*, pp. 17-18.

Table 2.1 Industry categories and relative contribution to the tourism sector 2004-05

<b>Tourism characteristic industry category</b>	<b>Proportion the industry makes up of total tourism employment (%)</b>	<b>ABS Tourism Satellite Account employment estimates 2004-05 ('000)</b>
Retail trade	25.9	142.6
Accommodation	17.5	96.2
Cafes and restaurants	9.3	51.0
Manufacturing	8.0	44.2
All other industries	7.9	43.7
Air and water transport	6.0	33.1
Clubs, pubs, taverns and bars	5.3	29.0
Travel agency and tour operator services	5.0	27.4
Education	4.5	24.8
Road transport and motor vehicle hiring	4.5	24.5
Other entertainment services	3.1	17.1
Libraries, museums and arts	2.0	10.9
Rail transport	0.7	3.8
Casinos and other gambling services	0.3	1.6
<b>Total tourism employment</b>	<b>100.0</b>	<b>550.1</b>

Source Drawn from ABS, *Australian National Accounts: Tourism Satellite Account 2004-2005*, DEWR, Submission No. 17, p. 8.

2.14 The effect of these factors can be read in the fluctuations in tourism employment over the period 1998 to 2005, as represented in Figure 2.1.<sup>13</sup>

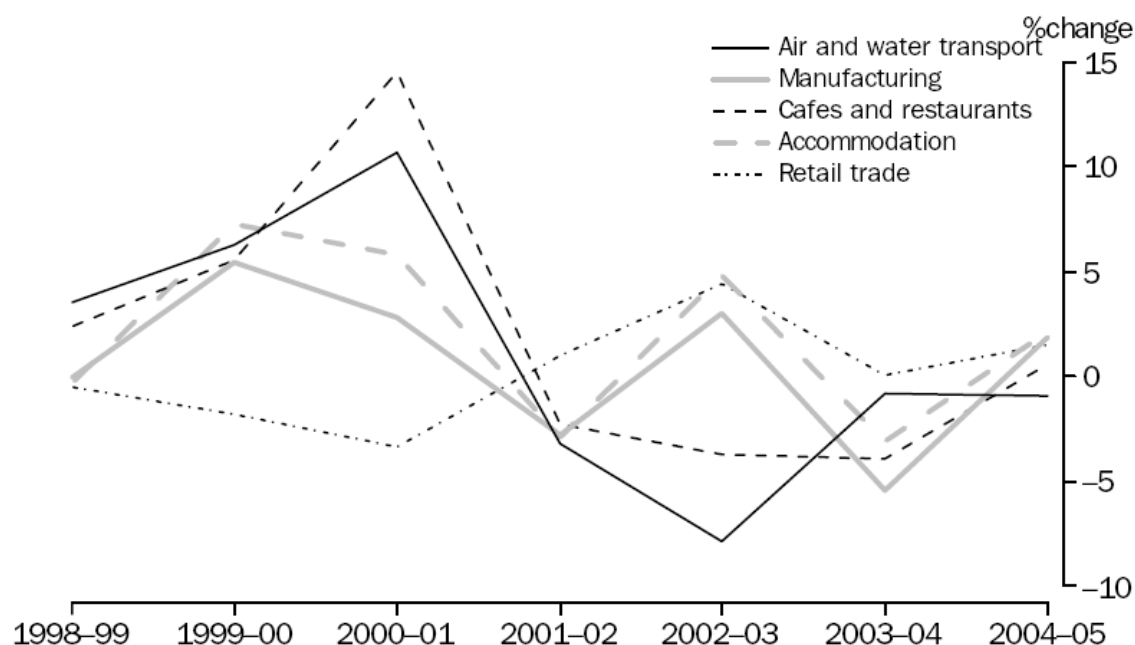
2.15 Tourism employment in all sectors dropped dramatically after the peak of inbound tourism during the Olympic Games in 2000-01. In 2001-03, the fear of terrorism and Severe Acute Respiratory Syndrome (SARS) reduced inbound and ex-bound international tourism, producing the sharp drop in employment in the air and water transport sector.<sup>14</sup> Recovery was retarded through to 2004-05, as the strength of the dollar reduced Australia's price competitiveness for inbound tourists and domestic tourism lost share as overseas travel became more affordable to Australians.<sup>15</sup>

13 ABS, *Australian National Accounts: Tourism Satellite Account 2004-2005*, Cat. No. 5249.0, p. 8.

14 ABS, *Australian National Accounts: Tourism Satellite Account 2004-2005*, Cat. No. 5249.0, p. 3.

15 DEWR, *Submission No. 17*, pp. 7, 5.

Figure 2.1 Growth in tourism employed persons, by selected industries 1998–2005



Source ABS, *Australian National Accounts: Tourism Satellite Account 2004-2005*, p. 8.

- 2.16 In 2004–05 inbound arrivals grew to a record 5.5 million in 2005, an increase of 5.4 per cent over the previous year. Key markets contributing to this growth included New Zealand, the United Kingdom, China and Singapore. ABS data for the period shows corresponding employment growth in the tourism sector of 13 500 or 2.5 per cent.<sup>16</sup>
- 2.17 Employment losses from 2005 to early 2007 were in part attributable to falls in the number of arrivals and the value of inbound tourism from Japan, a key tourism market. Recession in Japan, coinciding with increased value of the Australian dollar and doubling in air fuel surcharges in 2006 meant other destinations became more competitive. This reduction was partially offset by increased visitation from China (up 13.5 per cent), Hong Kong (16.3 per cent) and Korea (18.3 per cent).<sup>17</sup>
- 2.18 Estimates produced by DEWR to May 2006 recorded a fall in tourism employment of 12 000 jobs, or 2.1 per cent. Cafés and restaurants accounted for 56.6 per cent of the decline, and the accommodation sector for 17.9 per cent. DEWR's recalculation of the data at March

16 Department of Foreign Affairs (DFAT) *Submission No. 42*, p. 1; DEWR, *Submission No. 17*, p. 8.

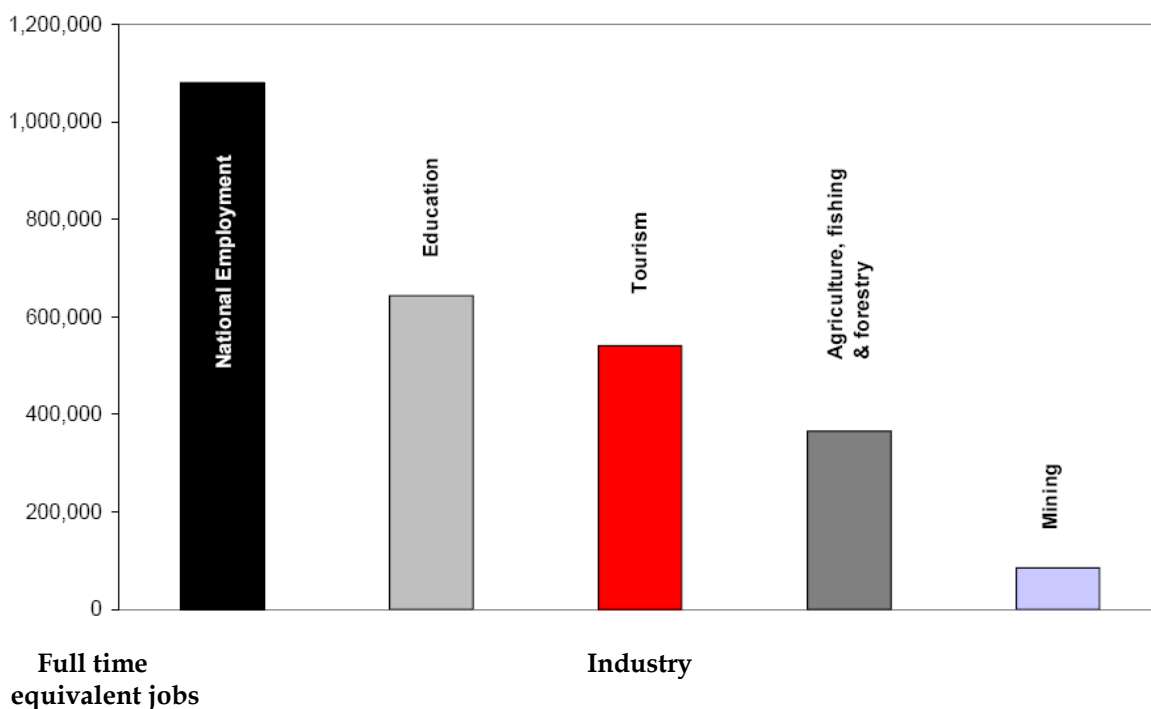
17 DFAT, *Submission No. 42.1*, Attachment, p. 1; DITR, *Submission No. 55*, p. 7.

2007, however, suggested employment in the industry has fallen by only 5 900 jobs to November 2006.<sup>18</sup>

2.19 DEWR also notes that since May 1996, employment in the accommodation, café and restaurants sector has grown by 23.4 per cent, or 87 900 jobs. Based on this, the Department forecasts continuing employment growth in tourism over the next five years, with an additional 45 000 jobs to be generated.<sup>19</sup>

2.20 As shown in Figure 2.2, the tourism sector provides greater employment value than other major GDP earners; with 550 000 jobs, it generates more direct employment nationally than agriculture, forestry and fisheries at 365 069 and the mining sector, at 85 337.<sup>20</sup>

Figure 2.2 Intensity of tourism employment relative to other major industries 2004



Source TTF Australia, *Australian National Employment Atlas 2004*, December 2004.

2.21 Tourism's share of total employment, at 5.6 per cent, exceeds its share of industry gross value added (GVA) at 3.7 per cent. Add another

18 DEWR, *Submission No. 17*, pp. 7-8; Mr M. Manthorpe, DEWR, *Transcript of Evidence*, 1 March 2007, p. 2.

19 Australian Bureau of Statistics (ABS), *Australian National Accounts: Tourism Satellite Account 2004-2005*, Cat. No. 5249.0, p. 2; Mr M. Manthorpe, DEWR, *Transcript of Evidence*, 1 March 2007, p. 2.

20 DITR, *Submission No. 55*, p. 16.

400 000 people employed indirectly and the industry's significance as an employer is increased to 10.4 per cent.<sup>21</sup>

- 2.22 Dispersed nationally, these tourism jobs make a significant contribution to the wealth and quality of life of Australians across the States and Territories and the regions within them.

## State and territory employment profiles

- 2.23 ABS Tourism Satellite Accounts of state and territory employment developments are not regularly updated. As a consequence, recent estimates for tourism employment in the states and territories are based on 2001 census data and on percentage employment trends in the relevant industry sectors.
- 2.24 As a base measure, employment in tourism in each state and territory is roughly commensurate with the level of populations in each case. Accordingly, 80 per cent of tourism jobs are in the most populous states: New South Wales, Queensland and Victoria.<sup>22</sup>
- 2.25 However, the tourism employment share varies as a percentage of total employment in each state. As seen in Figure 2.3, in May 2006 New South Wales had the highest number of tourism jobs (198 000), while the Northern Territory recorded the highest share of total employment at 9.0 per cent, followed by Tasmania at 6.6 per cent, and Queensland at 6.5 per cent.<sup>23</sup>
- 2.26 DEWR estimates that in the May 2006 quarter, employment grew in tourism in all states and territories except Queensland, Victoria and the Australian Capital Territory. In percentage terms, the Northern Territory recorded the largest increase, followed by South Australia, up 6.8 per cent, and Western Australia, up 4.6 per cent. Victoria experienced the largest fall, down by 4.3 per cent, the Australian Capital Territory was down by 4.0 per cent and Queensland, down by 1.9 per cent.<sup>24</sup>

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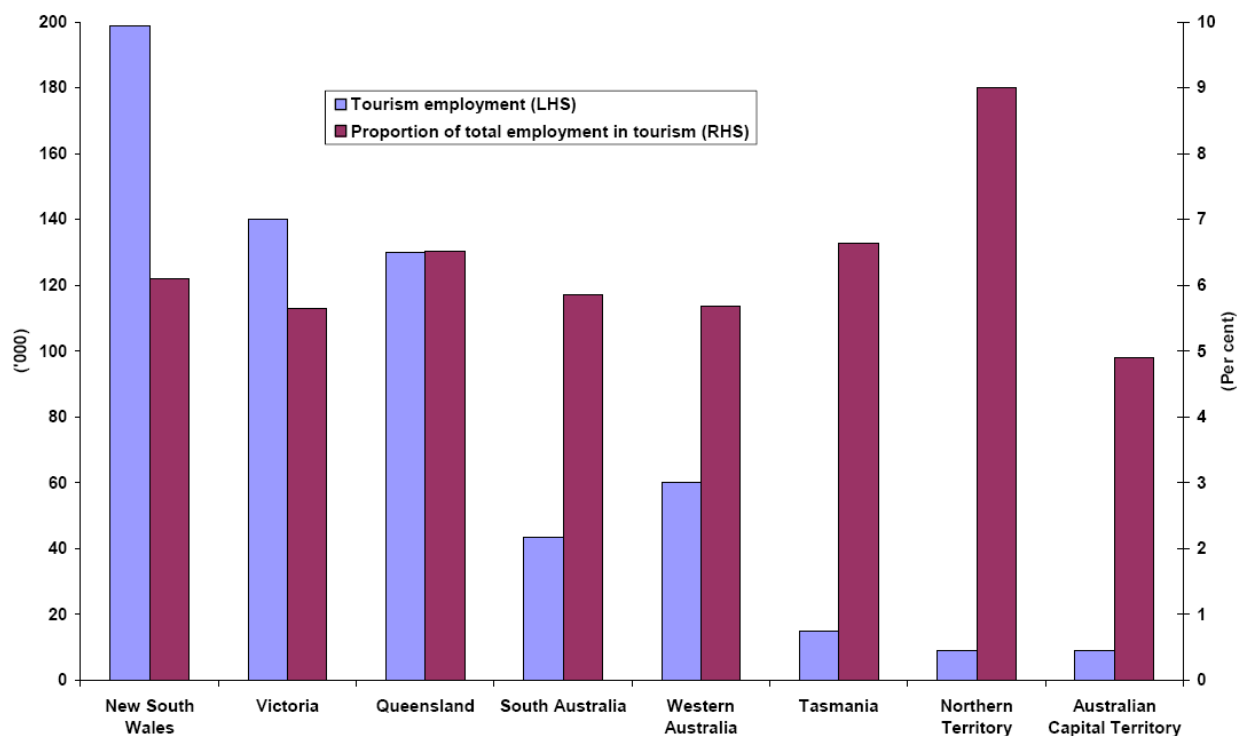
21 ABS, *Australian National Accounts: Tourism Satellite Account 2004–2005*, Cat. No. 5249.0, p. 7; Australian Tourism Export Council (ATEC), *Submission No. 51*, p. 3.

22 DEWR, *Submission No. 17*, p. 14; Tourism WA and WA Tourism and Hospitality Skills ITC, *Submission No. 62*, p. 12.

23 DEWR, *Submission No. 17*, p. 14.

24 DEWR, *Submission No. 17*, p. 14.

Figure 2.3 Tourism employment as a proportion of total state/territory employment



Source DEWR, Submission No.17, p. 14. May Quarter 2006.

## 2.27 Profiles of the economic value of tourism and the employment it generates in each State and Territory follow.

- **New South Wales** – NSW has the highest number of tourism jobs. In the year to June 2006, NSW attracted 54 per cent of all international visitors, and to March 2006, 33.8 per cent of domestic tourists. In 2006, the tourism sector employed a total of 245 000 people, which is approximately 8.1 per cent of the NSW workforce.<sup>25</sup>
- **Victoria** – In 2003–04 tourism contributed 5.3 per cent, or \$10.9 billion, to Gross State Product (GSP), and employed 159 000 people or 6.6 per cent of the state workforce. Despite recent employment falls noted above, the industry has increased its share in total industry employment by between one and two per cent over the last decade.<sup>26</sup>
- **Queensland** – Tourism in Queensland has lost ground, relative to other states, but remains a dominant contributor to GSP, accounting for \$8.4 billion or 5.8 per cent of the State's economic

25 NSW Government, *Submission No. 48*, p. 1.

26 Victorian Government, *Submission No. 57*, p. 1



activity in 2003–04. The tourism sector employs 136 000 people, 56.7 per cent full-time and 43.3 per cent part-time. This represents 7.3 per cent of Queensland's total employment.<sup>27</sup>

- **Western Australia** – In 2001–02, tourism accounted for 7.7 per cent of state employment, generating 54 000 direct jobs and an additional 18 000 indirect jobs. In 2006 there were 635 200 international visitors and 6 million domestic visitors, with a combined expenditure of \$4 billion. Direct tourism employment in the state dropped one per cent between 2000–01 and 2005–06, due to slight declines in visits, growth in the mining sector and demographic changes.<sup>28</sup>
- **South Australia** – In 2006, travel and tourism generated \$4.0 billion of expenditure in South Australia. State-based visitors accounted for around 37 per cent of tourism nights, interstate visitors 36 per cent and international visitors 27 per cent. South Australia attracted 364 700 international visitors and 7.1 million international visitor nights.<sup>29</sup> In 2001, tourism generated 42 000 jobs, 36 000 full-time equivalent, and delivered 10 per cent of the State's economic growth.<sup>30</sup>
- **Tasmania** – Tourism in Tasmania experienced robust growth over the last six years, and is now one of Tasmania's biggest industries, contributing \$1.1 billion to GDP. The industry employs 38 000 people directly and indirectly. In 2005, 820 000 visitors arrived in Tasmania.<sup>31</sup>
- **Australian Capital Territory** – The ACT tourism sector recently lost tourism share to other states but contributes approximately \$690 million to the local economy and supports around 11 000 jobs. Key industry sectors include regional specialities such as wine and specialist food producers, events, restaurants and entertainment.<sup>32</sup>

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27 Queensland Tourism Industry Council (QTIC), *Submission No. 20*, pp. 6; 8.

28 Tourism WA and WA Hospitality and Tourism ITC, *Submission No. 62*, pp. 12; 18–19.

29 South Australian Tourism Commission Tourism (SATC), *At a Glance*, Issue 67, March 2007, accessed 27 April 2007, <tourism.sa.gov.au>.

30 SATC, *Tourism Fact Sheet*, February 2001, accessed 27 April 2007, <tourism.sa.gov.au>.

31 Tourism Industry Council Tasmania (TICT), *Submission No. 36*, p. 1.

32 Tourism and Hospitality Skills ACT and Region, *Submission No. 58*, pp. 2–3.

- **Northern Territory** – Tourism contributes more to Territory GSP than in any other state or territory. At December 2005, the tourism industry directly employed 8 134, and 9 779 indirectly. The Territory has a low population base, thinly spread and relies heavily on inbound tourism, both domestic and international.<sup>33</sup>

## Regional employment

- 2.28 Tourism is an important employer in regional Australia. Based on 2001 census data, 36 per cent of all tourism jobs were located in regional and rural areas, providing jobs for about 195 000 people. Tourism employs a greater share of the workforce in regional areas (6.5 per cent) than it does in capital cities (5.3 per cent).<sup>34</sup>
- 2.29 Estimated dispersion of tourism employment between cities and regions in each state and territory is indicated in Table 2.2.

Table 2.2 Estimated tourism employment by state/territory 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
<b>Total</b>	<b>340.7</b>	<b>63.5%</b>	<b>195.9</b>	<b>36.5%</b>	<b>536.6</b>	<b>100.0%</b>

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

- 2.30 Tourism jobs are concentrated in Australia's 'tourism regions' which are designated by states and territories for marketing and promotional purposes. Victoria, for example, is made up of 21 tourism regions or sub-regions which celebrate a range of natural, cultural or leisure attractions to be found in the state, such as 'Gippsland', 'the Goldfields', 'Macedon Ranges and Spa Country' the 'Dandenongs' and 'the Great Ocean Road'.<sup>35</sup>

33 Tourism NT, *Submission No. 39*, p. 2.

34 DITR, *Submission No. 55*, p. 19.

35 TTF Australia, *TTF Australia Victorian Tourism Employment Atlas 2005*, pp. 5–6.

- 2.31 Regional data is not prepared by the ABS in its sectoral survey, but Tourism and Transport Forum (TTF) Australia has devised a methodology which uses the ABS data to estimate direct employment by tourism region and local statistical area. The method assesses employment intensity, allowing comparisons to be made on a geographical basis.
- 2.32 TTF Australia's top 18 tourism regions, rated by their tourism employment intensity in each state and territory, are in Table 2.3.<sup>36</sup>

Table 2.3 Estimated tourism employment by region 2003–04

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, *Australian National Employment Atlas 2004*.

- 2.33 Employment share is greatest in the Northern Territory in the Petermann and Kakadu regions where international attraction to nature-based and Indigenous tourism is strong.<sup>37</sup> In Queensland, where tourism is predominantly regional, the greatest numbers of

36 DITR, *Submission No. 55*, p. 19.

37 Petermann is the southernmost of all the NT subregions. It incorporates Uluru (Ayers Rock) and Indigenous outstations, including Mutitjulu and Kaltukatjara. Bushtel NT, accessed April 2007, <bushtel.nt.gov.au/portal>

- tourism jobs are located on the Gold Coast and in tropical north Queensland.<sup>38</sup>
- 2.34 In Victoria and New South Wales ski field activity provides an important stimulus to regional employment, also contributing in Tasmania. The South Coast of New South Wales benefits from a 'sea change' trend, as well as holiday and weekend tourism out of Sydney and regional centres.<sup>39</sup>
- 2.35 Domestic visitors spend more in regional Australia, but regional tourism also benefits significantly from inbound tourism, with 30 per cent of expenditure by international tourists spent in regional Australia.<sup>40</sup>
- 2.36 State marketing appears to be successful in attracting international tourists to regional attractions rather than just to 'Australia'. In Western Australia, for example, overseas visitors pass through Perth quickly heading straight to the Kimberley and the Pilbara regions. In the period ending June 2006, expenditure from international tourists reached an all time high in WA, even though visitor numbers were down.<sup>41</sup>
- 2.37 Island resorts in Queensland's Whitsundays region have experienced solid growth in both domestic and international visits over the last two to three years. Tourism Whitsunday reports 8.2 per cent in domestic growth since 2002, and three per cent growth in international visitors in 2005, with record domestic visitor numbers of 533 000, and 218 000 international visitors in that year.<sup>42</sup>

## Sector growth

- 2.38 Growth projections in tourism employment are underpinned by anticipated increases in both inbound and domestic tourism.
- 2.39 Despite the fluctuations already discussed, in the period 1998–99 to 2004–05, domestic tourism increased by 17 per cent, and international tourism by 36 per cent.<sup>43</sup>
- 2.40 In 2005, the economic value to Australia of the inbound tourist market was estimated at \$18.5 billion, compared with \$55.7 billion for

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38 Tourism Tropical North Queensland (TTNQ), *Submission No. 41*, p. 1.

39 Australian Ski Areas Association (ASAA), *Submission No. 9*, Attachment A, p. 5; 'Time for a Change', *Ulladulla Info*, accessed April 2007, <ulladulla.info/seachange/welcome.html>

40 DEWR, *Submission No. 17*, pp. 32–34; ATEC, *Submission No. 51*, p. 3.

41 Mrs C. Toovey, Tour Guides WA Inc., *Transcript of Evidence*, 2007, 9 March p. 80; Mr V. Davis, Tourism WA, *Transcript of Evidence*, 8 March 2007, pp. 1–2.

42 Mr M. Williams, Tourism Whitsundays, *Transcript of Evidence*, 4 November 2006, p. 18.

43 DEWR, *Submission No. 17*, p. 17

domestic tourism. While domestic tourism has the greater economic value, inbound tourism is expected to be the major driver of tourism employment growth, as it provides more employment value than does domestic tourism. Queensland's *Tourism Satellite Account 2003-04* indicates, for example, that on average 190 domestic visitors or 71 international visitors supports one additional job in Queensland.<sup>44</sup>

- 2.41 Accordingly, inbound tourism provides the foundation for forecasts for tourism growth made by the Tourism Forecasting Committee (TFC). These are based on expected increases in inbound tourism consumption calculated on anticipated GDP growth in our source markets.<sup>45</sup>
- 2.42 The TFC estimates that by 2015 the total inbound economic value will be \$35.6 billion, almost double present earnings. Increased visitation from new markets, China and India in particular, is expected to provide the foundation for this growth. The TFC expects that China will emerge as Australia's second largest market with arrivals rising from 285 000 in 2005 to 1.2 million in 2015. India is expected to show particularly strong growth from a lower base, with visitors increasing from 68 000 to 292 000 over the same period.<sup>46</sup>
- 2.43 The states and territories are in competition with each other to maximise their share of this growth. The Victorian Government forecasts, for example, that by 2014-15 overseas tourism is likely to account for 70 per cent of overall tourism growth in the state and almost 40 per cent expenditure. Most of this is to come from the new markets in China and India.<sup>47</sup>
- 2.44 Despite a recent slowing in domestic tourism, tourism is expected to be carried to the regions, as urban based retirees move to the coast and rural areas. The NSW Government considers this trend will be a strong driver of tourism employment in the state, with the real economic value of domestic tourism increasing by an average annual rate of 1.3 per cent, to reach \$63.8 billion in by 2015.<sup>48</sup>
- 2.45 To stimulate domestic tourism and maximise its economic and employment benefits, state and territory governments have marketing strategies to attract tourists from other parts of Australia. The South Australian Tourism Commission (SATC) has a campaign to increase

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44 DEWR, *Submission No. 17*, pp. 17; 18; QTIC, *Submission No. 20*, p. 8.

45 DEWR, *Submission No. 17*, p. 17; DFAT *Submission No. 41.1*, Attachment p. 1.

46 DITR, *Submission No. 55*, p. 8; DFAT, *Submission No. 42*, p. 5.

47 Victorian Government, *Submission No. 57*, pp. 1-2.

48 Australian Regional Tourism Research Centre (ARTRC), *Submission No. 19*, p. 4; NSW Government, *Submission No. 48*, p. 2.

- visitation from Victoria.<sup>49</sup> South Australia's overall tourism target is to increase visitor expenditure in the state to \$6.3 billion by the year 2014, with an estimated additional 8 000 people to be employed by 2015.<sup>50</sup>
- 2.46 Meanwhile, Victoria reports that over the past decade it has consistently performed above the national average, having increased its share of domestic tourism by between one and two per cent in key indicators such as total industry in employment. If these growth trends continue, tourism in the state could employ 225 000 Victorians within the next decade, with most of this growth in regional tourism.<sup>51</sup>
- 2.47 ABS Tourism Satellite Accounts provide the basis for sectoral analysis of growth trends in tourism with the accommodation, café and restaurant sectors being regarded as providing a litmus test for industry robustness.<sup>52</sup>
- 2.48 Table 2.4 shows these key sectors leading employment growth in both cities and regional areas to 2014. DITR forecasts the accommodation sector will lead growth into 2014. However, DEWR forecasts that to 2011 cafés and restaurants will be the main contributor to tourism employment growth.<sup>53</sup>
- 2.49 The most positive growth projections for employment are in regional and niche sector development, with all states and territories predicting employment gains in their tourism regions over the next ten years.
- 2.50 Tourism Research Australia has found that the most growth in regional and remote areas is in emerging nature-based tourism attractions and activities. These can range from the simply scenic, as in cruising or driving tours, to cultural and ecotourism.<sup>54</sup>
- 2.51 Given these developments, regional and remote tourism is held to provide the brightest prospects for employment growth.
- 2.52 However, due to successful national and international marketing campaigns and the resultant projections of strong employment

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49 SATC, 'Tourism is Taking on the Vic', accessed 27 April 2007, <tourism.sa.gov.au>

50 Mr P. Styles, SATC, *Transcript of Evidence*, 30 March 2007, p. 45.

51 Victorian Government, *Submission No. 57*, pp. 1–2.

52 Tourism WA and WA Hospitality and Tourism ITC, *Submission No. 62*, p. 15.

53 There is some variance in growth data predictions. For example, DITR, *Submission No. 55*, p. 22, DEWR, *Submission 17*, p. 18.

54 DITR, *Submission No. 55*, p. 34.

growth, current labour shortages will adversely impact on service delivery:

I think that over the past decade or so we have nailed the marketing in tourism. We have really done well. We have had some great campaigns. Federal, state and the private sector have all contributed very much to telling the world about our fabulous product, but, when we get the punters here, if they are let down by the experience it does not bode well for the future legacy of the industry.<sup>55</sup>

Table 2.4 Forecast change in tourism employment by sector

Sector	Total	Total	Change	Capital Cities	Regional /rural
	2003–04	2013–14			
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 and water transport	33.4	40.7	7.3	4.6	2.7
Accommodation	94.2	134.2	40.0	25.4	14.6
Cafés and 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 and 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
<b>TOTAL</b>	<b>536.6</b>	<b>667.4</b>	<b>130.8</b>	<b>83.0</b>	<b>47.7</b>

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

## Constraints on employment growth

- 2.53 If the Australian tourism industry is to realise the potential of strong growth prospects set out above, and as a result of recent overseas tourism campaigns, it will need to build the workforce necessary to achieve the goal.
- 2.54 As mentioned, projections for tourism employment growth are partly based on strong performances in the largest employing sectors over

55 Mr S. Mills, City of Mandurah, *Transcript of Evidence*, 9 March 2007, p. 42.

the last decade. However, when assessing the industry's share of total employment over time relative to other sectors in the economy, employment growth predictions are less optimistic.

- 2.55 TSA mapping of the tourism sector over 1997 to 2005, the same period in which the accommodation, restaurants and café sector showed strong growth, reveals that total employment share for tourism fell from 5.9 per cent in 1997–98 to 5.6 per cent. This is commensurate with falls in tourism earnings, down to 3.7 per cent of GDP from a peak of 4.1 percent in 1997–98. The ABS notes this was the fourth annual decline since the industry share peaked in 2000–01.<sup>56</sup>
- 2.56 In explanation of these figures:
- the drop in tourism employment is a consequence of the relatively slow job growth in the tourism sector, at 8.1 per cent, compared with that for total employed persons, at 13.6 per cent over the same period;<sup>57</sup> and
  - the decreasing value of tourism's contribution as proportion of GDP is largely attributable to strong growth in other sectors of the economy, including the mining and resources industry.<sup>58</sup>
- 2.57 Taken together, the above demonstrates that in a time of national high employment, tourism is experiencing increasing competition for employees from other sectors of the economy, and from overseas.<sup>59</sup>
- 2.58 Mr John Hart, Chief Executive Officer, Restaurant and Catering Australia, reported the impact in the hospitality sector:
- we show in the submission that we are employing about 200,000 people. What we do not draw attention to in the submission is the contrast to some three or four years ago when we were employing 250,000 people. It is quite clear from the data that we have purchased from ABS on employed persons that we are employing fewer people, even though we are growing in turnover terms and in numbers of businesses. I fancy this is a function of businesses not being able to find people to employ or not being able to afford to employ more

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56 ABS, *Australian National Accounts: Tourism Satellite Account 2004–2005*, Cat. No. 5249.0, pp. 2, 7.

57 ABS, *Australian National Accounts: Tourism Satellite Account 2004–2005*, Cat. No. 5249.0, p. 7.

58 DITR, *Submission No. 55*, p. 6.

59 Tourism NT, *Submission No. 39*, p. 3; ATEC *Submission No. 51*, p. 5.



people. So employment growth is not at the same level as turnover or business numbers growth.<sup>60</sup>

- 2.59 The two problems of 'not being able to find people to employ' and 'not being able to afford to employ more people' contribute to the sector's low productivity relative to other industries, and consequently to a 'large and growing gap between supply and demand'.<sup>61</sup>
- 2.60 Low productivity growth also means that the tourism industry is less attractive to investors. This in turn erodes the industry's capacity to improve the quality, diversity and accessibility of services just as international competition is intensifying, further impeding positive forecasts for growth.

### International competition

- 2.61 Tourism is an international industry, and Australia's power to attract as a tourism destination will depend on its ability to recruit and retain skilled people in jobs, both from international and domestic sources.
- 2.62 Over the last five years, international tourism has grown more dynamic and diverse. The top world tourist destinations, the United States, Spain and France, are now experiencing competition from Africa, the Asia Pacific and the Middle East, with China and Turkey showing particularly strong growth rates in 2005.<sup>62</sup>
- 2.63 Last year, Australia's potential to compete in this market was confirmed when it was ranked top country brand, above the United States and Italy, on FutureBrand's Country Brand Index 2006. The ranking is based on travellers' perceptions of Australia's superiority in meeting a range of practical and experiential needs: safety, value for money, climate, communication and natural beauty, authenticity, art and culture, quality resort options and outdoor activities.<sup>63</sup>
- 2.64 Developing countries are diversifying their tourism markets and offering new experiences at low prices. This means that Australia must focus on product differentiation, quality and diversification.

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60 Mr J. Hart, Restaurant and Catering Australia (RCA), *Transcript of Evidence*, 19 October 2006, p. 2.

61 ATEC, *Submission No. 51* p. 5.

62 UNWTO, *Tourism Highlights 2006 Edition*, p. 4, accessed 27 April 2007, <unwto.org>.

63 FutureBrand's three layered evaluation system is based on surveys of representative travellers and industry experts from the Americas, Europe, Asia and South America and the Middle East. *Australia, U.S. and Italy Rank Highest as Country Brands*, Future BrandWorldwide, accessed 6 December 2006, <futurebrand.com>.

2.65 As discussed above, Australia's tourism industry already demonstrates considerable versatility in building niche industries around our unique cultural and natural attractions. However, the Committee was told that international cost pressures are now being felt as tourism in neighbouring nations gains momentum. For example:

To give you an idea of costs, Quicksilver Connections in Port Douglas recently sold one of their vessels to Indonesia. They operate exactly the same sort of setting out to the reef in Indonesia as they do here in Australia. The cost of a trip on Quicksilver Connections is \$160. The cost of the same vessel operating in Indonesia is \$60. That is basically labour and tax costs.<sup>64</sup>

## Meeting expectations

- 2.66 In addition to competitive pricing, the increasing size and depth of the international tourism market creates another hurdle for Australia's tourism industry: a more dynamic and competitive international market for skilled staff.
- 2.67 The Committee heard that the global nature of the tourism industry is a major drawcard to young people entering the industry in Australia and abroad. Australians are valued employees overseas and most young Australians entering the hospitality industry, for instance, do so with the intention of using their qualifications while travelling.<sup>65</sup>
- 2.68 The expansion of tourism into new markets therefore has the effect of drawing our skilled people overseas. ATEC reported that skilled Australians are heading to Macau and the Middle East to work in the gaming sector where prospects and conditions are good. DEWR advised that Intercontinental Hotels have recently built 55 new hotels in China, with a further proposed expansion to 125 by 2008, and is sourcing managers and other senior staff for these hotels from international sources.<sup>66</sup>
- 2.69 The receipt of the top Country Brand Index rating would suggest that Australia has a unique opportunity to build its profile as a vital

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64 Mr D. Windsor, Association of Marine Park Tourism Operators Ltd (AMPTO), *Transcript of Evidence*, 24 November 2006, p. 55.

65 Prof. H. Westerbeek, School of Sport, Tourism and Hospitality Management, La Trobe University, *Transcript of Evidence*, 30 March 2007, p. 12; Ms M. Johnson, DEST, *Transcript of Evidence*, 22 March 2007, p. 5.

66 ATEC, *Submission No. 51*, p. 6; DEWR *Submission No. 17*, p. 21.

international industry, and so to attract and keep staff within a mobile workforce.

- 2.70 Professor Hans Westerbeek, Head of the School of Sport, Tourism and Hospitality Management at La Trobe University warned, however, that the FutureBrand rating 'is more an expression of brand value' and not about 'mining the equity that is within the brand'. That is, marketing is one thing, but to profit the Australian industry will 'need to offer the capacity and also the quality experience to back [the rating] up'.<sup>67</sup>
- 2.71 The Committee is concerned that the sector will not have the skilled staff necessary to meet the high expectations that this brand establishes in the minds of international visitors.
- 2.72 Indications are that key sectors in the industry have a long way to go. The Committee was told that immaturity in the hotel and accommodation sector manifests in:
- very low wages for and long hours for hospitality apprentices;
  - a lack of a tipping culture which provides hotel concierges a good wage in Europe and the United States;
  - the glass ceiling to advancement for skilled executives who go offshore to larger markets;
  - poaching of management staff by better paid industry sectors, such as the finance industry; and
  - a lack of human resources and financial management expertise among middle managers in the SMEs that dominate the industry.<sup>68</sup>
- 2.73 Australia's international competitiveness must be founded on establishing the industry as an employer of choice. To achieve this, the industry needs to overcome a number of challenging developments in the domestic economy which are making it more difficult to attract, retain and train employees.

## The resources boom and labour market pressures

- 2.74 Tourism is a labour intensive industry, and beneficial to employment levels. However in times of high employment and rising tourism demand the industry faces substantial risks.

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67 Prof. H. Westerbeek, School of Sport, Tourism and Hospitality Management, *Transcript of Evidence*, 30 March 2007, p. 17.

68 Mr R. Nambiar, and Mr A. Ugarte, Hostec, *Transcript of Evidence*, 30 March 2007, pp. 2-5.

- 2.75 The Australian tourism industry is a comparatively immature market compared with many of its competitors. In a country that has built its wealth on primary production and mining there is a traditional lack of respect for 'service' industries. This means that when opportunities are strong in other sectors of the economy, tourism operators find it increasingly difficult to fill positions.
- 2.76 The Australian mining and resources sector is undergoing a boom period which has increased the value of the Australian dollar, increased the fulltime job rate and pushed unemployment down to 4.5 per cent, the lowest rate recorded in thirty years.<sup>69</sup>
- 2.77 This puts pressure on the tourism sector, reducing price competitiveness for inbound tourism, driving up wages and exacerbating existing labour and skill shortages. As a consequence labour and skill shortages are being felt Australia-wide, both a top and low levels, and in the sub-sectors and regions most hopeful of growth.
- 2.78 While the impact is national, Western Australia has been particularly affected. As a result of the boom in its resources sector and associated development in construction, Western Australia now has an unemployment rate of 2.7 per cent, the lowest unemployment rate of all states.<sup>70</sup> It has experienced significant increases in the cost of living having the second highest average wage in Australia, the second highest house prices and, in 2005-06, the highest CPI rise to 4.3 per cent.<sup>71</sup>
- 2.79 Regional and remote tourism operations experience a number of labour challenges under ordinary circumstances, including those associated with seasonal labour requirements and the high costs of infrastructure, transport and services. Strengthening demand is expected to significantly increase these pressures.
- 2.80 Ms Kate Lamont, Chairperson of Tourism WA, told the Committee how the disparity between wages offered in the tourism sector compared with the mining sector is currently making the resources industry a magnet for staff at high and low skill levels:

You would know – you would have heard already – that the reason it is so tight here is because of the resources boom. It has sucked people away in a way that it never has before and it has taken talent from our industry. Chefs who were earning

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69 ABS, *Labour Force Australia*, March 2007, Cat.No.6202.0.

70 ABS, *Labour Force Australia*, March 2007, Cat.No.6202.0.

71 Industry Advisory Board, *Submission No. 30*, p. 6.

between \$50,000 and \$60,000 in Perth are now earning \$110,000 or \$120,000-plus in the mines. It has taken some of the top talent, as well as taking the unskilled level from the bottom.<sup>72</sup>

- 2.81 Professor Michael Christie, Chair in Entrepreneurship Murdoch University, further commented that the increasing numbers of chefs being imported from the Philippines are required not because of lack of chefs but because wages are attracting them into mining.<sup>73</sup>
- 2.82 Growth in the mining sector also leads to subsequent strengthening of the economy overall, which makes it harder for sectors like tourism to compete with other industry sectors that offer more attractive conditions, better pay and career development opportunities.

### Workforce participation and population ageing

- 2.83 The tourism industry is likely to experience increasing difficulty in filling all labour categories, including skilled labour, in an economy characterised by an ageing population.
- 2.84 The *Intergenerational Report 2007* has recently forecast that by 2047 the population of traditional working age people (15–64 years) will fall as a proportion of the total population by around eight percentage points (down from current high levels of around 67.05 per cent). While the number of young Australians 0–14 years rise only slightly and the 14–64 year old group will rise by about one-fifth, the 65–84 year old group will more than double, and the very old (85 and over) will more than quadruple.<sup>74</sup>
- 2.85 The ABS predicts that by 2051 the proportion of the population aged under 15 years will fall from 20 per cent today, to around 14 per cent. Over the same period, the proportion of the population aged 65 years and over will double, increasing from 14 per cent now to more than 25 per cent.<sup>75</sup>
- 2.86 DEWR estimates that over the next five years the impact of the ageing trend will be felt as a shortfall of 195 000 workers, with employment expected to grow at a slower pace than if the population ageing mix had not changed.<sup>76</sup>

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72 Ms K. Lamont, Tourism WA, *Transcript of Evidence*, 9 March 2007, p. 18.

73 Prof. M. Christie, Murdoch University, *Transcript of Evidence*, 9 March 2007, p. 15.

74 The Treasury, *Intergenerational Report 2007*, accessed 2 April 2007, <treasury.gov.au>.

75 Queensland Tourism Industry Council (QTIC), *Submission No. 20*, p. 14.

76 DEWR, *Submission No. 17*, p. 7.

- 2.87 Given the sectors previously noted reliance on young staff, the impact of ageing on the accommodation, café and restaurant sector is expected to be particularly severe, with a reduction in employment growth of 12 000 employees during 2004–05 to 2009–10. In the retail industry the corresponding number is expected to be 22 100.<sup>77</sup>
- 2.88 Shortfalls in staff are being exacerbated by the attributes of ‘Generation Y’, the new starters in the industry born between 1978 and 1994. Baby Boomers and Generation X are leaving the tourism industry, which is now the largest employer of the ‘Y’ generation.<sup>78</sup> The tourism industry already experiences very high staff turnover – the ABS found that only 68 per cent of tourism employees had worked in the same job for more than one year, compared with the all-industry average of 80 per cent – and this is expected to worsen with the changing demographic and mobility of the Generation Y workforce.<sup>79</sup>
- 2.89 Queensland island resorts reported that the situation in their sector is already critical, given the dual difficulties of keeping young staff in positions they find unattractive and of competing with the resources sector for tradespeople:
- Our problem is in putting young Australians into positions vital to the organisation that do not appeal to them. Hence, their length of stay is short... Our problem is in trying to attract personnel from a very thin talent pool when there are unmatched offers in booming industries. Our problem is sourcing and retaining talented tradespeople when the world outside HI, or Hamilton Island, provides the ‘grass is greener’ scenario. Our problem is trying to maintain the standards of a world-class resort when the workforce is forever changing. Our problem is our turnover.<sup>80</sup>
- 2.90 Employment needs in the tourism industry are highly seasonal and so Whitsundays resorts, among other regional and remote operators, rely heavily on Working Holiday Maker and Temporary (Longstay) 457 visa holders to fill labour and skills shortages.
- 2.91 At the same time, increased migration under temporary visa arrangements will not build the necessary permanent skills profile for future tourism employment needs. In addition to consolidate the attraction of young people, another option is to increase workforce

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77 DEWR, *Submission No. 17*, p. 8.

78 QTIC, *Submission No. 20*, p. 14; Mirambeena Resort Darwin, *Submission No. 25*, p. 1.

79 Service Skills Victoria, *Submission No. 67*, p. 5.

80 Mr B. McCarron, Hamilton Island Resort, *Transcript of Evidence*, 24 November 2006, p. 3.

participation, thus expanding the pool of labour beyond traditional sources.

## Expanding the labour market

2.92 The Australian Government has recently implemented incentives to increase the workforce participation rate among older people, women and the long-term unemployed in recognition that workforce participation must be maximised for future economic growth. The Committee notes:

- more than two thirds of retired men aged 50 to 64 would like to work, but Australian workforce participation rates for this age cohort remain significantly below those of Canada, New Zealand, the United States and the United Kingdom;
- Australia has the third highest rate of jobless families and among the lowest workforce participation rate for people receiving disability benefits in the OECD; and
- Indigenous unemployment rates of around 15 per cent exist in areas of high tourism labour shortage, with over 60 per cent of Indigenous people being between 15 and 24 years in key tourism regions such as the Kimberley in Western Australia.<sup>81</sup>

2.93 Australian government policy responses to these factors include:

- a suite of initiatives to help mature age Australians to accumulate savings and superannuation, to defer retirement including a more generous income test for age pensioners, changing taper rates for unemployment benefits, and implementing a Pension Bonus scheme;
- promoting the benefits of employing mature age people and ensuring that employers understand that aged discrimination is illegal;
- Welfare to Work initiatives, effective from July 2006, have increased requirements for people with disabilities, parents, mature aged people over 50 years, and very long term unemployed;

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81 Hon. Dr S. Stone, Minister for Workforce Participation, Speech: 'Addressing the Challenges of the Greying WorkForce. An Opportunity Not a Threat', 25 October 2006, accessed 19 February 2007, <[mediacentre.dewr.gov.au](http://mediacentre.dewr.gov.au)>; ATEC, *Submission No. 51*, p. 6; Indigenous Business Australia (IBA), *Submission No. 38*, p. 9; Tourism WA and WA Hospitality and Tourism ITC, *Submission No. 62*, p. 39.

- to support entry of Indigenous people into employment the Government removed exemptions from activity tested income support recipients living in remote areas; and
  - from 2005–06, \$50 million has been allocated for spending over four years to promote the employment of people in these groups.<sup>82</sup>
- 2.94 There was agreement among stakeholders that improving workforce participation in tourism by under-represented groups would ease labour pressures, with broader benefits to the tourism industry, society and the economy.
- 2.95 Overall, improving workforce participation of these groups will require willingness, and skills development, on the part of employers in the tourism industry to engage with employee needs in a way which has not been done to any large degree in the past.
- 2.96 Opportunities to increase workplace participation and attraction and retention issues are discussed in detail in Chapter 4.

## Workplace relations and employment conditions

- 2.97 Tourism is a labour intensive industry dominated by SMEs, so the potential to improve pay and conditions is very much curtailed by the high overheads and low profit margins these businesses operate under.
- 2.98 The introduction of the *Workplace Relations Act 2006* (WorkChoices) was considered by many tourism businesses and representative organisations to provide new opportunities to work more constructively within these constraints.<sup>83</sup>
- 2.99 The Australia Hotels Association (AHA), which represents over 8 500 hotels, submitted that the new workplace relations legislation would create a better balance between industry and employee needs by developing ‘employment arrangements that suit the needs of their particular business while still providing an effective safety net for workers.’<sup>84</sup>

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82 Hon. Dr S. Stone, Minister for Workforce Participation, Speech: ‘Addressing the Challenges of the Greying WorkForce. An Opportunity Not a Threat’, 25 October 2006, accessed 19 February 2007, <mediacentre.dewr.gov.au>; DEWR, *Submission No. 17*, pp. 35–36.

83 Victorian Tourism Industry Council (VTIC), *Submission 12*, p. 4; Tourism WA and WA Hospitality and Tourism ITC, *Submission No. 62, Attachment 1*, p. 47.

84 AHA, *Submission No. 43*, p. 12.



- 2.100 DITR advised that WorkChoices assisted industries address skill shortages by increasing flexibility and multi-skilling. The new legislation could therefore facilitate more flexible employment including opportunities for older people and return to work parents.<sup>85</sup>
- 2.101 Some industry stakeholders saw benefits flowing to smaller businesses in the sector. It was suggested that rural and regional operators with seasonal staff could access options such as the averaging of weekly hours across a full year, the elimination of penalty rates and the cashing out of leave. The limitation of unfair dismissal laws was also regarded as reducing risk-averse attitudes to employment of permanent part-time and fulltime staff.<sup>86</sup>
- 2.102 WorkChoices is a federal system and covers the following employers and employees:
- trading, financial and foreign corporations (constitutional corporations) and their employees;
  - employees and employers in the Australian Capital Territory, the Northern Territory and Christmas and Cocos (Keeling) Islands;
  - the Commonwealth, including its authorities, and its employees;
  - employers in respect of waterside, maritime and flight crew employees employed in connection with interstate, overseas, inter-territory or state-territory trade and commerce; and
  - most employees and employers in Victoria.<sup>87</sup>
- 2.103 The workers who are not covered by WorkChoices include: employees of unincorporated businesses, some state government employers, sole traders and partnerships (apart from those in Victoria and the territories), [who] will be covered by relevant state laws.<sup>88</sup>
- 2.104 Many SMEs in the accommodation and hospitality sector operate as trusts, sole traders or partnerships and so cannot access WorkChoices. This may be the reason for limited take-up of AWAs in the sector.

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85 DITR, *Submission No. 55*, p. 15; VTIC, *Submission 12*, p. 6.

86 Hotel Motel and Accommodation Association (HMAA), *Submission No. 64*, p. 16, Chamber of Commerce and Industry Western Australia (CCI-WA), *Submission No. 45*, p. 11; RCA, *Submission No. 31*, p. 24.

87 Australian Government, *WorkChoices and Who is Covered*, accessed 31 May 2007, <[workchoices.gov.au/ourplan/publications/html/WorkChoicesandwhoiscovered](http://workchoices.gov.au/ourplan/publications/html/WorkChoicesandwhoiscovered)>.

88 Australian Government, *WorkChoices and Who is Covered*, accessed 31 May 2007, <[workchoices.gov.au/ourplan/publications/html/WorkChoicesandwhoiscovered](http://workchoices.gov.au/ourplan/publications/html/WorkChoicesandwhoiscovered)>.

The conversion process to workplace agreements, which is considered to be lengthy and expensive, is another deterrent.<sup>89</sup>

- 2.105 The Committee heard evidence that without flexibility in workplace arrangements, there can be breaches of the law:

**Mr Olah** – I will put it very clearly. There are few industries more requiring flexibility, in terms of working hours and the nature of the tasks carried out, than tourism. It is an industry that is defined by multiskilling in many ways. It is defined by after-hours and weekend work in many ways. So that flexibility is vital. It is an industry that has always worked flexibly. Part of the cost, though, is that at times there has been an unacceptable level of nonadherence to award conditions in parts of the industry. What we believe is that Work Choices, because it allows flexibility to be built into agreements, will lead to a higher level of adherence than we have had historically.

**Mr BRENDAN O'CONNOR** – You are saying that people were breaking the law before, but now Work Choices will allow them to do what they were doing before without breaking the law?

**Mr Olah** – Yes.<sup>90</sup>

- 2.106 It was submitted by Restaurant and Catering Australia (RCA) and the Victorian Tourism Industry Council (VTIC) that there is a need to provide education and financial support to encourage industry to undergo the transition to the AWAs.<sup>91</sup>
- 2.107 RCA reported that work with member associations and the Office of the Employment Advocate (OEA) had resulted in 20 800 AWAs being signed in a 10 month period. This success, it argued, demonstrates that intensive, predominantly one on one, promotion of agreement-making does work for small businesses.<sup>92</sup>
- 2.108 WorkChoices introduced a new Australian Fair Pay and Conditions Standard which includes minimum award classification wages and guaranteed minimum conditions of employment.<sup>93</sup> However, critics of the legislation cite concerns they have gathered from some employees

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89 HMAA, *Submission No. 64*, p. 16; RCA, *Submission No. 31*, p. 24.

90 Mr P. Olah, HMAA and Mr B. O'Connor MP, *Transcript of Evidence*, 30 March 2007, p. 26.

91 RCA, *Submission No. 31*, p. 24; VTIC, *Submission No. 12*, p. 4.

92 RCA, *Submission No. 31*, p. 24.

93 See *WorkChoices: a New Industrial Relations System*, accessed 16 February 2007, <workchoices.gov.au>.

conditions have been downgraded in agreements negotiated in the tourism sector since late last year.<sup>94</sup>

- 2.109 The Committee notes that the Australian Government has recently announced changes to the workplace relations system to strengthen the safety net and provide additional worker protection.<sup>95</sup>
- 2.110 While workplace legislation can provide minimum standards and a framework of flexibility, the onus remains with industry to develop innovative approaches to employment models that meet industry needs and attract quality staff.<sup>96</sup>
- 2.111 Evidence received on this was encouraging. While it is clear that the tourism industry needs to be more proactive on workplace and industry innovation, the industry also appears more ready to acknowledge its responsibilities. Tourism WA commented on a growing maturity, a new 'mindset', where tourism employers are beginning to see the value in improving staff retention, and are showing signs of a new preparedness to work collectively to address shared problems.<sup>97</sup>
- 2.112 Some submitters commented that the potential to better utilise overseas skills, expand labour pools, promote staff mobility between states and territories, and across regions on different seasonal cycles, holds out new hope to address critical skill and labour shortages.<sup>98</sup>
- 2.113 Service Skills Australia, an Australian Government funded industry skills council charged with coordinating training packages for the tourism and hospitality industry, identified a number of mechanisms which could assist businesses to better respond to labour market pressures and develop flexible and enhanced employment models that include:
- mapping potential career pathways;
  - exploring school-industry partnerships to provide work experience;
  - changing traditional rostering systems;
  - designating personnel to mentor apprentices and trainees;

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94 LHMU, *Submission No. 10.1*, p. 4.

95 Prime Minister of Australia, Speech, *A Stronger Safety Net for Working Australians*, 4 May 2007, accessed 7 May 2007, <workplace.gov.au>.

96 DITR advises, for instance, that while factors such as seasonality and lack of accommodation impede employers' attempts to attract and retain staff in regional areas, there must be willingness to recognise training and provide wages and conditions that will make tourism jobs more desirable. DITR, *Submission No. 55*, p. 33.

97 Ms K. Lamont, Chairperson, Tourism WA, *Transcript of Evidence*, 9 March 2007, pp. 19-21.

98 Tourism WA and WA Hospitality and Tourism ITC, *Submission No. 62*, pp. 36-37.

- introducing activities to change community perceptions of the tourism and hospitality industries and career possibilities;
  - changing industry culture to value and support workers;
  - exploring job redesign; and
  - recognising skills acquisition in the workplace and providing appropriate recognition and credits to encourage the employee to pursue further studies.<sup>99</sup>
- 2.114 In the body of this report recommendations are made to support the essential and fundamental shift of the tourism industry towards workforce sustainability. However, if the report's recommendations are to be effective the Committee believes that the industry needs better tools to conduct the strategic planning necessary to underpin the employment growth predictions for the tourism sector.
- 2.115 Although the economic sustainability and profitability of the industry are of direct relevance to employment, this Committee did not have the capacity to look at them in great detail. These issues are being addressed by the House of Representatives Standing Committee on Economics, Finance and Public Administration's inquiry into the current and future directions of Australia's service industries. As such, these issues are not addressed in this report.

## Planning for change

- 2.116 There were many caveats placed on the uses and reliability of tourism employment data presented to this inquiry. DEWR was forthright in its submission about data deficiencies, noting variability caused by the unpredictability of international visit trends, the sectoral makeup of analysis, and the assumptions used by the ABS to calculate outcomes for the Tourism Satellite Accounts.<sup>100</sup>
- 2.117 Evidence from industry stakeholders and experts maintained that the lack of comprehensive analysis of national tourism trends is a serious obstacle to the development of sustainable business plans by tourism operators.
- 2.118 Without comprehensive and nationally comparable information on workforce and tourism growth, sound investment decisions on infrastructure development and planning for staff recruitment and training cannot take place. Moreover, failure to invest supports low

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<sup>99</sup> Service Skills Australia, *Submission No. 31*, p. 10.

<sup>100</sup> DEWR, *Submission No. 17*, pp. 4, 9.

productivity and the industry loses critical mass and the capacity to innovate. The end result is a negative industry image, feeding skills attrition and labour shortages.

- 2.119 One of the main difficulties for domestic data compilation and analysis on tourism is that the industry is not a discrete sector, like mining or manufacturing, but involves a very diverse range of service sectors. The lack of homogeneity in the industry means that the Australian and New Zealand Standard Industry Classification (ANZSIC), provides no discrete category for labour force employment results in tourism. The failure to produce these statistics makes it difficult to make accurate assessments of labour shortages.
- 2.120 To assess employment in tourism, the ABS uses a formula to make total employment estimations in each service sector proportional to the gross value added generated by the tourism industry as a whole:
- For example, if 90.1 percent of gross value added of the accommodation industry is estimated from tourism activity, then 90.1 per cent of total employment in the accommodation industry is apportioned to employment in the tourism industry.<sup>101</sup>
- 2.121 A distinction is then made between the value of services provided to the local community as against those provided to visitors.<sup>102</sup>
- 2.122 At hearings, Mr Ivan Neville, Assistant Secretary of the Labour Supply and Skills Branch, DEWR, commented on the limited usefulness of TSA data to track recent tourism employment trends. This is due to the lack of currency of the data and the 'fairly convoluted methodology' used for estimates of employment in the industry.<sup>103</sup>
- 2.123 Dr Peter Tucker, General Manager of the Sustainability Group of the Tourism Division in DITR explained that the TSA is an aggregation of national level statistics and does not allow for analysis of ABS labour force data at local or regional level, or even at the specific tourism related industry level.<sup>104</sup>
- 2.124 In addition to the inadequacies in TSA data for prediction of tourism labour trends, currently DEWR does not attempt to quantify the

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101 DEWR, *Submission No. 17*, p. 4.

102 Where tourism GDP represents the total market value of Australian produced goods and services consumed by visitors after deducting the costs of goods and services used up in the process of production. ABS, *Australian National Accounts: Tourism Satellite Account 2004-2005*, p. 2.

103 Mr I. Neville, DEWR, *Transcript of Evidence*, 17 August 2006, p. 2.

104 Dr P. Tucker, DITR, *Transcript of Evidence*, 29 March 2007, p. 1.

demand for positions in the tourism industry.<sup>105</sup> This also limits the capacity to forecast future needs. DEWR advised that, although the *Australian Jobs Outlook* publication does attempt to make broad projections, 'there is only so much science you can bring to bear on this. No-one knows how many waiters are going to be needed in five years time'.<sup>106</sup>

- 2.125 Industry stakeholders, nevertheless, expressed frustration with these deficiencies. Lack of TSA data currency was a particular problem for state and territories with data not consistently collected or regularly updated.<sup>107</sup> The Sustainable Tourism CRC noted that employment trends for tourism are also distorted by the TSA's failure to include the business events sector which, according to the 2005 *National Business Events Study*, currently contributes \$17.4 billion to the Australian economy and grew by 214 000 jobs in 2005.<sup>108</sup>
- 2.126 The Hotel Motel and Accommodation Association noted the need for, and lack of:
- publicly funded and broadly available operational data in the accommodation sector;
  - clear trend data for both staffing and operational purposes covering different sectors within the tourism industry;
  - staffing data structured by industry, rather than occupation, and the lack of data covering many tourism industry occupations;
  - regional and state-level workforce data for the entire industry, and the various sectors within it;
  - adequate and appropriate regional, state and national projections of whole of industry, sector-specific and occupation-specific workforce needs; and
  - consistency of collection and availability of data from existing public sector sources.<sup>109</sup>
- 2.127 The Committee considers that there is a vital need to conduct a complete review of employment data compilation and analysis for tourism and related sectors, including for labour and skills shortage trends.

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105 DEWR, *Submission No. 17*, p. 23.

106 Mr M. Manthorpe, DEWR, *Transcript of Evidence*, 1 March 2007, p. 17.

107 CCI-WA, *Submission No. 45*, p. 5; Tourism WA and WA Tourism and Hospitality Skills ITC, *Submission No. 62*, p. 14.

108 Sustainable Tourism CRC, *Submission No. 16*, p. 4.

109 HMAA, *Submission No. 64*, p. 14.

## Recommendation 1

**The Committee recommends that the Australian Government expand data collection and analysis of the labour needs of the tourism industry to enable comprehensive workforce planning. This data should encompass all tourism-related employment.**

2.128 The paucity of regional labour force supply and demand data is of grave concern given the exceptional needs in regional and remote areas. In its submission DITR advised:

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.<sup>110</sup>

2.129 In view of these problems, the Committee was pleased to note that, as an outcome of the Tourism Future's Conference in December 2006, DITR is now conducting, in partnership with industry, pilot programs in far north Queensland, the Victorian Goldfields, and East Perth to assess labour and skill shortages in these regions.<sup>111</sup>

2.130 Tourism businesses have lower investment in market demand data compared with other service sectors. The Committee notes that Tourism Research Australia (TRA), the new body charged with meeting industry research and data needs, is planning to conduct research into tourism demand as part of the process of assessing regional labour requirements. The research will take its focus from three key themes – consumer behaviour; consumer motivators; and structural issues – identified in the 2006 TRA report, *An Assessment of the Australian Domestic Tourism Market*.<sup>112</sup>

2.131 Professor Westerbeek of La Trobe University reported the emergence of a strong recognition of the value of such research in regional Victoria, where small towns are desperate to capture business passing

110 DITR, *Submission No. 55*, p. 16.

111 Dr P. Tucker, DITR, *Transcript of Evidence*, 29 March 2007, p. 2.

112 DITR, *Submission No. 55*, pp. 9, 33.

through to larger centres and iconic tourism attractions. He advised on some necessities to improve data outcomes:

Some of the bigger townships have a bit more money. They employ a local consultant to collect some economic data on tourism numbers. They do it for one year and then they move out. The town does not have money the next year but another consultant comes in the year after with a different format, different standards and non-comparable data. I suggested that regional universities, or at least universities with regional campuses, have an opportunity to standardise their information. It would be relatively low cost. You could even use honours students or masters students and set up particular long-term, longitudinal projects to start collecting that data.

The CRC can play a role in that as well. Rather than make it snapshot projects with industry, at least identify one stream along the duration of the CRC that says hardcore, long-term, longitudinal, regionally based evidence that gives us information about the segmentation we so desperately need in order to supply those regional areas as well.<sup>113</sup>

- 2.132 The Committee considers that it will be beneficial to tap into regional research networks and industries to produce live data and forecast for regional tourism needs. The Committee is therefore recommending that DITR and TRA should work with regional institutes and industry bodies to develop a standardised methodology for longitudinal analysis of tourism industry trends and needs in regional areas.
- 2.133 The Committee supports the TRA's research plans for work on tourism consumer trends and also considers that pilot projects, similar to those conducted by DITR with regional industry bodies, should be undertaken to develop and promote the utility of such data to regional businesses.

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113 Prof. H. Westerbeek, School of Sport, Tourism and Hospitality Management, La Trobe University, *Transcript of Evidence*, 30 March 2007, p. 16.



## Recommendation 2

**The Committee recommends that the Australian Government, in partnership with regional research institutions and industry bodies, undertake a review of the compilation and analysis of employment data for tourism and related sectors. The review should address the development of a standardised methodology for longitudinal analysis of tourism industry trends with particular focus on rural and regional areas.**

## Committee comment

2.134 Tourism is a 'people' industry and the vibrancy of our tourism sector is based on the capacity to deliver a service in metropolitan, regional and remote areas. As Professor Westerbeek told the Committee, our tourism industry has much to be proud of:

There is a general perception that, in stark contrast to many European countries, the service attitude and friendliness and the proverbial good-natured Australian attitude is still kicking big goals in terms of tourists coming this way.<sup>114</sup>

2.135 Whether this service delivery can be preserved in the face of the pressures outlined in this chapter relies on the preparedness of the industry to address the fundamentals that attract people into employment, given increasing competition for a sustainable workforce. Issues facing the industry and strategies to attract and retain a capable workforce are addressed in the following chapters.

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114 Prof. H. Westerbeek, School, School of Sport, Tourism and Hospitality Management, *Transcript of Evidence*, 30 March 2007, p. 18.



## Addressing labour shortages and skills demands

- 3.1 The tourism industry is affected by the economy-wide labour and skills shortages. Many of these shortages are in skilled areas (chefs being the most widely cited) however many are also in areas considered 'unskilled' or 'low' skill as they do not require formal qualifications.
- 3.2 While labour and skills shortages can go hand in hand, they are in essence separate issues. Labour shortages occur when employers have difficulty filling positions at all levels due to an overall low unemployment level. Skills demands occur where employers have difficulty filling vacancies that require specialist skills and these shortages can occur even in periods of high unemployment.
- 3.3 Although the tourism industry is facing skills demands in some occupations, such as chefs and other trades, it is primarily facing labour shortages, with many employers simply unable to fill low-skill positions – there are simply too many jobs and not enough people.
- 3.4 Shortages are compounded by the high cost of living and lack of affordable housing in some remote and regional areas, particularly those areas that are competing with neighbouring resources industries for staff.

- 3.5 This chapter considers the factors contributing to labour shortages and the causes and areas of skills demand in the tourism industry. The chapter concludes with a discussion of the issues raised during the inquiry relating to migrant labour as a means of addressing both labour shortages and skills demands in some instances.

## Labour shortages

- 3.6 As outlined in Chapter 2, the tourism sector is projected to experience significant growth over the next ten years. This growth will expose further skills and labour needs, in addition to the immediately apparent skills and labour shortages:

### Accommodation

- ⇒ Housekeepers/cleaners
- ⇒ Restaurant supervisors
- ⇒ Food and beverage attendants
- ⇒ Porters

### Restaurants

- ⇒ Cooks
- ⇒ Chefs
- ⇒ Food and beverage attendants

### Tours

- ⇒ Guides with risk management and language and cross cultural skills

### Attractions

- ⇒ Tour and fishing guides
- ⇒ Workers in attractions and national parks

### Other Tourism Areas

- ⇒ Agents with e-business skills
- ⇒ Visitor information and regional tourism centres
- ⇒ Practical skills in event management<sup>1</sup>

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1 Service Skills Australia, *Submission No. 32*, p. 5.

- 3.7 The shortage of skilled and qualified tradespeople as well as the general labour shortage can jeopardise the capacity of tourism employers to meet operational demands. It was submitted that ‘if action is not taken urgently, the tourism industry faces the consequences of a decline in demand for our product and an inability to deliver a “platinum” experience for visitors,’ particularly due to increasing consumer demand and expectations of higher levels of service.<sup>2</sup>
- 3.8 Irreparable damage to our brand will result if labour shortages mean that Australia is unable to deliver on the expectations created by promotional activities.
- 3.9 The low national unemployment rate of 4.4 per cent<sup>3</sup>, the well documented ageing of the population and an economic environment in which the competition for labour is high means that generally there will be a shortage of people to fill positions. Even in areas that have had high unemployment for some time are experiencing dramatic falls in the unemployment rate. For example in Broome, a tourist destination in north western Western Australia, the unemployment rate in the September 2004 quarter was 5.7 per cent – down from 11 per cent in the September 2002 quarter.<sup>4</sup>
- 3.10 The resources sector is a significant drain on the available labour pool, and Western Australia is particularly affected. In the three years to June 2006, employment in the tourism industry increased by 6.7 per cent, while in the same period mining increased by 18.7 per cent and building by 25.6 per cent. The Committee was told that
- although there is a lack of empirical data on the present migration of the workforce from tourism to mining, resources and building, it would appear the recruitment and retention of staff in the tourism industry may well prove to be a highly challenging issue for some years to come.<sup>5</sup>

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2 Tourism and Transport Forum (TTF) Australia, *Submission No. 37*, p. 6. Also Queensland Tourism Industry Council (QTIC), *Submission No. 20*, p. 13; Indigenous Business Australia (IBA), *Submission No. 38*, p. 7.

3 Australian Bureau of Statistics (ABS), *Labour Force Australia*, April 2007, Cat No. 6202.0.

4 ABS, *National Regional Profile: Broome (S) Statistical Local Area*, accessed 13 April 2007, <abs.gov.au>.

5 Industry Advisory Board, *Submission No. 30*, p. 6.

- 3.11 This was anecdotally supported by many witnesses to this inquiry from all regions of Australia. More than finding skilled employees, the key issue reported is simply getting the labour:

The contractor costs me even more than [hiring staff] but the hassle of getting the labour has driven me to that point. You have someone, they are here for a month and then they are gone – and that is frustrating, particularly in the busy time. But if you get a contractor and pay them more money it is the contractor’s problem to get the labour.<sup>6</sup>

- 3.12 Labour shortages are not confined to Australia – submitters report that labour shortages are an issue of concern worldwide, particularly with the increasing global mobility of the workforce:

Labour shortages are the result of a number of social, structural and economic factors confronting the industrialised world. There will be no simple solution to this problem and it will require businesses to ensure their workplace culture, job design and employment benefits are consistent with the long standing rhetoric of being an “employer of choice”.<sup>7</sup>

- 3.13 Long-term planning is necessary to adequately address skills shortages, focussing on a range of strategies at a micro- and macro-level, to create a:

knowledge-based nation through improved public and private sector investment in training, coupled with a realistic strategy to address tourism’s seasonality issues and a co-ordinated approach to addressing changing labour market demographics is the preferred approach.<sup>8</sup>

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6 Mr K. Dobbs, Port Douglas Daintree Tourism Ltd, *Transcript of Evidence*, 22 November 2006, p. 44.

7 Australian Hotel Association (AHA), *Submission No. 43*, p. 8.

8 Australian Tourism Export Council (ATEC), *Submission No. 51*, p. 11.

3.14 To meet this aim, providing we have enough people to train, it was submitted that the following needs to be undertaken by business and local, state/territory and federal governments:

- increasing investment in vocational training;
- increasing the number of traditional trade apprenticeships by engaging in fast track and other accelerated pathways for existing employees, recruit school leavers and mature age workers;
- developing retention strategies to retain current employees;
- planning and forecasting for future skill and labour requirements and increasing the skill base of the existing workforce with re-skilling and up-skilling programs to meet future needs, remain competitive and increase business activity; and
- information and advice on various available initiatives, financial incentives and assistance from State and Federal governments.<sup>9</sup>

3.15 New Zealand is facing similar skills and labour shortage issues. A recent New Zealand tourism workforce strategy identified that:

When we started this process, we believed we were dealing with a workforce issue. After looking closely at the issues and listening to industry, it became apparent that we are in fact dealing with a *workplace* issue.<sup>10</sup>

3.16 Australian workplaces equally need to take responsibility for addressing labour shortages, in partnership with a Government focus on measures to increase labour force participation. This means that industry needs to identify labour shortages and measures needed to redress them. Equally, employers need to ensure they are offering attractive conditions, including wages and flexible working arrangements such as the provision of childcare. It is only through such strategies that the tourism industry may compete with the higher wages offered in other sectors and address labour shortages.

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9 Chamber of Commerce and Industry Western Australia (CCI-WA), *Submission No. 45*, p. 7.

10 New Zealand Tourism Industry Leadership Group, *Tourism and Hospitality Workforce Strategy*, June 2006, p. 2.

## Seasonal employment

- 3.17 Most tourism destinations have significant seasonal variations which necessitate a larger workforce for short periods of the year. The economy-wide labour shortages as noted above mean that there is little incentive for people seeking full-time work to take up seasonal employment as a measure to stay in the workforce.
- 3.18 The availability of employment in three to six month periods makes it difficult to attract individuals to permanently settle in remote regions where they are faced with no employment opportunities in the non-peak seasons.
- 3.19 Therefore, a large proportion of the seasonal workforce comprises working holiday makers (both international and local travellers) and students seeking holiday jobs. However, this temporary workforce does not necessarily have a commitment to stay within the industry for the duration of one season let alone longer-term. Therefore any training investment, where provided, is often lost to the industry.
- 3.20 There are a range of strategies to address seasonal employment shortages. Those presented to the Committee include:
- academic institutions to include in tourism studies a form of internship or work experience placement to take place in peak seasons;
  - industry better targeting students in their recruitment strategies for seasonal employment, and providing incentives for these students to return in consecutive seasons over the course of their studies;
  - the formation of a 'sector pooling' strategy to provide full-time employment in complementary sectors (i.e. snowfield resorts to pool staff with island resorts);
  - the higher take-up of the occupational training visa which allows workplace-based training for foreign nationals;
  - recruitment targeted at attracting older workers seeking short-term work and the Indigenous population in remote areas seeking to work in local, often remote, areas;
  - centralised destination recruitment strategies to lessen the risk carried by smaller operators and promote cross-employer flexibility and training opportunities;
  - better promotion of the federal government's \$5 000 relocation bonus;



- cross-training employees so they have employment opportunities in the down season; and
- market diversification to assist in lessening seasonal peaks and troughs.<sup>11</sup>

3.21 The first step to addressing seasonal workforce fluctuations is better collaboration within the industry. It was submitted that:

There is a need for more cooperation or collaboration between individual industry organisations in regional destination areas to deal with seasonal workforce demands. Currently there is too much reliance on initiatives by individual enterprises which often fails to address collective issues such as accommodating the seasonal workforce.<sup>12</sup>

3.22 While a large number of submissions put forward strategies to meet seasonal workforce demands, it is clear that there is very little collaboration between or within industry sectors to address these issues. The Committee notes that this may be largely due to the large number of small owner-operator businesses making up the industry. There is an obvious need for the development of a seasonal workforce management plan that addresses the issues listed above and includes appropriate incentives to increase the attractiveness of this type of work. Such a strategy should focus on how to build industry cooperation.

3.23 It was submitted that this call for a seasonal workforce management plan is not new, but the industry to date has not been responsive to it:

[It] has been noted by a number of commentators that tourism and hospitality industry organisations have been slow to adopt strategies such as job rotation across and between departments, organisations, brands and geographical regions in spite of calls for more vision in this regard going back at least some 13 years or more ... The industry needs to be more innovative in this regard, and devise strategies that allow them to have a committed,

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11 TTF Australia, *Submission No. 37*, p. 6; Victorian Tourism Industry Council (VTIC), *Submission No. 12*, p. 3; Hostec, *Submission No. 7*, p. [2]; Mr R. Wesley, *Submission No. 11*, p. 4; ATEC, *Submission No. 51*, p. 9; Seashells Hospitality Group (SHG), *Submission No. 6*, p. 4; Tourism NT, *Submission No. 39*, p. 5; City of Mandurah, *Submission No. 29*, p. 3; Sustainable Tourism CRC, *Submission No. 16*, p. 8; Tourism WA, *Submission No. 62*; QTIC, *Submission No. 20*, p. 4.

12 School of Leisure, Sport and Tourism, University of Technology, Sydney (UTS), *Submission No. 4*, p. 3.

permanent workforce while also offering the flexibility of hours which are sometimes needed.<sup>13</sup>

- 3.24 The industry must get organised as it cannot afford to continue to delay action in this regard and needs to display greater courage and innovation with respect to its seasonal workforce. Seasonal fluctuations are a continuing feature of the industry and so, for its own sustainability, longer term strategies must be developed.

### Recommendation 3

**The Committee recommends that the Australian Government, in partnership owners and operators, develop a seasonal workforce management plan for the tourism industry that focuses on building community and industry-wide cooperation.**

## Destination Management Planning

- 3.25 While the labour force needs are generally similar Australia-wide, each destination has particular attractions: North Queensland has a specific focus on the 'reef and rainforest', the Northern Territory on Indigenous experiences and Tasmania on cultural and eco-tourism. The concept of destination management planning was raised as a 'guiding tool for the development of tourism strategies and business plans and as a springboard for further planning and discussion between partners and stakeholders'.<sup>14</sup>
- 3.26 Each region of Australia also has particular demands for skilled staff, therefore destination management planning is an essential tool for workforce and workplace management. Many regions already utilise destination management planning and these plans impact on tourism employment by 'guiding the development of new tourism products or experiences and/or identifying broad skills development needs for each destination.'<sup>15</sup>
- 3.27 The Committee commends those regions that are already engaged in destination management planning. However, there is a greater role

13 Australian Regional Tourism Research Centre (ARTRC), *Submission No. 19*, pp. 5–8.

14 QTIC, *Submission No. 20*, p. 19.

15 QTIC, *Submission No. 20*, p. 19.

- for destination management plans to be used as workforce management plans that not only address future labour and skills needs but also issues such as availability of community services, staff accommodation and, in remote locations, entertainment and transportation needs.
- 3.28 Seasonal workforces have an impact on local communities. For those regional communities for which tourism is a new venture, there is not necessarily the infrastructure in place to support the needs of a temporary influx of residents.
- 3.29 This was particularly noted in relation to the 'party lifestyle' and substance misuse that often accompanies holiday employment.<sup>16</sup> As noted later in this chapter, the Committee calls on the industry to make greater use of destination management plans. These plans must also address the adequate resourcing of the community sector providing services to seasonal workers.
- 3.30 There is also room for destinations with opposing high seasons to work collaboratively on workforce planning and provide opportunities and incentives for employees to relocate thus providing full-time ongoing employment opportunities and keeping people within the industry.
- 3.31 It was further submitted that all stakeholders have a role to develop destinations into year-round attractions to encourage employment opportunities. Where financial support is provided by government to develop regional tourism, it needs to be provided across the full range of tourism experience, not just key attractions.<sup>17</sup>
- 3.32 The Committee welcomes additional funding of \$10 million over the next two years announced in the 2007-08 Budget for drought affected areas to develop tourism initiatives.<sup>18</sup> This additional funding will assist communities with product development and destination planning.
- 3.33 Destination management plans should also address community education. It was submitted that the Australian public as a whole needs to be educated about the value of a complete tourism

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16 MyHealth Australia, *Submission No. 3*.

17 Buffalo Brewery, *Submission No. 2*; City of Mandurah, *Submission No. 29*, pp. 2, 3.

18 Hon. Fran Bailey MP, Minister for Small Business and Tourism, *Tourism in Drought Affected Areas to be Encouraged*, Media Release, 8 May 2007.

experience, from general customer service standards to preserving environmental assets.<sup>19</sup>

#### **Recommendation 4**

**The Committee recommends that the Department of Industry, Tourism and Resources develop a destination management planning tool for the tourism industry that assists regions to undertake workforce planning and strategic product development and support community infrastructure.**

### **Cost of living for tourism workers**

- 3.34 The tourism industry, by its very nature, is concentrated in highly appealing locations, therefore attracting a high cost of living, particularly in regard to housing.
- 3.35 In addition, regional incomes are generally lower than wider national averages. The most recent Australian Bureau of Statistics (ABS) survey of household income and income distribution, released in August 2005 found that average incomes in the capital cities in Australia were 16 per cent above those outside the capital cities.<sup>20</sup>
- 3.36 Yet some regional and remote destinations can attract amongst the highest property prices and rental rates.<sup>21</sup> This, combined with low wages, makes it unattractive to live and work in some regional tourist locations.

In destinations such as Port Douglas in Far North Queensland for example high local house and flat rents make it extremely difficult for tourism and hospitality employees to live within close range of ... employers. The changes driven by 'Seachangers' may have a number of interesting impact on the industry, many potentially positive, but an unforeseen effect ... is that higher house prices and rents in desirable regional areas. The rise in housing costs is likely to make it

19 School of Sport, Tourism and Hospitality Management, La Trobe University, *Submission No. 5*, p. 3.

20 ABS, *Household Income and Income Distribution, Australia, 2003-04*, released 4 August 2005, Cat. No. 6523.0, accessed 27 February 2007, <abs.gov.au>.

21 Tourism Whitsundays, *Submission No. 27*, p. [4]; Daydream Island, *Submission No. 54*, p. 4.

increasingly difficult for tourism and hospitality employees to afford working and living in such places.<sup>22</sup>

- 3.37 The high cost of living means that in some regions it is imperative for employers to provide accommodation as part of an employment package. All employers that the Committee spoke to were actively addressing this issue.

Industry members provided feedback that accommodation for employees is a major issue in regional and remote locations, with many staff living in appalling conditions such as dongas and sea containers. In order to attract quality staff, Cable Beach Resort purchased Palm Beach Resort in Broome to house staff, a process that took over 2 years to achieve. At the very least, rental assistance is required for key roles in tourism and hospitality, such as executive chefs.<sup>23</sup>

- 3.38 Other measures being undertaken by employers include:

- The organisation of temporary backpacker style accommodation for new employees relocating to the region.
- The organisation of caravan park style accommodation for new employees relocating to the region.
- Recent efforts have also been put towards the rental of share accommodation by the resort for employees to utilize.<sup>24</sup>

- 3.39 Employers also noted that, as with labour and skills shortages, the lack of reasonably priced accommodation and the cost of living was affecting provision of service:

However, it can be seen that with aforementioned efforts to increase the longevity and career development of our team, this issue, and inability to provide a timely long term solution place impact on the resort's ability to develop and maintain a high quality team, which in turn impacts on the delivery of our products.<sup>25</sup>

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22 ARTRC, *Submission No. 19*, p. 4.

23 Tourism WA, *Submission No. 62*, p. 37.

24 Daydream Island, *Submission No. 54*, p. 4.

25 Daydream Island, *Submission No. 54*, p. 4.

- 3.40 The cost of housing is not confined to regional areas. Tourism WA noted that the cost of housing in Perth has increased by 84 per cent in the past three years.<sup>26</sup>
- 3.41 However, the provision of accommodation is a particular burden on regional employers. Employers expressed a desire to provide more support in the provision of housing but there was a disincentive in regards to taxation arrangements. Taxation issues are discussed in Chapter 5.
- 3.42 Accommodation shortages are exacerbated by some moves to limit short-term rental properties. The Furnished Property Industry Association (FPIA) reported that a number of local councils are moving to ban short-term property rentals on the basis that these rentals are disturbing to residents. Analysis of short-term property rental complaints made to the Office of Fair Trading shows that in reality there are very few complaints made regarding these types of properties.<sup>27</sup>
- 3.43 The Committee is also aware that some larger tourism employers rely on these short-term rental properties to house relocating employees until more suitable long-term housing becomes available. The Committee is concerned that if this type of property was banned or severely limited, it would impact on the provision of regional housing, and the diversity of holiday accommodation offered.
- 3.44 In order to meet the concerns of local councils and the needs of local tourism employers, the Committee agrees with the furnished property industry's call for a national code of conduct governing the management and use of short-term property rentals.

### **Recommendation 5**

**The Committee recommends that the Australian Government provide facilitative support to the furnished property industry and the Australian Local Government Association to assist the development of a national short-term rental accommodation code of conduct.**

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26 Tourism WA, *Submission No. 62*, p. 37.

27 Furnished Property Industry Association (FPIA), *Submission No. 18*, p. 2.

## Skills demands

### Causes of skills demands

3.45 The Bureau of Transport and Regional Economics (BTRE) identifies the four main causal factors of skills demands from an industry perspective as:

- Training – the number of people entering the occupation;
- Wastage – the number of people who are trained in a skill or occupation, but do not work in that field;
- Migration – Australia’s place in a global labour market. Australia is a net importer of skills, so migration has a positive impact on skill shortages. However, most migrants are concentrated in the metropolitan areas;
- Work force exits – people permanently leave the workforce for a number of reasons, mostly through retirement.<sup>28</sup>

3.46 In addition there are six factors that influence skills demands at a regional level:

- health;
- education;
- housing;
- jobs and career opportunities (including for family members);
- infrastructure; and
- perceptions of lifestyle and community.<sup>29</sup>

3.47 The above are all issues that can be addressed in part at a local level. However, skills demands do not exist in isolation of the following macro-economic factors:

- technology change;
- globalisation;
- national economy;
- regulatory framework; and
- flexibility and mobility of the labour force.<sup>30</sup>

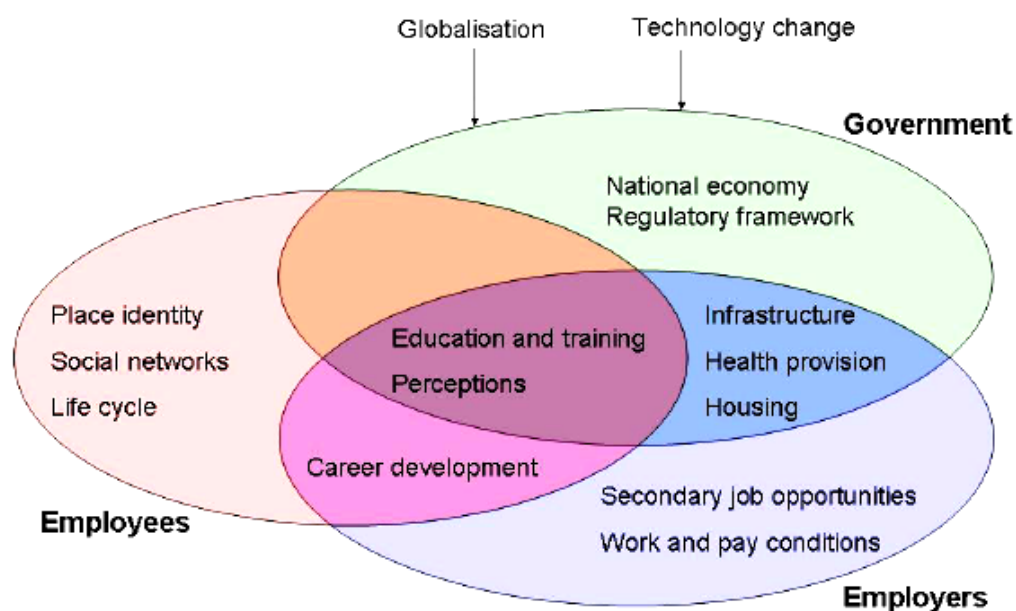
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28 Bureau of Transport and Regional Economics (BTRE), *Skill Shortages in Australia’s Regions*, Working Paper No. 68, July 2006, pp. 8-9.

29 BTRE, *Skill Shortages in Australia’s Regions*, Working Paper No. 68, July 2006, p. 8.

- 3.48 These factors are apparent in the skills and labour shortages faced by the tourism industry and as such are discussed throughout the report.
- 3.49 Government, employers and employees all have responsibilities in addressing skills demands. It is essential that all key players understand the issues that influence skills demands and take action to address those within their sphere of influence. This includes a role for employers to understand what type of employee will best suit their location and be best able to meet the challenges it affords. These respective responsibilities are illustrated in Figure 3.1.

Figure 3.1 Key players influencing skills shortages



Source BTRE, *Skill Shortages in Australia's regions*, Working Paper No. 68, July 2006. p. 15.

- 3.50 Tourism NT submitted that skills demands within the tourism industry are worsened by the fact that:

the tourism industry does not have the credence that other industries have, that it is the job you have before you get a 'real' job, or that it offers opportunities for a second job. There is a lack of understanding and knowledge about the opportunities a career in tourism can present. Consequently,



employers are frustrated with training staff that have no long term commitment to the industry.<sup>31</sup>

- 3.51 Because of this perception, there is risk of regions being ‘professional nurseries’ – able to attract graduates who gain experience and then move to higher paying jobs in city areas or other industries.
- 3.52 Skills demands are also regionally specific. For example, Western Australia in particular is experiencing demands in occupations also sought by the resources sector. Island resorts, such as those in the Whitsundays, face specific demands in the marine industry. Therefore measures to address specific skills demands also need to be put in place at the regional level.<sup>32</sup>
- 3.53 Immediate skills demands can also cause longer term workforce issues. The Committee heard evidence about staff promoted too rapidly which results in perception from those seeking work that their skills are higher than they actually are, and therefore they do not accept lower positions that are more appropriately suited to their skills.
- 3.54 It was submitted that ‘it is great that young people are ambitious but we need to ensure that we do not set them up for failure by placing them in roles that they are just not qualified for.’<sup>33</sup> This situation also reduces the capacity for and quality of on-the-job training if people in supervisory positions themselves lack experience.

## Identifying skills needs

- 3.55 The Department of Employment and Workplace Relations (DEWR) defines skills in demand as:

*Skills in demand* exist when employers are unable to fill or have considerable difficulty filling vacancies for an occupation, or specialist skills needs within that occupation, at current levels of remuneration and conditions of employment and reasonably accessible locations. ... Demand is typically for specialised and experienced workers, and can

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31 Tourism NT, *Submission No. 39*, p. 4.

32 Tourism WA and WA Hospitality and Tourism ITC, *Submission No. 62*, p. 12; Tourism Whitsundays, *Submission No. 27*, p. 9.

33 Voyages Hotels and Resorts, *Submission No. 33*, p. 5.

coexist with relatively high unemployment overall or in the occupation.<sup>34</sup>

- 3.56 The skills in demand list compiled by DEWR focuses on occupations rather than industries, primarily focussing on 'trade and professional occupations.'<sup>35</sup> As noted above, there is no industry-wide picture of skills demands and the industry considers the DEWR assessment to be therefore limited in its scope.
- 3.57 There has been extensive research undertaken into the shortages of chefs and cooks and this is widely recognised as an area of severe shortage, with the majority of submissions to this inquiry citing chef shortages. Restaurant and Catering Australia (RCA) reports that over 2 000 individuals are required to fill these shortages.<sup>36</sup> Various studies have found that not only are there are shortage of chefs currently in the industry, but the current inflow of apprentices will not make up this shortfall.<sup>37</sup>
- 3.58 Factors contributing to this shortfall include the length of apprenticeships, lack of formal training for chefs to move into management positions, and pay and conditions.
- 3.59 While these shortages are well documented and reported to this inquiry, 'no similar research as been undertaken in the non-cookery professions of the industry' even though the skills needs are reported to be widespread. RCA noted that shortages are equally as severe in service staff, kitchen hand and supervisory positions (6 000 required).<sup>38</sup>
- 3.60 Assessment of skills demands needs to take in a wider scope than the cookery areas. However, for these skilled areas to be given more weight in the assessment of skills demands, there also needs to be greater recognition of what constitutes skilled staff. This issue is discussed in Chapter 5.
- 3.61 The skills demands facing the industry in rural and regional areas are particularly severe. The industry by its nature tends to be spread throughout remote locations, which, combined with its seasonality, compounds skills demands:

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34 DEWR, *Submission No. 17*, p. 20.

35 DEWR, *Submission No. 17*, p. 20.

36 RCA, *Submission No. 31*, p. 15.

37 Tourism and Hospitality Skills ACT and Region, *Submission No. 58*, p. 4.

38 RCA, *Submission No. 31*, pp. 15-16.

Alpine resorts are in small towns or villages with some being at the end of the road in certain locations. The major maintenance work is carried out over the summer months. If any major improvements are required, then extra skilled staff are needed to get the job finished prior to the onset of winter. There is little or no night life and few available recreational facilities during summer, requiring employees to have interests that can sustain them in a very quiet environment. They are generally a long way from relatives and friends and need to be adaptable to that circumstance.<sup>39</sup>

3.62 Other employers in regional areas also reported skills demands. For example, the Australian Airports Association submitted that airports are integral to ensuring rural and regional Australia is accessible to tourists. The skilled tradespeople required to maintain an airport and fill other council positions are also highly sought after by the resources industry. Therefore, the incentives offered by local councils are often not sufficient to retain staff. Measures are required which recognise the:

economic and social benefit of maintaining a certified airport ... to assist Councils in rural, regional and remote Australia to retain skilled staff.<sup>40</sup>

3.63 As well as the causes of skills demands outlined above, social, economic and technology changes have resulted in a range of additional more generic skills needs such as:

- an awareness of risk management and compliance and how to apply this to business planning;
- business management skills, some fifty per cent of owner operated businesses have no direct experience within the industry;
- language, literacy and numeracy skills;
- middle management including e-business skills;<sup>41</sup> and
- generic employability skills such as 'team work, problem-solving, initiative and enterprise, planning and organising, self-management, learning and technology.'<sup>42</sup>

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39 Australian Ski Areas Association (ASAA), *Submission No. 9*, p. 10.

40 Australian Airports Association (AAA), *Submission No. 8*, p. 3.

41 Service Skills Australia, *Submission No. 32*, p. 4; Tourism Industry Council Tasmania (TICT), *Submission No. 36*, p. 3; QTIC, *Submission No. 20*, p. 11.

- 3.64 There are a number of short-term measures to address skills demands, such as migration, as discussed below. However, skills demands also need to be addressed in the longer term by governments, industry and communities in partnership.
- 3.65 The Committee's recommendation in Chapter 2 regarding data collection on skills needs will go some way to identifying areas of skills needs and thus assist industry in developing strategies to address skills demands.

## **Migrant labour**

- 3.66 Employers are increasingly looking overseas for personnel to fill skills and labour shortages. The use of Temporary (Long Stay) Visa (sub class 457) (known as the '457 visa') and the Working Holiday Maker visas have been widely cited throughout the inquiry as a solution to workforce shortages, both seasonal and long-term.
- 3.67 Both of these visa categories provide a labour pool for the tourism industry, however they are not necessarily the most appropriate avenue for providing the short-term 'low skill' labour pool that the industry is critically seeking.

### **'457 visa'**

- 3.68 The Temporary (Long Stay) Business Visa (sub class 457) is the primary visa that enables employers to nominate skilled overseas workers for up to four years to fill vacancies. The visa is specifically for skilled positions and requires a minimum salary level of \$41 850 (\$57 300 for ICT professions).<sup>43</sup>
- 3.69 Sponsors must also demonstrate 'a commitment to training Australians', comply with workplace relations laws, arrange for mandatory licensing where required, cooperate with visa monitoring and directly employ the worker in the sponsored position.<sup>44</sup>

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42 Service Skills Australia, *Submission No. 32*, p. 4. Also TTF Australia, *Submission No. 37*, p. 5.

43 Department of Immigration and Multicultural Affairs (DIMA), *Submission No. 47*, p. 4.

44 DIMA, *Submission No. 47*, p. 5.

- 3.70 Employers located in regional areas may apply for Regional Employer Concessions, providing the ability to reduce minimum skill and salary level restrictions of the visa.<sup>45</sup>
- 3.71 Regional concessions apply to most areas in Australia, with the exception of Brisbane, the Gold Coast, Newcastle, Sydney, Wollongong, Melbourne and Perth. To receive these concessions the employee nomination must be vetted by a Regional Certifying Body (RCB).
- 3.72 RCBs include state and territory regional development departments, shire councils, regional industry development boards and chambers of commerce. In Victoria, for example, assessments are largely conducted by regional offices of the Department of Innovation, Industry and Regional Development, while in Queensland regionally based industry development bodies, such as the Cairns Chambers of Commerce hold this responsibility. In Western Australia, assessments are conducted by state operated regional development commissions. In the ACT and Tasmania the process is overseen by the Chief Ministers Department and the Department of Premier and Cabinet respectively. In the Northern Territory and South Australia the applications are dealt with by the departments of trade/business and economic development.<sup>46</sup>
- 3.73 RCBs are responsible for determining:
- the tasks of the nominated position correspond to the tasks of an occupation in the Australian Standard Classification of Occupations (ASCO) major groups 1 to 7;
  - the position is genuine, full-time and necessary to the operation of the business;
  - the position cannot reasonably be filled locally;
  - the wage or salary will meet, at least, the Minimum Salary Level that applies at the time that the nomination application is made;
  - working conditions will be at least equal to those provided for under relevant Australian laws and awards.<sup>47</sup>

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45 Department of Immigration and Citizenship (DIAC, formerly DIMA), Visas and Immigration Temporary Business (Long Stay) – Standard Business Sponsorship (Subclass 457), Regional Employer Concessions, accessed 29 January 2007, <[immi.gov.au/skilled](http://immi.gov.au/skilled)>.

46 DIAC, Regional Initiatives, Regional Certifying Bodies, accessed 22 May 2007, <[immi.gov.au/skills/regional-certifying-bodies](http://immi.gov.au/skills/regional-certifying-bodies)>.

47 DIAC, Temporary Business (Long Stay) – Standard Business Sponsorship (Subclass 457), Regional Employer Concessions, accessed 29 January 2007, <[immi.gov.au/skilled](http://immi.gov.au/skilled)>.

- 3.74 There were calls for regional concessions to be extended to all areas, but specifically to Perth as it is currently experiencing an exceptionally low unemployment rate.<sup>48</sup>
- 3.75 The Committee does not support the call for regional concessions to be extended to all areas as this will only increase the difficulty faced by regional employers in attracting people away from the large cities.
- 3.76 The 457 visa provides a springboard to qualify for permanent residency under the Employer Nomination Scheme (ENS).<sup>49</sup> The visa does not allow for the visa holder to change employers. In order to do so a new visa must be applied for.<sup>50</sup>
- 3.77 The 457 visa was discussed at length during the inquiry. Major issues raised were:
- The visa does not allow for ‘unskilled’ workers and the mandatory minimum salary levels are too high for some hospitality positions.<sup>51</sup>
  - there is a need for industry and region-specific minimum salary levels;<sup>52</sup>
  - release of visas a week before start dates does not provide flexibility for visa holders to enter Australia for a holiday prior to commencing work or to take advantage of discounted airfares;<sup>53</sup> and
  - lengthy processing times were widely reported.
- 3.78 Of serious concern to the Committee are the lengthy processing times. DIAC reported that service standards for processing times are between 30 days and six weeks for applicants from low-risk countries, and six weeks to three months for medium risk countries.<sup>54</sup>

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48 Industry Advisory Board, *Submission No. 30*, p. 7.

49 The ENS enables employers to nominate highly skilled professionals in occupations on the Employer Nomination Scheme Occupations List (ENSOL) for three years employment minimum. DIAC, *Fact Sheet No. 24: Overview of Skilled Migration to Australia*, p. 2.

50 DIMA, *Submission No. 47*, p. 4.

51 ATEC, *Submission No. 51*, p. 10.

52 Australian Hotels Association (AHA), *Submission No. 43*, p. 15; Hotel Motel and Accommodation Association (HMAA), *Submission No. 64*, 18; Ms V. Smith, Tourism NT, *Transcript of Evidence*, 7 March 2007, pp. 1-2.

53 ASAA, *Submission No. 9*, p. 12.

54 Mr P. Job, DIAC, *Transcript of Evidence*, 15 February 2007, p. 19. The originating country risk level is deemed on the historical performance of visitor visas.

- 3.79 This is contrary to evidence received by this inquiry. Submitters reported that in some cases processing times exceeded the length of the season for which the employee was required. This type of delay can obviously be deleterious to the effectiveness of a business.<sup>55</sup>
- 3.80 These delays are unacceptable, particularly in an industry with an extremely high staff turnover and a short peak season. With global competition for quality staff, impediments such as onerous processing times will only discourage skilled staff from seeking employment in Australia and further burden employers.
- 3.81 The Committee welcomes the Minister for Immigration and Citizenship's recent announcement of changes to the visa administration program that will allow fast-tracking of applications for employers with a proven track record of employing visa holders.<sup>56</sup>
- 3.82 The Committee also notes that the Joint Standing Committee on Migration is undertaking a detailed inquiry into the 457 visa and is considering issues such as eligibility, monitoring and enforcement, and areas for improvement.<sup>57</sup> Consequently, this Committee limits its recommendation to the issue of 457 visa processing times, which was cited as the primary issue for tourism operators given the high seasonal needs.
- 3.83 However, the Committee notes that the '457 visa' is of little use to fill many of the shortages faced by the tourism industry, as these shortages are for positions that are fall below the 'skilled' group defined for the eligibility for the visa. Other avenues for the tourism industry to appropriately fill shortages with overseas workers are considered in subsequent sections.

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55 Mr R. Sedon, Cable Beach Club Resort, *Transcript of Evidence*, 7 March 2007, p. 5; Tourism WA, *Submission No. 62*, p. 30; Ms S. Power, Daydream Island Resort and Spa, *Transcript of Evidence*, 24 November 2006, p. 33; Hamilton Island Resort, *Submission No. 15*, p. 3.

56 Hon. K. Andrews, Minister for Immigration and Citizenship, *Doorstop*, 26 April 2007, DIAC website, accessed 26 April 2007, <minister.immi.gov.au>.

57 Further details of the inquiry can be found on the Migration Committee's website: <aph.gov.au/house/committee/mig/index>, accessed 8 May 2007.

## Recommendation 6

The Committee recommends that the Australian Government place an obligation on the Department of Immigration and Citizenship to report to the Minister for Immigration and Citizenship when processing times for the Temporary (Long Stay) Business Visa (sub class 457) exceed the service standards of between 30 days and six weeks for applicants from low risk countries, and six weeks to three months for medium risk countries.

## Migration Occupations on Demand List

- 3.84 The Migration Occupations on Demand List (MODL) is compiled by DEWR bi-annually and defines national skills in demand. Occupations on the MODL are awarded additional points towards points-tests migration applications.
- 3.85 The MODL focuses on occupations that are:
- highly skilled, that is, occupations which generally require at least three years mandatory post-school education or training and for which there is a DIAC approved organisation to certify a person's qualifications meet Australian Standards.<sup>58</sup>
- 3.86 There was general consensus that the MODL, which defines skills demands, does not encompass positions that the industry considers as highly skilled (such as front of house positions) and is therefore unresponsive to industry need.<sup>59</sup>
- 3.87 This is due to the criteria used by DEWR to determine what constitutes skilled positions. It was submitted that these criteria do not address the particular skills and competencies required in the modern workplace, particularly in the tourism industry:
- We believe it is far too much based on traditional trade concepts. It does not recognise the level of real-world flexibility in how people work. One of the pluses our industry offers is that people can come in and, in their first week, do

58 DEWR, *Supplementary Submission No. 17.1*, p. 1.

59 Industry Advisory Board, *Submission No. 30*, p. 23; TIF Australia, *Submission No. 37*, p. 9; AHA, *Submission No. 43*, p. 15; CCI-WA, *Submission No. 45*, p. 9; HMAA, *Submission No. 64*, p. 18.



everything from front desk to cleaning to kitchen and everything in between.<sup>60</sup>

- 3.88 The Australian Standard Classification of Occupations (ASCO)<sup>61</sup> informs the MODL, so for more occupations to be considered on the MODL there needs to be greater recognition of the skills apparent in certain positions. Therefore, it is necessary for industry to define the skills and qualifications of its positions and develop an appropriate examining body for qualifications. This issue is further discussed in Chapter 5.
- 3.89 Because the MODL is dependent on occupations that require at least three years mandatory post-school training, it fails to recognise the skills demands of the tourism sector.
- 3.90 As discussed later in the report, there are many positions that require extensive in-house training and are considered by industry to be highly skilled. Therefore, there is scope for the MODL to be amended to recognise skills demands across the tourism workforce.

### **Recommendation 7**

**The Committee recommends that the Australian Government amend the Migration Occupations on Demand List to include tourism occupations in areas of skills demand where these occupations meet recognised national training standards but do not meet the formal three-year post-school qualification criteria.**

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60 Mr P. Olah, HMAA, *Transcript of Evidence*, 30 March 2007, p. 23

61 The major ASCO groups are: 1. Managers and Administrators; 2. Professionals; 3. Associate Professionals; 4. Tradespersons and Related Workers; 5. Advanced Clerical and Service Workers; 6. Intermediate Clerical, Sales and Service Workers; 7. Intermediate Production and Transport Workers; 8. Elementary Clerical, Sales and Service Workers; 9. Labourers and Related Workers. ABS, *Australian Standard Classification of Occupations*, Second Edn, July 1997, Cat. No. 1220.0.

## Working holiday makers

- 3.91 A valuable source of labour for any seasonal industry is those in Australia on working holidays. In 2005–06, 113 936 working holiday visas were granted, a 9.2 per cent increase over 2004–2005 figures. Working holiday makers spend \$1.3 billion annually and
- as a result of their propensity to travel widely and visit remote destinations, this spending provides considerable economic benefits to the tourism industry and regional areas.<sup>62</sup>
- 3.92 There are two working holiday visas for individuals aged 18 to 30 years. The two visa categories are:
- the Working Holiday Maker visa (subclass 417), for citizens of Belgium, Canada, the Republic of Cyprus, Denmark, Estonia, Finland, France, Germany, Hong Kong, the Republic of Ireland, Italy, Japan, the Republic of Korea, Malta, Netherlands, Norway, Sweden, Taiwan and the United Kingdom; and
  - the Work and Holiday visa (subclass 462) for those with a tertiary qualification from Chile, Iran and Thailand. Arrangements have also been negotiated with Bangladesh and Turkey and DIAC is in the process of negotiating a similar visa with the United States of America.<sup>63</sup>
- 3.93 Both working holiday visas are reciprocal arrangements that allow visa holders to work and travel in Australia for 12 months. Recent changes to the visa extended the maximum employment period with any one employer from three to six months.<sup>64</sup> This change was widely welcomed by the tourism industry.
- 3.94 Since November 2005, working holiday makers who work a minimum of three months seasonal harvest work in regional Australia may apply for another working holiday visa, allowing for a further stay of one year and the ability to work in any industry. Nearly 2 700 people were granted a second visa in 2005–2006.<sup>65</sup>

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62 DIMA, *Submission No. 47*, p. 7.

63 DIAC, Working Holiday Makers, accessed 1 April 2007, <[immi.gov.au/visitors/working-holiday/visa-options](http://immi.gov.au/visitors/working-holiday/visa-options)>.

64 DIMA, *Annual Report 2005 – 06*, p. 71.

65 DIMA, *Submission No. 47*, p. 7.

- 3.95 The intention of the WHM visa is to allow ‘young people from arrangement countries to have an extended holiday in Australia by supplementing their travel funds through incidental employment.’<sup>66</sup> While these visa holders provide an indispensable labour pool, the primary purpose of the visa is aimed at holiday makers. It is ‘deliberately and consciously designed for youth, as part of [Australia’s] international, cultural and social exchange and relationship development.’<sup>67</sup>
- 3.96 There was a call from many submissions and witnesses for the maximum employment periods for working holiday makers to be extended to twelve months or two years to ‘enable a visitor to work two seasons saving on training and recruitment costs.’<sup>68</sup> Submitters claimed that this will maximise employers’ training investment and the benefit gained by regional communities by these working holiday makers spending their money in the region.<sup>69</sup>
- 3.97 In contrast it was also submitted that as working holiday makers are only permitted to stay in the country for twelve months, it is unlikely that they will choose to stay with the same employer for six months. Therefore, an extension of the visa is necessary similar to that available to working holiday makers who undertake employment in the harvest industry.<sup>70</sup>
- 3.98 While it is tempting to simply call for an extension to the working holiday visas to solve some of the regional labour shortages, it is not a long-term nor sustainable option.

The working holiday maker program is a good source of workers during seasonal peaks. It is important to note that the primary purpose of visit for working holiday makers is for a holiday, not work and therefore they cannot be relied on as the panacea for regional Australia’s labour challenges. Moreover, working holiday makers’ reliability and service

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66 DIMA, *Submission No. 47*, p. 6.

67 Mr P. Job, DIAC, *Transcript of Evidence*, 15 February 2007, p. 13.

68 ASAA, *Submission No. 9*, p. 4.

69 ATEC, *Submission No. 51*, p. [9]; TTF Australia, *Submission No. 37*, p. 7; Tourism WA and WA Hospitality and Tourism ITC, *Submission No. 62*, p. 29; AHA-WA, *Submission No. 69*, p. 3.

70 Daydream Island Spa and Resort, *Submission No. 54*, p. 2. The harvest visa allows working holiday makers to apply for a second year extension to their working holiday visa after the completion of three months employment in the harvest industry.

delivery standards vary widely making it difficult for employers to view them as a viable sole option.<sup>71</sup>

- 3.99 This view was supported by those businesses seeking long-term quality employees:

Although the increase from three to six months from working holiday visas has allowed us to utilise this market to fill positions that require little (if any) guest interaction. We see this as a short term solution only and not one that will improve the current quality shortfalls in the region.<sup>72</sup>

- 3.100 It was also claimed that working holiday makers are not providing the same pool of labour as was the case several years ago:

When those people come to Australia they do not need to work as much as they probably did 10 years ago. There is not the pool within that working holiday maker group that there has been in the past. I think that has created some of the shortage. We rely on that working holiday visa group to fill some of those semiskilled areas ... That group does not necessarily want to work in those lower-paid jobs, and they do not have to work to fund their visit here in Australia ... That group is far more flush with funds and also the exchange rate is probably more in their favour now than it has been. I am not sure whether we have actually taken that change into account in terms of where the pool of workers is going to come from in the future.<sup>73</sup>

- 3.101 Clearly there is a need for the industry to move its focus from short-term employment options and engage in more long term planning. Indeed, it was claimed that the extension to the working holiday maker scheme (and increasing access to the 457 visa) is an example of 'rewarding an industry that has demonstrably failed to invest in the skills needed to meet anticipated demand.'<sup>74</sup>

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71 ATEC, *Submission No. 51*, p. 9.

72 Hayman, *Submission No. 56*, p. 2. Also Mr M. Williams, *Tourism Whitsundays, Transcript of Evidence*, 24 November 2006, p. 20.

73 Mr S. Whyte, Cairns Chamber of Commerce, *Transcript of Evidence*, 22 November 2006, p. 26.

74 Cairns Business College, *Submission No. 63*, p. 10. Also LHMU, *Submission No. 10*, p. 15; AWU(Q), *Submission No. 59*, p. 15.

- 3.102 Regardless, there are some amendments that can be made to the visa to provide more support for the tourism industry. There were calls throughout the inquiry for tourism/hospitality to be included as an industry that qualifies for a second year extension to the visa similar to the harvest work extensions introduced in November 2005.<sup>75</sup>
- 3.103 The Committee understands that this option is not supported by DEWR or DIAC due to concerns that it will negatively impact on the agriculture industry. The Committee does not share these concerns. The harvest work visa extension was not widely utilised in its first year of operation and, as such, the Committee is not of the opinion that extending it to the tourism industry will negatively impact on the harvest industry.
- 3.104 The Committee is of the opinion that the harvest and tourism industries will attract different types of employees, so similar visa conditions should not provide a drain on either sector. However, an extension to the working holiday maker visas should only apply to visa holders who undertake work in remote or regional Australia.

### **Recommendation 8**

**The Committee recommends that the Australian Government apply a second-year visa extension to the Working Holiday Maker visa (subclass 417) and the Work and Holiday visa (subclass 462) for individuals who undertake at least three months work in a regional or remote location in the tourism and hospitality industry.**

- 3.105 There were also calls throughout the inquiry for a 'jobs portal' to direct working holiday makers to jobs in the tourism industry.<sup>76</sup> The Committee considers this would be a valuable recruitment tool for the industry and may enhance the working holiday experiences of young people. However, any such portal is primarily the responsibility of the industry to undertake in collaboration with a commercial enterprise and the Committee does not consider it to be the responsibility of Government to undertake this work.

75 ATEC, *Submission No. 51*, p. 9; SATC, *Submission No. 34*, p. 6; Tourism WA and WA Tourism and Hospitality ITC, *Submission No. 62*, p. 33; AHA, *Submission No. 16*, p. 15.

76 TTF Australia, *Submission No. 37*, p. 9; Tourism WA and WA Tourism and Hospitality ITC, *Submission No. 62*, p. 29.

- 3.106 However, given the economic importance of tourism, particularly in regional Australia, there is a role for Government to facilitate the establishment of such a portal, either through assisting the negotiations between industry and a commercial provider or, if the second-year visa extension is supported, through hosting it on the Government job search site, [jobsearch.gov.au](http://jobsearch.gov.au).

### Other migrant labour options

- 3.107 The industry has widely called for a visa subclass that allows for the temporary entry of semi and unskilled workers. Submitters were clear that measures to ensure the integrity of the immigration system should not be compromised in the creation of this visa.<sup>77</sup>
- 3.108 Although there are legitimate concerns about the introduction of a visa to allow the entrance of low-skill workers, the Committee is of the opinion that this option must be investigated. The labour shortages facing rural and regional areas of Australia are severe and with record low unemployment levels, the current difficulties faced by employers are likely to be ongoing.
- 3.109 In addition, the Committee heard throughout the inquiry that Australians do not consider housekeeping and other low skill jobs to be a suitable career path and so it is increasingly difficult to attract people to these positions on a long-term basis. In addition, the generational profile of young Australians indicates that they are not interested in long-term low-pay positions therefore compounding industry retention challenges, (this is discussed in Chapter 4).<sup>78</sup>
- 3.110 To solve some of these labour shortages in the short term, employers have sought to use the 457 visa for positions such as housekeeping that are not regarded as skilled on the Migration Occupations on Demand List (MODL). This has led to claims that employers wanted to use the 457 visa to drive down wages and conditions.<sup>79</sup>

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77 ATEC, *Submission No. 51*, p. 10; Industry Advisory Board, *Submission No. 30*, p. 23.

78 Hayman, *Submission No. 56*, p. 4; QITC, *Submission No. 20*, p. 14; ATEC, *Submission No. 51*, p. 7; TTF Australia, *Submission No. 37*, p. 3; Hamilton Island Resort, *Submission No. 15*, p. 2.

79 AWU(Q), *Submission No. 59*, p. 3.

3.111 Although this may potentially be the case in some sectors (where wages are higher than those in the tourism industry), these claims were vigorously denied by Tourism employers. Regional employer Hayman summarised as follows:

Hayman uses the 457 visa program, and has for a number of years to bring in skilled and qualified people to fill positions we have been unable to fill locally. The wages and conditions of employment are identical to the conditions offered to our locally employed staff. For example there are a number of chefs we have sponsored from around the world. A Sous Chef on a 457 visa receives exactly the same remuneration and benefits as any other Sous Chef employed by Hayman.

The reason for using the 457 visa and asking for further support in relation to international recruitment is in response to the decline in qualified and experienced hospitality professionals seeking jobs in regional areas. It is well known that Australia is experiencing the lowest unemployment in 30 years, which means that Hayman, along with most other regional organisations is experiencing difficulties in filling vacancies. The continued deterioration of standards of quality and service and the potential for a downturn in visitor arrivals into the region will not only adversely impact the Resort sector, but a number of small / medium businesses providing daily support services from the mainland towns like Airlie Beach, Proserpine and Mackay. In the event there were sufficient locally qualified and interested candidates available they will always be given priority.<sup>80</sup>

3.112 Claims regarding the 457 visa being used to push down wages appear to be more related to attempts by some employers seeking to bring in workers for positions for which the 457 visa was not designed. Indeed, employers are willing to pay award wages, and in many cases have found that the minimum 457 visa wage is above industry and regional standard or award.<sup>81</sup>

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80 Hayman, *Supplementary Submission No. 56.1*, p. 3.

81 Voyages Hotels and Resorts, *Submission No. 33*, p. 5.

- 3.113 The Committee is concerned that with the range of regional concessions available for the 457 visa it is in some instances being utilised as a 'low-skill' visa as many vital occupations integral to hospitality and tourism operations are not covered by a visa category. The Committee is of the view that the 457 visa must be appropriately regulated to ensure it is applied only for the skilled positions for which it was intended.
- 3.114 It is also apparent that there is a need for some form of temporary short-stay visa to help alleviate seasonal shortages in rural and regional tourism businesses. This visa option should be temporary and short-term and only open to the ASCO codes (8-9)<sup>82</sup> not covered by the 457 skilled visa.
- 3.115 Such a visa may take the form of a Labour Agreement (LA). An LA is a formal arrangement negotiated between DIAC, DEWR and an employer or an industry association.
- LA's enable Australian employers to recruit a specified number of workers from overseas in response to identified or emerging labour market or skill shortages. Employees may come to Australia on either a temporary or a permanent basis.<sup>83</sup>
- 3.116 Given that the tourism industry comprises a number of small businesses with no common industry representative, this negotiation may need to be initiated by DEWR.
- 3.117 While it can be argued that such a visa will only provide a short-term solution that will further exacerbate the future skills demands and further devalue low-skill jobs, rural and regional Australia is facing such a severe labour shortage that it must be investigated.
- 3.118 TTF Australia noted that the World Bank has found that instigating a 'guest worker' visa would contribute \$400 million to Australia's gross domestic product (GDP). It would also add to regional stability and economic development.<sup>84</sup> The Committee also notes the submission from the Campervan and Motorhome Club of Australia (CMCA) outlining the growth in the mobile ageing population who would also

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82 ASCO codes 8-9 are: 8. Elementary Clerical, Sales and Service Workers; 9. Labourers and Related Workers. This would cover positions such as housekeepers. ABS, *Australian Standard Classification of Occupations*, Second Edn, July 1997. Cat. No. 1220.0.

83 DIMA, *Submission No. 47*, p. 5.

84 Dr M. Dimech, TTF Australia, *Transcript of Evidence*, 7 December 2006, p. 4.



benefit from this visa category as well as contribute to regional economies (see Chapter 4).<sup>85</sup>

- 3.119 The use of migrant labour for low skill positions is an emotive issue, and caution must be exercised to ensure all workers (migrant and domestic) are protected by appropriate conditions and safeguards. The use of migrant labour must always be tightly regulated and applied only where there is a demonstrable inability to attract domestic workers.
- 3.120 There is the need for a considered debate on the issue of migrant labour for low-skilled positions to alleviate the pressures of labour shortages in regional Australia. This debate needs to take place on a national level, engaging employers, industry representatives, education providers and governments at all levels.

### Fast track visa processing

- 3.121 As discussed above, the length of visa processing is of critical concern to employers. While the Committee welcomes recent changes to the visa administration program that will allow fast-tracking of applications for employers with a proven track record of employing visa holders, there is a need more innovation in the area of immigration and visa processing.
- 3.122 One method may be to target nations that train to certain recognised qualification levels (such as in specialised front of house positions) so employers have the ability to specifically target these countries for employees and fast track the nomination process. Australia does not specialise in training for front of house skills although it is a competency that is highly regarded in other countries.
- 3.123 There are examples of fast track visa processing systems in other countries that are successfully supporting the tourism sector. The Committee is aware of a fast track visa service operating in New Zealand. The service accepts applications from any overseas national legally in New Zealand, with a job offer, and turns around work permits and visas in forty-eight hours. The service works in conjunction with local agencies to ensure that local job seekers are not overlooked and has proven to be highly popular with industry.<sup>86</sup>

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85 CMCA, *Submission No. 44*, pp. 4-5

86 Tourism Industry Association NZ, *Tourism and hospitality workforce strategy*, June 2006, p. 14.

- 3.124 While safeguards must be in place, there is clearly scope for short-term fast-track visa processing in areas of need. One criticism of the 457 visa processing process is the uncertainty created for applicants regarding visa release dates and the pressure this places on travel for seasonal positions.<sup>87</sup>
- 3.125 It is entirely feasible that certain professionals, such as ski instructors, will only want to work in Australia on a seasonal basis. The Committee heard evidence that the ski industry has informal partnerships with resorts in North America to exchange staff on a seasonal basis, which is an excellent mechanism to provide staff with full time work and training and fill labour shortages. However, unlike Canada, which has a 'temporary foreign worker' visa, the only mechanism to bring these workers into Australia for a season is through the '457' visa.<sup>88</sup>
- 3.126 The creation of a visa category recognising the need for temporary employees, with a fast-track approval process, will greatly assist the industry.

### **Recommendation 9**

**The Committee recommends that the Australian Government establish a taskforce to investigate the full range of options for better tailoring the immigration program to address labour shortages in regional and rural tourism businesses.**

### **Recommendation 10**

**The Committee recommends that the Australian Government identify countries where there is training to a high level in areas such as front of house skills and provide an option for Australian recognition of these qualifications in order to enable an avenue for entry into a fast-track visa scheme.**

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87 ASAA, *Submission No. 9*, p. 12.

88 Mr A. Ramsey, ASAA, *Transcript of Evidence*, 9 February 2007, p. 29; Citizen and Immigration Canada, accessed 21 May 2007, < cic.gc.ca >.

## Transitions from student to working visa

- 3.127 It was submitted that international students studying towards qualifications relevant to the tourism industry are a forgotten pool of potential employees. Many universities have been successful at attracting international students but report that students:
- [face] significant hurdles when seeking to gain internship placements and relevant work experience for these students. Recurrent feedback from industry is that they do not want to invest several months of training into international students when there is little chance that they will be permitted to stay with them longer term.<sup>89</sup>
- 3.128 Southern Cross University commended several training programs run by the hotel industry aimed at tertiary graduates as ‘an appropriate means of attracting, training and retaining staff.’ However, the industry cannot access this important pool of potential employees because of visa restrictions.<sup>90</sup>
- 3.129 The Australian Hotels Association (AHA) reported that current labour agreement arrangements allow graduates from hotel schools to remain in the country for two years after graduation. However, under this arrangement, employment can only be guaranteed on hotel school course completion only which the AHA reports is proving to be a disincentive to enrolment.<sup>91</sup>
- 3.130 The AHA reports that 90 per cent of graduates from hotel schools leave Australia on graduation. If these students were able to stay, the AHA estimates that it will add 1 500 to 2 000 people to the workforce, a large number of whom speak Mandarin which will be an essential skill to meet in the anticipated growth in the Chinese market.<sup>92</sup> More partnerships with training providers in this market will also be essential to meet these needs.
- 3.131 A number of submitters called for international tourism students to be able to convert their student visas to a working visa for up to two

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89 School of Tourism and Hospitality Management, Southern Cross University (SCU), *Submission No. 21*, p. 5.

90 School of Tourism and Hospitality Management, SCU, *Submission No. 21*, p. 5.

91 Mr B. Healey, AHA, *Transcript of Evidence*, 2 November 2006, p. 3.

92 Mr B. Healey, AHA, *Transcript of Evidence*, 2 November 2006, pp. 2-3.

years, after which there should be the option of moving into the permanent migration scheme.<sup>93</sup>

3.132 The AHA suggested that this visa extension should be contingent on:

- successful completion of a tertiary course in an area of demonstrated labour shortage; and
- an appropriate level of work placement as part of course completion as determined by industry.<sup>94</sup>

3.133 The Committee supports these proposals and recommends visa extensions for tertiary or equivalent graduates in tourism-related qualifications. These changes must be widely communicated to employers to encourage the greater use of work placements for international students.

### **Recommendation 11**

**The Committee recommends that the Australian Government introduce visa extensions of up to two years for overseas tourism and hospitality students who:**

- **successfully complete a tertiary course in an area of skills demand; and**
- **undertake an appropriate level of work placement as a part of course completion.**

**The Committee further recommends that after the completion of two years continuous employment in the tourism industry, there should be the option of moving into the permanent migration scheme.**

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93 Industry Advisory Board, *Submission No. 30*, p. 4; TTF Australia, *Submission No. 37*, p. 7; AHA, *Submission No. 43*, p. 17.

94 AHA, *Submission No. 43*, p. 17.

## Recruitment and retention

- 4.1 Integral to employers' ability to increase the skills and labour available to them are recruitment and retention practices. These are essential tools for building a sustainable workforce, although many in the tourism industry face challenges in implementing them strategically.
- 4.2 Unfortunately the turnover that results from having no, or inadequate, human resources policies and practices is costly for individual employers and the industry image.
- 4.3 A concerted effort is needed to build the industry image and employment conditions to attract workers and it is essential that career paths are offered in order to retain these workers in the industry. In addition, as discussed in the following chapter, many people have extensive on the job experience, but do not have a national qualification. Recognition of this experience is an essential retention tool.

### **Recruitment difficulties**

- 4.4 As discussed previously in the report, the industry faces high labour and skills shortages meaning that recruitment is difficult due to the shortage of people to fill positions. However, even in areas with an adequate supply of labour, businesses still report difficulty attracting suitable employees.

- 4.5 The Department of Employment and Workplace Relations (DEWR) reports that recruitment difficulties:
- may be due to the characteristics of the industry, occupation or employer such as: relatively low remuneration, poor working conditions, poor image of the industry, unsatisfactory working hours, location hard to commute to, ineffective recruitment advertising or processes or organisation-specific and highly specialised skill needs.<sup>1</sup>
- 4.6 These were the industry characteristics reported to the Committee as the main reasons for recruitment difficulties. It was also reported that regional recruitment difficulties include:
- low award rates combined with the inability of employers to pay above award rates due to low profit margins;
  - low population base which means that workers are transient (such as backpackers). Current visa restrictions result in high staff turnover and employers do not get a return on training expenditure;
  - rising housing costs; and
  - fringe benefit tax (FBT) laws which do not allow the flexibility to provide additional incentives to aid reductions in the cost of living.<sup>2</sup>
- 4.7 Despite the reported inability of employers to pay above award rates many have put together packages with benefits in order to attract staff.
- Due to the lack of suitable available staff, it is becoming increasingly common to entice prospective employees by providing more attractive packages. This can be done by paying in excess of award rate, or by offering added benefits. Added benefits would include development training, incentives on performance, incentives for loyalty, provision of uniform, scope for advancement or discounts to staff for services provided to the company.<sup>3</sup>
- 4.8 Although the inquiry heard evidence of high levels of recruitment difficulties in the tourism industry, DEWR reported results from the

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1 DEWR, *Submission No. 17*, p. 20. Also QTIC, *Submission No. 20*, p. 12.

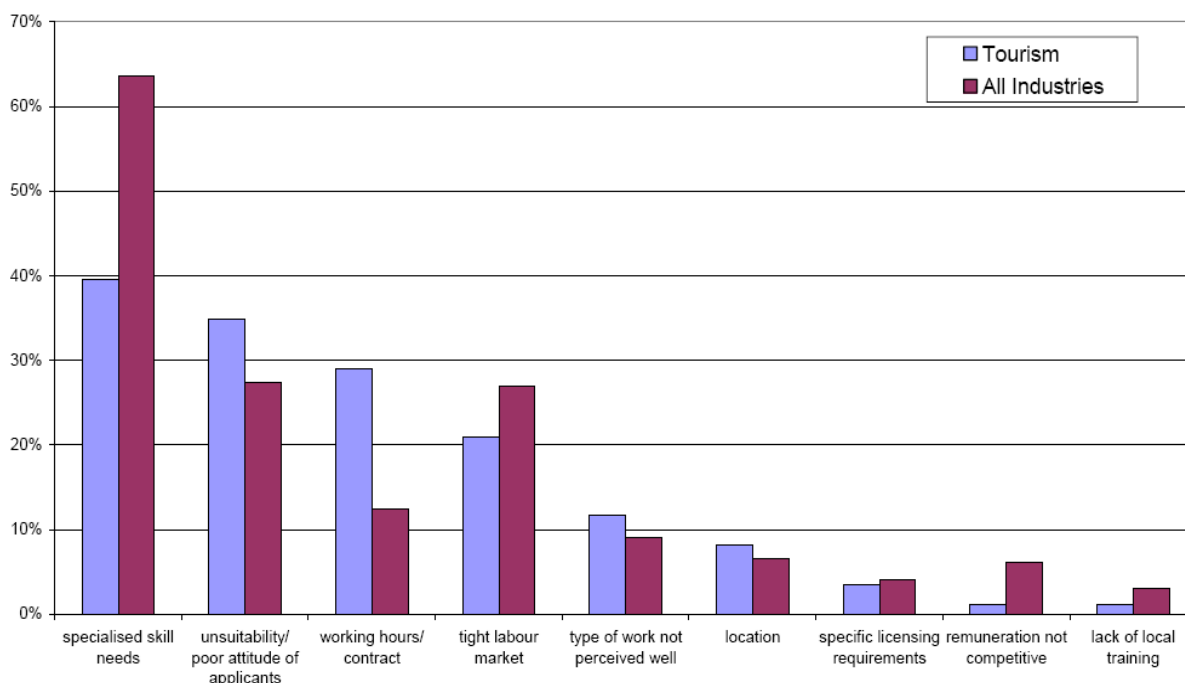
2 Seashells Hospitality Group (SHG), *Submission No. 6*, pp. 2–3.

3 SHG, *Submission No. 6*, p. 3.

Regional Skills in Demand Surveys that indicated below average level of recruitment difficulty among tourism industry employers.<sup>4</sup>

- 4.9 While DEWR cautioned that these results are limited, they indicate that the main reasons for recruitment difficulty are specialist skills needs and unsuitability or poor attitude of applicants (see Figure 4.1). These results support evidence received by the Committee.

Figure 4.1 Main reasons for employers reporting recruitment difficulties



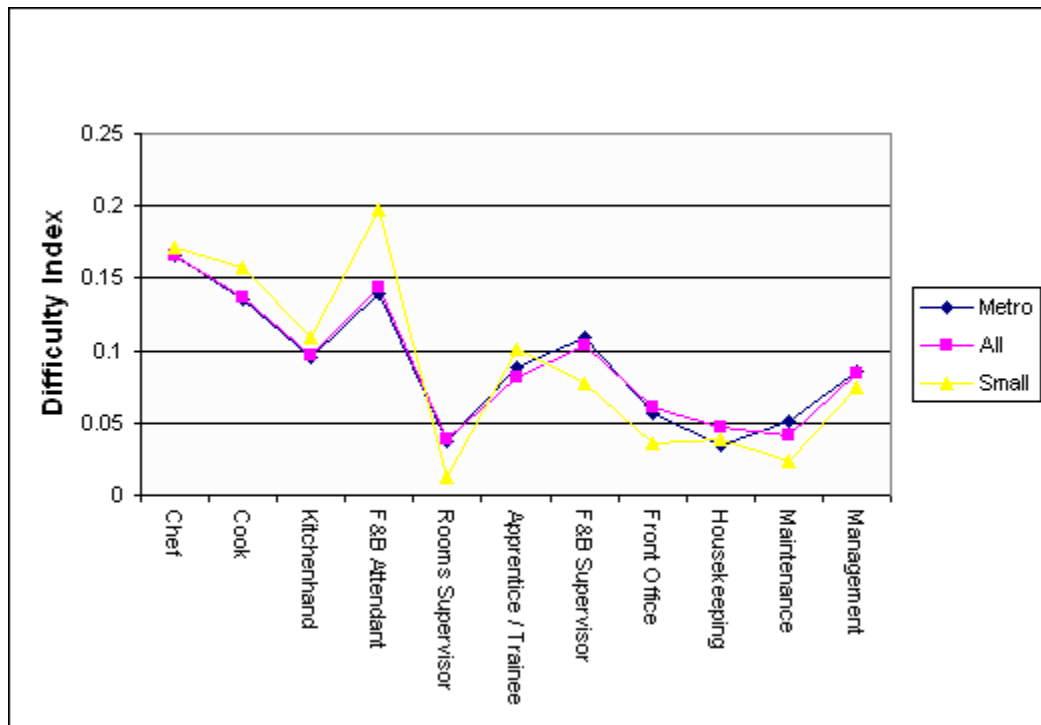
Base: Employers who recruited in the past 12 months and had difficulty recruiting staff n=87 (tourism) / n=888 (all industries).

Source Department of Employment and Workplace Relations, Submission 17, p. 22.

- 4.10 In particular, the unsuitability of candidates indicates a need for a comprehensive approach to recruitment addressing basic numeracy and literacy skills at school level (further discussed in Chapter 5) and community attitudes towards the industry as a viable career option.
- 4.11 While most occupations were difficult to fill across all businesses, small businesses faced more difficulty recruiting over all, as Figure 4.2 demonstrates.

4 DEWR, Submission No. 17, p. 21.

Figure 4.2 Recruitment difficulty by business type and occupation



Source Restaurant and Caterers Australia, *National Skills Shortages Report 2006*.

## Appropriate recruitment

4.12 The difficulties of recruitment also lead to inappropriate recruitment practices. Employers also need to learn how to recruit the right type of people while at the same time being realistic about the opportunities the industry offers. It was submitted:

Employers need training to be able to recognize potential talent instead of relying on résumés, bad habits and gut feelings...Job seekers need to be given a more realistic career development program for the regional area they live in to understand the long term benefit of securing employment instead of comparing their next job wage to that of their employment entitlements.<sup>5</sup>

5 Hostec, *Submission No. 7*, p. 2.



- 4.13 Previous work on skills shortages undertaken by Restaurant and Catering Australia (RCA) has led to the development of a Tourism and Hospitality Employability Skills Recruitment and Staff Screening Tool to address the high attrition rates of students and others who enter the industry and assist in the promotion of skills development for new and existing staff. It is suggested that the tool be trialled across the industry and a range of employment, education and training providers will be consulted. It will also be trailed in a range of small, medium and large businesses.<sup>6</sup>
- 4.14 RCA submitted:
- We contend that it is the attitude and aptitude of individuals that best determine their suitability for our industry rather than their skills, although skills are of course important. But they need to have an attitude that is suitable to the types of businesses they would be going into.<sup>7</sup>
- 4.15 The Committee commends the work being undertaken by RCA to develop this staff screening tool and believes that it is a tool that should be available across the entire industry. It could also assist Job Network providers to assist in identifying the most appropriate candidates for vacancies.
- 4.16 The cost of inappropriate recruitment is a cost not just borne by small operators that struggle with the capacity to develop human resources plans. The continual turnover of staff in these businesses affects industry image and also reduces the pool of employees who potentially 'get a start' in small businesses and go on to have a career in the industry.
- 4.17 The Committee puts it to industry peak bodies and state and territory tourism industry councils that it may be appropriate to provide information on staff screening tools to assist employers to recruit appropriately.
- 4.18 In addition, employers need to credit experience in a national skills recognition system to allow employees to earn credentials wherever they may work.

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6 RCA, *Submission No. 31*, p. 19.

7 Mr J. Hart, RCA, *Transcript of Evidence*, 19 October 2006, p. 2.

## Recruitment practices

- 4.19 A variety of recruitment methods were reported to the Committee. As Figure 4.3 shows, the majority of recruitment takes place through local media and walk-ins or word-of-mouth referrals. This type of recruitment does not necessarily lead to the most appropriate candidate, nor to employees with a commitment to working in the industry.
- 4.20 Tourism Whitsundays reported efforts to recruit employees from opposing season locations, such as snowfields, and advertising through universities for holiday workers. It has been found that this approach can present the region as 'a great place to party and play, not necessarily build a career, therefore service quality suffers.'<sup>8</sup>
- 4.21 It is important particularly for regional areas to focus on building connections with local schools and work experience for secondary students to encourage them not only to enter the industry but to stay in the region. Regional employers have an important role to play in building regional sustainability.
- 4.22 RCA reported the following recruitment methods (in order of preference):
- advertising in local print media;
  - walk-ins or referrals or other staff;
  - Australian Apprenticeship Centres;
  - private personnel agency;
  - internet based recruitment service; and
  - job network.<sup>9</sup>
- 4.23 Employers reported varying levels of satisfaction with the recruitment methods indicated above, with satisfaction with the Job Network being by far the lowest. It was reported that 'in the absolute majority of cases [there has been] great difficulty in attracting suitable candidates through the Job Network.'<sup>10</sup>
- 4.24 There were calls from industry for a national tourism employment portal, both to service working holiday makers and the tourism industry generally, recognising the internet as a growth market for recruitment.<sup>11</sup> The Committee earlier made a recommendation

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8 Tourism Whitsundays, *Submission No. 27*, p. 3.

9 RCA, *Workforce Survey*, January 2007.

10 RCA, *Submission No. 31*, p. 19.

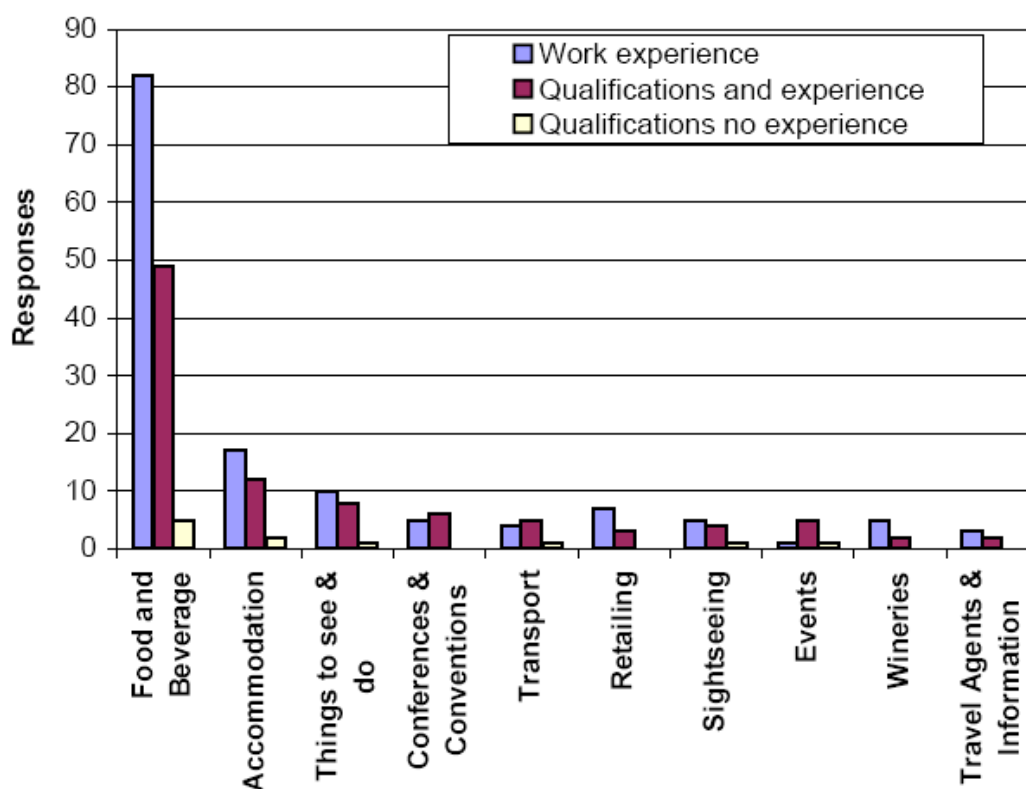
11 Tourism NT, *Submission No. 39*, p. 6, Tourism Tropical North Queensland (TTNQ), *Submission No. 41*, p. 3.

regarding a working holiday maker job portal. The Committee agrees that a tourism industry job portal would be advantageous and allow the industry to focus their recruitment efforts most appropriately.

4.25 The Government offers job seeking services through the Job Network and online job database jobsearch.gov.au. However, there is room for a commercial enterprise to establish a tourism-specific employment portal. The Committee does not see this as being a role for Government. The Committee strongly urges industry peak bodies to investigate options for the establishment of a tourism specific job portal.

4.26 Employers may also need to widen their pool of potential employees. Figure 4.4 points to the heavy reliance that the industry places on experience over qualifications in certain industry segments.

Figure 4.4 Employer recruitment preferences by industry segment



Source *Tourism and Hospitality Skills ACT and Region, Tourism and Hospitality Training Needs Analysis, ACT and Region 2004, p. 12.*

4.27 With current labour shortages, a preference for experienced personnel may not be feasible and employers will need to focus on improving their ability to train individuals once employed. One way to do this is

to identify career paths and make greater investment in employee training.

## Collective recruitment initiatives

4.28 It is necessary for the industry to work collectively to address certain issues such as:

- industry image;
- provision of human resources training to owner operators; and
- the particular challenges faced in remote regions (such as staff accommodation and transportation).

4.29 It was submitted to the Committee that:

The point is that we are not out there attracting labour collectively; we are attracting labour individually. That is something that has to change ... We have not, in that time [10 years], sat around and had detailed discussions on how we can collectively address this problem.<sup>12</sup>

4.30 The industry needs to take up the challenge of working together collaboratively on these industry-wide issues. However, the Committee was told that 'there is sort of a sharing and more commonality of purpose and integration across a lot of the businesses in tourism than it is often given credit for.'<sup>13</sup>

## Industry image and the provision of career pathways

4.31 Tourism is often seen as a young person's industry with low pay, long irregular hours, poor conditions and no career prospects. This image does little to help in efforts to recruit and retain employees. The Committee was told that there is some truth to this perception:

I think the problem is real, and it is both perception and reality. We have to create better career structures for our industry. I am convinced that we have not done as good a job as an industry as we should or could have. That is maybe an issue of maturity in our industry. In the past we used to be even more fragmented than we are now. Thankfully, now we have, in some cases, larger employers, better skilled employers and employers who have themselves gone through some form of training, but that was maybe less so 10

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12 Mr K. Dobbs, Port Douglas Daintree Tourism Ltd, *Transcript of Evidence*, 22 November 2006, p. 44.

13 Mr N. Hunt, Tourism Alliance Victoria, *Transcript of Evidence*, 9 February 2007, p. 9.

or 15 years ago. Now we have a slightly better set-up. I think we have to take advantage of that and give employees the confidence that they can not only move within an enterprise but also move from enterprise to enterprise. That is probably the crucial missing link in terms of providing a real career to our employees.<sup>14</sup>

4.32 The lack of attention paid to developing career paths and recognition of credentials is widely cited as a reason for poor retention rates and negative industry image. A consequence of the low priority placed on career development is that new managers feel unable to make a commitment to the industry and employers are not supportive of staff improving qualifications through higher education or formal skills recognition for skills acquired on the job.<sup>15</sup>

4.33 The Committee was told that the issue of industry image and career pathways needs to be addressed at many levels, such as:

- promoting the industry to job seekers as a profession, not just a short-term job opportunity;
- building a skilled local workforce and remote and regional areas;
- maturation of the industry and a recognition that employers need to manage their workforce in a strategic manner;
- ensuring that new operators are equal participants in industry initiatives so they do not negatively affect the industry image through bad employment practices;
- the establishment of a certifying professional body to coordinate continuous professional development, elevate the status of managers and the profession generally (this is further discussed in Chapter 5);
- promoting tourism as 'everybody's business' so that local communities are encouraged to support the local industry;
- improving wages and providing more flexible conditions;
- providing qualifications and portability of those qualifications;
- improving access to information on tourism and hospitality industry jobs through enhancement of tourism information on the Services Skills Australia online career portal;
- promoting the tourism careers available to secondary students, parents and teachers; and

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14 Mr D. Gschwind, QTIC, *Transcript of Evidence*, 23 November 2006, p. 30.

15 School of Leisure, Sport and Tourism, UTS, *Submission No. 4*, p. 1.

- encouraging a culture of tipping to improve wages without adding a cost burden to employers; and<sup>16</sup>
  - providing professional development opportunities for the 'higher calibre employees looking to map out a career in the industry.'<sup>17</sup>
- 4.34 While the industry seemed widely aware that its image was a large part of the problem in attracting long-term employees, the Committee was not told of many widespread strategies being used to improve the image of the industry.
- 4.35 There is the need for an audit of strategies used to improve the image of the tourism industry as an employer and determine best practice models from both the tourism and other industries. Once determined, there is a need for the industry to be supported by governments at all levels to implement these strategies.<sup>18</sup>
- 4.36 There is also a need for a national public campaign promoting the industry as a place for a diversity of long-term career opportunities, focussing not only on young people entering the workforce, but also aimed at individuals returning to the workforce after a period of absence.

## **Recommendation 12**

**The Committee recommends that the Australian Government establish an industry leaders' forum to take responsibility for the development of a campaign to promote the career choices available and benefits of working in the tourism industry, ensuring that there are pathways available that allow tourism workers to gather credentials across a range of employers.**

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16 Industry Advisory Board, *Submission No. 30*, p. 4; YATA, *Submission No. 46*; IBA, *Submission No. 38*, p. 8; Tourism WA and WA Tourism and Hospitality ITC, *Submission No. 62*, p. 25; Industry Advisory Board, *Submission No. 30*, p. 6; CCI-WA, *Submission No. 45*, p. 8; QTIC, *Submission No. 20*, p. 17.

17 City of Mandurah, *Submission No. 29*, p. 3.

18 STCRC, *Submission No. 16*, p. 6.

## Expanding the traditional workforce

- 4.37 The industry has the image of being a ‘young persons industry.’<sup>19</sup> This is in part due to its reliance on casual, seasonal employment, and many anecdotal comments made to the Committee suggested that the industry likes to look “young and attractive”.
- 4.38 Given the labour and skills shortages, the industry must invest more in recruitment strategies and seek to expand the workforce it aims to recruit from. It was widely submitted that the industry should target recruitment towards:
- people who speak languages other than English, particularly for customer service and tour guide positions;
  - people with disabilities, parents and welfare recipients returning to the workforce;
  - older workers, including those returning to the industry after a period of absence; and
  - Indigenous peoples.

## Flexibility to suit specific need employees

- 4.39 The Committee did not closely look at the scope that the industry has to support individuals returning to the workplace from welfare support. It was submitted that the ‘Welfare to Work’ measures could prove beneficial to the industry. However there is a need for more support for regionally specific upskilling measures, targeted to tourism industry jobs.<sup>20</sup>
- 4.40 The Committee has some concerns that the industry has not shown itself to be adequately flexible to support people with disabilities and people with caring responsibilities returning to the workforce. It was submitted that there is a need to
- develop incentives to cover upskilling programs for staff wishing to return to the industry after a period of absence. [The Government should] continue to review and support incentives for part-time workers to reenter the tourism workforce such as improved access to quality and affordable

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19 STCRC, *Submission No. 16*, p. 5; Prof. M Deerie, STCRC, *Transcript of Evidence*, 9 February 2007, p. 56.

20 TTF Australia, *Submission No. 37*, p. 7; ATEC, *Submission No. 51*, p. 7; HMAA, *Submission No. 64*, p. 15; Hostec, *Submission No. 7*, p. 2.

childcare, childcare tax rebates and increased assistance for full time carers.<sup>21</sup>

- 4.41 It is not the role of this Committee to prescribe changes to industry structures to ensure this flexibility. However, the Committee is of the opinion that the industry will need to look at issues such as job design and other adjustments in employment arrangements in order to facilitate increased participation in the workforce.
- 4.42 The Committee commends the efforts of the AHA which is leading two projects exploring methods to reduce workforce barriers for welfare recipients.<sup>22</sup>

### Engaging older workers

- 4.43 The ageing of the population is well documented. The proportion of the population over the age of 65 is projected to steadily increase. Currently 13.4 per cent of the population is aged 65 and over, by 2047 this is expected to reach 25 per cent.<sup>23</sup>
- 4.44 This means that there is currently a largely untapped workforce pool of persons aged 65 and over. Initiatives introduced now to attract older workers and accommodate their needs will prove even more valuable as this workforce pool grows.
- 4.45 The tourism industry is well suited to encourage participation of semi-retired workers who are seeking short-term jobs on a seasonal basis or jobs that offer reduced hours of work.

More than two-thirds of retired [men] aged 50 to 64 would like to work. Encouraging a higher level of mature age participation in the labour force for fiscal sustainability is one key consideration for tourism employers – shifting the focus from tourism as a *youth* industry to tourism as a *people* industry.<sup>24</sup>

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21 QTIC, *Submission No. 20*, p. 17.

22 AHA, *Submission No. 43*, p. 14.

23 The Treasury, *Intergenerational Report 2007*, April 2007, accessed 17 April 2007, <treasury.gov.au>

24 ATEC, *Submission No. 51*, p. 7



- 4.46 The ageing population may pose economic challenges for the nation, however it is a potential boom for regional tourism employers. It was put to the Committee that the older workforce, in particular those travelling around the country as 'grey nomads', are an untapped opportunity for tourism operators because:
- being mostly retired and in essence on 'holiday' while travelling, they are specifically interested in opportunities for casual, seasonal and/or part time employment opportunities (rather than full time) and these are the kind of employment opportunities most readily available in the tourism industry;
  - they have a demonstrated interest in spending time in rural and remote areas of the country which are the areas in which the industry suffers most from a skills and labour shortage;
  - they are open to employment opportunities offering lifestyle benefits more than high pay and career opportunities;
  - they are interested in contributing to community development and open to engaging in voluntary work, which opens up opportunities for the industry to utilise them:
    - ⇒ in mentoring or training roles to help develop the local workforce; and/or
    - ⇒ to fill in supervisory roles to allow tourism operators to further develop their skills through participating in training programs they would otherwise be unable to attend because of work commitments and costs.<sup>25</sup>
- 4.47 In addition, as 'grey nomads' generally travel with caravans or motorhomes, they do not add to accommodation pressures in remote and regional areas.<sup>26</sup>
- 4.48 The Campervan and Motorhome Club of Australia (CMCA) reported that over 60 per cent of their membership were interested in undertaking some form of paid work while travelling and 80 per cent of these had no preference for the type of work undertaken. However, there are a number of barriers to re-entering the workforce, namely, pension losses, taxation, insurance and the effect on superannuation.<sup>27</sup>
- 4.49 The CMCA submitted that there needs to be greater understanding of both the opportunities for and barriers to engaging 'grey nomads' in

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25 CMCA, *Submission No. 44*, p. 4-5.

26 Tourism WA and WA Hospitality and Tourism ITC, *Submission No. 62*, p. 34.

27 Mr T. Charters, CMCA, *Transcript of Evidence*, 30 March 2007, pp. 64-65.

the workforce. The CMCA also submitted that this form of travel is particularly strong in Europe, the United States and Canada and that Australia should consider a visa to allow short-term seasonal work, similar to the backpacker market. The low-skill visa option, as recommended in the previous chapter should also take into account older workers.

- 4.50 The CMCA has surveyed members and undertaken some work analysing the barriers they face to employment, however has been unable to secure funding to complete this on a national level.<sup>28</sup>
- 4.51 The Committee acknowledges there are initiatives in place to provide incentives for older people to remain in the workforce, but there must be closer consideration of the relationship between taxation, pension entitlements and superannuation arrangements. Consideration must also be given to the barriers that may exist for older people to take on short-term or seasonal work, particularly in regional tourism areas.

### Recommendation 13

**The Committee recommends that the Australian Government conduct research into barriers to the workforce participation of older workers, particularly in seasonal short-term work and implement the necessary changes to ensure the greater capacity of workforce participation by retired and semi-retired workers.**

### Engaging Indigenous workers

- 4.52 Indigenous tourism is a major drawcard in many areas of Australia. However, it was submitted that while tourists seek an 'authentic' experience, there are few Indigenous employees in the industry. While there are a number of successful Indigenous community based enterprises, specifically art centres and cultural attractions, there is scope for these to be more integrated with mainstream attractions to increase visitation and visibility of Indigenous peoples and culture.<sup>29</sup>
- 4.53 The Indigenous unemployment rate currently stands at around 15 per cent. Indigenous Business Australia (IBA) submitted that 'the Indigenous Australian populations in regional and remote areas

28 Mr T. Charters, CMCA, *Transcript of Evidence*, 30 March 2007, pp. 64–65.

29 Tourism NT, *Submission No. 39*, p. 2.

constitute an untapped resource that can be utilised to address the human resource problems in the tourism sector.’<sup>30</sup>

- 4.54 There are acknowledged cultural barriers to the employment of Indigenous persons by tourism businesses. Employers need to be informed about the benefits of employing Indigenous peoples and educated about how they can be aware of and sensitive to the cultural obligations of Indigenous employees.
- 4.55 Cultural obligations, such as the need to participate in community events and rituals, have the potential to impact on work commitments. While these obligations can be seen by employers as an insurmountable problem, this is not the case. IBA submitted that tourism enterprises ‘need to be encouraged to develop strong connections with local communities and Indigenous support structures, such as families and elders.’ By gaining Indigenous community support for business survival, communities can assist in providing solutions to help mitigate the impact on businesses by gaining community support for their survival.<sup>31</sup>
- 4.56 Both Mr Willie Brim of Djabugay Country Tours, located in Kuranda, north Queensland, and the owners of Tjapukai Aboriginal Cultural Park in Cairns identified that having employees actively involved in the outcomes of the business helped to ensure its ongoing viability.

One of the things we did is we took some of the elders down to Cairns and brought them to Tjapukai and said, ‘Stand here at the door. There are 450 people coming in the door and you are one of those people who have come all the way from up on the Cape to visit Tjapukai and see what they do. What would you say if we said, ‘Sorry, we are closed.’ They said, ‘No, that wouldn’t be good’, and we said that was exactly what we are dealing with so it is a process. I think a lot of it, as I said earlier, is a nurturing process but you have got to have a balance of commercial reality and, as I said, not compromising the business.’<sup>32</sup>

- 4.57 The Committee commends both Djabugay Country Tours and Tjapukai Aboriginal Cultural Park for their initiatives at developing employment models more suited to Indigenous people. The Committee considers that many tourism businesses could learn from these experiences and urges more employers to step beyond

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30 IBA, *Submission No. 38*, p. 8.

31 IBA, *Submission No. 38*, p. 10.

32 Ms J. Freeman, Tjapukai Aboriginal Cultural Park, *Transcript of Evidence*, 23 November 2006, p. 43.

traditional business models to recognise the value of accommodating the needs of Indigenous employees.

- 4.58 Not only it is important for the tourism industry to focus on employing Indigenous peoples, but equally tourism has the potential to act as a pathway for Indigenous economic independence. It is considered that the potential for Indigenous-owned tourism enterprises has not yet been fully realised. The barriers to business entry are

the low education and skill base of communities, lack of access to business capital and the lack of industry knowledge and marketing expertise as well as cultural factors.<sup>33</sup>

- 4.59 Again, close local community connections can aid in securing a commitment to work from young Indigenous people and increase the skills base of individuals interested in developing a career in the industry.

- 4.60 Mr Willie Brim of Djabugay Country Tours identified many of the barriers facing him as a start-up Aboriginal business including the need to raise high capital. He stated:

If we had a couple of hundred thousand dollars to splash at marketing and to buy some really nice flash vehicles, it would be different. It is like anything: with \$153,000 [start-up] dollars we bought a couple of little second-hand buses for \$6,000 or \$7,000. They are tacky looking things. Do you think the average punter who comes in off the street looking at a tourism operation wants to jump into something like what we have got? It looks like an attempt instead of a real go.<sup>34</sup>

- 4.61 Unfortunately, the failure of other Indigenous businesses also posed challenges for Djabugay Country Tours:

People do not want to take on Aboriginal businesses up here in the north unless they are going to be here for a long time. Many small Aboriginal businesses have fallen over and that has turned other Aboriginal businesses into a risk factor in the tourism sector.<sup>35</sup>

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33 IBA, *Submission No. 38*, p. 11.

34 Mr W. Brim, Djabugay Country Tours, *Transcript of Evidence*, 23 November 2006, p. 16.

35 Mr W. Brim, Djabugay Country Tours, *Transcript of Evidence*, 23 November 2006, p. 16.

- 4.62 IBA submitted that:
- Improving the availability of capital for Indigenous tourism businesses may require the introduction of measures such as:
- educational programs aimed at encouraging the mainstream finance sector lending to Indigenous enterprises, taking into consideration the special circumstances of such enterprises; and
  - government funding programs (eg, low interest or interest - free loans) for viable Indigenous tourism ideas with quality business plans.<sup>36</sup>
- 4.63 Capital investment has historically been directed at community enterprises, however there needs to be more support directed to individual and family owned enterprises.
- 4.64 A feature of many Indigenous tourism operations is their reliance on Community Development Employment Project (CDEP) funding. This funding is essential to ensuring all employees are able to continue to receive a regular wage until the business is fully able to support them. However it does take time to build businesses and gain community support:
- we are starting to talk income stream. That then weans us off CDEP and our true intention will start to unfold. It is like a flower; I say never try to force open a flower. A flower will reveal its beauty in time and that is what we are dealing with with this little business.<sup>37</sup>
- 4.65 From anecdotal evidence, the Committee is concerned that Indigenous Business Australia may not be maximising opportunities for the growth of Indigenous tourism businesses. Given the strong growth in demand predicted for Indigenous tourism businesses, the Committee is of the opinion that it is necessary for an inquiry to be established on the best ways to grow employment, training and investment in this sector, including into the role played by Indigenous Business Australia as the key Government investor.
- 4.66 Indigenous tourism is an important component of the Australian tourism profile as well as providing a valuable income stream for Indigenous communities.
- 4.67 In addition to a broader inquiry into the potential for Indigenous tourism and employment, current tourism employers need to be

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36 IBA, *Submission No. 38*, p. 12.

37 Mr W. Brim, Djabugay Country Tours, *Transcript of Evidence*, 23 November 2006, p. 21.

educated and supported in the best ways to engage with local Indigenous peoples and increase employment. This includes promoting different employment models, designing rosters to accommodate cultural difference needs and, most importantly, promoting the value to businesses the value of increasing Indigenous workforce participation.

### **Recommendation 14**

**The Committee recommends that the Australian Government establish an inquiry into opportunities for growth in Indigenous tourism, investigating employment, training and business investment.**

## **Turnover and retention**

- 4.68 One of the workforce challenges facing the industry is how to reduce staff turnover and retain people in the industry for longer periods.
- 4.69 The tourism industry has a very high turnover rate. This is due in part to the seasonal nature of the industry which requires that a large influx of workers in the peak season and smaller numbers in off peak seasons. However, the industry still needs a base employment pool and extremely high turnover rates make it difficult to achieve this.
- 4.70 In addition to reconsidering recruitment strategies and developing different employment models to expand the potential workforce, the industry needs to focus on strategies to retain people who are committed to careers in the sector. This will require innovative retention strategies, including seasonal job sharing, better articulation of career paths and improved employment conditions.

## **Turnover**

- 4.71 The costs of turnover can be high and the Committee found that this situation was unique to no area of the country. However, recent research conducted by TTF Australia into the four to five star residential accommodation and hotel industry indicates that 'labour turnover is greatest in regional and remote hotels across all

employment categories as compared to inner city/CBD and suburbs.<sup>38</sup>

4.72 Throughout the inquiry the Committee was told about extremely high turnover rates and costs to employers. For example:

- In a resort area of northern Queensland:
  - Our current turnover in these areas [housekeeping, stewarding and public area cleaning] sits at about 150 per cent. This equates to approximately 1,000 people per year. Calculating this cost at \$3,000 per person to replace, we are seeing a cost of approximately \$3 million in turnover practices alone. This figure is obviously higher for the more skilled positions.<sup>39</sup>
- In the Northern Territory:
  - the worst case scenario was 300 per cent ... In Tourism Northern Territory it is up over 30 per cent ... As a government employer [we are one of the more stable businesses].<sup>40</sup>
- In Broome, North West Western Australia:
  - [We have a turnover of] 400 per cent ... On average I need about 250 people – about 180 in the low season; 300 plus in the high season. Two years ago I sent out 1 000 group certificates [PAYG Statements]. Last year, we were down to 700.<sup>41</sup>

4.73 Research indicates that while employers do not like the costs of high turnover, these 'high turnover rates are routinely accepted ... and this acceptance has been described as 'turnover culture'. This research also indicates that while there are clear disadvantages to employee turnover, there are also perceived advantages. For example turnover promotes mobility which in turn facilitates skills acquisition.<sup>42</sup>

4.74 Whilst the high turnover culture is apparent throughout the industry, every employer that this Committee spoke to expressed the desire to reduce turnover, although with little success in doing so.

4.75 High turnover is in part attributed to low wages. The Australian Regional Tourism Research Centre (ARTRC) submitted that against trends apparent elsewhere in the economy, wages in some parts of the tourism industry are decreasing.

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38 TTF Australia, *Labour Turnover and Costs in the Australian Accommodation Industry*, November 2006, p. 4.

39 Mr B. McCarron, Hamilton Island Resort, *Transcript of Evidence*, 24 November 2006, p. 2.

40 Ms V. Smith, Tourism NT, *Transcript of Evidence*, 7 March 2007, p. 10.

41 Mr R. Sedon, Cable Beach Club Resort, *Transcript of Evidence*, 8 March 2007, p. 8.

42 ARTRC, *Submission No. 19*, p. 3.

It is probable that the low, and apparently decreasing, pay in this sector is related to what are sometimes erroneously perceived as 'the low skills' required in many, but not all, tourism and hospitality positions. Average pay is also driven down by the high and growing levels of casualisation in the industry.<sup>43</sup>

- 4.76 The lack of attention to career paths is also a factor in high turnover. It was submitted that a strong disincentive to retention in the industry is the limited attention paid to human resource development wherein advancement in ones career is often only achieved through a change in geographical and organisational circumstances. Eventually, employees decide to opt out of the industry because they do not wish to constantly upset their family living arrangements and work-life balance.<sup>44</sup>
- 4.77 The perception that the industry does not offer career paths is also affected by low wages, casualisation and the seasonality of many jobs as well as the industry's inability to deliver on lifestyle expectations.
- 4.78 This was supported by TTF Australia research which found:  
The main motivating factors for executives, managerial and supervisory staff to change jobs, **within** the hotel industry, were better career opportunities and better working hours. Changing jobs **outside** the industry was primarily motivated by higher salaries, working hours and better career opportunities. The data suggests that higher wages and better working hours ... are the major drivers for managerial employees to leave. Similarly, operational staff seek better wages, better working hours and improved career opportunities.<sup>45</sup>
- 4.79 Employment conditions and career paths (including the formal recognition of skills gained "on the job") are key issues the industry must address in order to improve workforce retention. Some initiatives may be developed at the individual workplace level, other initiative will require an industry-wide committed approach.

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43 ARTRC, *Submission No. 19*, p. 3.

44 ARTRC, *Submission No. 19*, p. 3. Also QTIC, *Submission No. 20*, p. 13.

45 TTF Australia, *Labour Turnover and Costs in the Australian Accommodation Industry*, November 2006, p. 4.



## Retention strategies

- 4.80 Improved retention strategies are necessary if the industry is to reduce its high and costly turnover rates.
- 4.81 The lack of career paths, as discussed above, is identified as a deterrent to retaining management-level staff in the industry, specifically in small to medium-sized enterprises (SMEs). Factors contributing to this problem include:
- flat management structures;
  - comparatively low wages; and
  - limited attention paid to career development.<sup>46</sup>
- 4.82 Tourism Whitsundays reported that the following retention strategies are being used in the restaurant sector:
- Strict adherence to organizational & management structures (employees prefer working in establishments which are highly organized whereby goals & standards are clearly defined and met on a day to day basis).
  - Reducing stress by ensuring rostered staffing numbers clearly meet the demand of trade.
  - At every opportunity, supporting our employees in relation to customer/operational challenges.
  - Verbalize to employees 'how valued they are' & additionally wage rates to suit their level of value to the business.
  - Empower employees to make decisions for the business encouraging ownership and continually advocate they work with us (owners), not for us.
  - 3 month employee performance evaluations and daily feed-back on strengths & strengths to be gained.
  - Regular 'Change Management' decisions when operations are not working in the employees favour.
  - Substantial employee benefits offered (from the kitchen hands through to highest management) i.e. Fully paid week-ends away etc.
  - Continually managing 'Lifestyle Choices' for all employees i.e flexibility in rosters making available long week-end etc not only for employees but also identifying partners needs in the working relationship.<sup>47</sup>

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46 School of Leisure, Sport and Tourism, UTS, *Submission No. 4*, p. 2; School of Sport, Tourism and Hospitality Management, LaTrobe University, *Submission No. 5*, p. 3.

47 Tourism Whitsundays, *Submission No. 27*, p. 8.

- 4.83 Many retention strategies also focussed on the importance of providing training including the need to increase vocational training and provide more accelerated pathways through apprenticeships.<sup>48</sup>
- 4.84 In regional areas, retention strategies focussed on ensuring full-time employment opportunities, accommodation and travel subsidies were available:
- contract completion bonuses for staff who commit to a fixed term contracts (usually for six months or more);
  - casual employment options offering a guaranteed number of hours work per week (including all applicable penalty rates and allowances);
  - full time and part time employment whereby all additional hours worked are paid, rather than accrued as additional time off;
  - subsidised accommodation (for staff and their families); and
  - relocation allowance or travel reimbursements.<sup>49</sup>
- 4.85 It was also submitted that remote and regional employers need to offer jobs and regions as a 'lifestyle' experience while also helping employees to become involved in the community:
- Many regional and remote areas rely upon imported workers and these people can become value community members. Local communities should be encouraged to 'outreach' to new workers arriving, especially those indicating an interest in engaging with the community. Industry support of such endeavours also strengthens business networks and promotes worker retention.<sup>50</sup>
- 4.86 For larger employers with multiple properties, there is more capacity to transfer between company properties and to cross-train staff so less are required to operate the property in quieter months. A number of employers in regional areas also provided the flexibility for staff to take up part time jobs with other employers, including competitors, so that they were able to receive a full time wage. Seashells Hospitality Group (SHG) told the Committee:
- Staff are encouraged to job share. That is, one job may not be enough for an employee to sustain a lifestyle. In regional

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48 CCI-WA, *Submission No. 45*, p. 7.

49 CCI-WA, *Submission No. 45*, p. 8.

50 Tourism WA and WA Hospitality and Tourism ITC, *Submission No. 62*, p. 40. Also CCI-WA, *Submission No. 45*, p. 8.

areas, SHG is flexible to allow employees to take up positions elsewhere to ensure that the employee is retained.<sup>51</sup>

- 4.87 It was submitted that retention strategies should also include:
- tax incentives for employers and employees, particularly those committing long-term to regional tourism employment;
  - seasonal worker exchange programs with northern hemisphere governments; and
  - government owned and subsidised tourism infrastructure to support and supply continuity for regional businesses such as accommodation and restaurants.<sup>52</sup>

- 4.88 Retention strategies must include a range of factors and be flexible enough to be tailored to individual circumstances. They must take the broadest view beyond individual employers, to communities and the wider industry.

### Managing the generational change

- 4.89 The industry not only needs to manage the impact of an aging population leaving the workforce, but respond to the work preferences of a younger generation.

At the strategic level there is the need to ensure that the knowledge and leadership of the Baby Boomers is effectively transferred to the emerging Generation X managers, and the commencing Generation Y employees.<sup>53</sup>

- 4.90 Provision of childcare, work/family balance, part-time work and flexible working arrangements are increasingly important for employers to considering as part of their recruitment and retention strategies.<sup>54</sup>
- 4.91 The emerging 'Generation Y' employee (those born from 1978–1994) was widely cited as a workforce challenge that employers will need to meet. It is this age group that provides a significant part of the traditional tourism workforce and this generation has significantly different expectations of the workplace than previous generations. It was submitted that 'Generation Y' can be described as:
- wanting control;
  - needing to express themselves;

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51 SHG, *Submission No. 6*, pp. 3–4.

52 School of Sport, Tourism and Hospitality Management, La Trobe University, *Submission No. 5*, p. 2.

53 QTIC, *Submission No. 20*, p. 14.

54 QTIC, *Submission No. 20*, pp. 13–14.

- wanting to make a difference;
  - entrepreneurial;
  - prepared to act on their beliefs;
  - sceptical, not fickle;
  - personalised, personalised, personalised;
  - compulsive decision makers;
  - the socially aware generation; and
  - the connected generation.<sup>55</sup>
- 4.92 It was also stated that this generation is less likely to stay with an unsatisfactory work situation and therefore the industry needs to make a concerted effort to improve its current image and brand to present itself as a career choice to both young and mature age workers.<sup>56</sup>
- 4.93 In recruitment and retention strategies, employers need to consider these generational characteristics and tailor the culture of their workplaces to cater for them appropriately. This again requires a desire for employees to invest in staff retention rather than replacement.

### Addressing wage imbalances

- 4.94 To reduce staff attrition, it was submitted that employers need the capacity to improve working conditions, in particular to increase wages. RCA submitted that current employment conditions are directly linked to the lack of profitability in the industry. RCA noted that the
- average restaurant makes 4% profit before tax and 63% of businesses (those with 10 employees or less) make 2% net profit. At this level of profitability there is very little scope for employers to pay higher wages or provide additional benefits to employees.<sup>57</sup>
- 4.95 The Hotel and Motel Accommodation Association (HMAA) noted a similar lack of profitability in the accommodation sector:
- The greatest barrier to improving the attractiveness of tourism employment is the limited capacity of most tourism employers to increase wages, let alone compete as an equal in a highly competitive labour market driven by the resources boom. The average accommodation industry SME operates at

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55 QTIC, *Submission No. 20*, pp. 14–15.

56 QTIC, *Submission No. 20*, p. 15; TTF Australia, *Submission No. 37*, p. 9.

57 Industry Advisory Board, *Submission No. 30*, p. 21.

relatively low levels of profitability and [return on investment] which inhibit their flexibility in this area and are unlikely to improve in the foreseeable future.<sup>58</sup>

- 4.96 To improve employment conditions, the sustainability of the industry needs to also be improved to increase profitability. As noted previously, the House of Representatives Standing Committee on Economics, Finance and Public Administration is undertaking an inquiry looking at the issues of the tourism industry's sustainability and as such these issues are not addressed in this report.
- 4.97 While the clear majority of submitters cited low wages as the primary disincentive for recruitment and retention, other than encouraging a culture of tipping, no solutions were offered. Due to low profitability in the industry, it is unlikely that employers will be willing or able to dramatically improve wages in the foreseeable future.
- 4.98 However, as discussed above, the costs of staff turnover are extremely high. Although higher wages may appear to be undeliverable, they can be offset by a reduction in the cost of staff turnover. It is necessary for industry to understand the relationship between recruitment and retention, including the cost benefits of retaining trained staff.
- 4.99 Businesses may believe they are unable to increase wages, but can they sustain the continual costs of high turnover?

### **Recommendation 15**

**The Committee recommends that the Australian Government commission an analysis of staff turnover costs versus investment in retention and provide this to industry bodies and state and territory industry councils to promote the benefits of staff retention.**

### **Recognition of service**

- 4.100 Alongside the need for recognition of prior learning, on the job training and experience, and the resultant portability of these skills (as discussed in detail in the next chapter) there is the need to recognise length of service.
- 4.101 ATEC cited ABS research which 'suggests that just 68 [per cent] of tourism employees had worked in the same job for more than one year, compared with the all-industry average of 80 [per cent].'<sup>59</sup>

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58 HMAA, *Submission No. 64*, p. 17.

- 4.102 The seasonality and disparate nature of the tourism industry means that, even for those remaining in the industry, there may be a need to work for more than one employer or to change employers in order to establish a career path.
- 4.103 This indicates the need for strategies to focus on retaining people in the industry, rather than just individual positions. Particularly as positions are often seasonal, incentives need to be developed in order to encourage people to seek ongoing work in the industry.
- 4.104 Tourism NT submitted that the portability of long service leave would encourage people to stay within the industry in the longer term. This can be undertaken through the development of a national reciprocal agreement between the states and territories similar to that existing in the building and construction industry.<sup>60</sup>
- 4.105 A tourism industry long service leave scheme would be a valuable tool in establishing tourism as a long term career path and rewarding staff retention.

### **Recommendation 16**

**The Committee recommends that the Australian Government work in partnership with the states and territories to develop a tourism industry long service leave scheme to allow jurisdictional portability of long service leave.**

## **Improving innovation**

- 4.106 Workplace innovation can improve productivity and training outcomes. The Productivity Commission has found that innovation is an important component of workplace performance:
- 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

59 ATEC, *Submission No. 51*, p. 8.

60 Tourism NT, *Submission No. 39*, p. 8.

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 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.<sup>61</sup>

4.107 The tourism industry, focussed as it is on cost-reductions is not well placed to embrace innovation. Indeed, a number of submitters noted that the labour-intensive nature of the industry means that opportunities for innovation are limited.

4.108 The Committee would argue with this contention, and submits that the high labour component of tourism investment means that innovation focussed on job design, service delivery, business practices, including uptake of technology, and employment models is essential. Given some of the self-limiting recruitment, retention and training practices of the industry as discussed throughout this report, the scope for the development of innovative practices is wide.

4.109 The Committee notes that there are a number of innovative practices being undertaken by industry and has acknowledged these throughout the report. The Committee commends these efforts.

4.110 It was noted that the push towards innovation will increase the skills base of the industry:

The need for efficiency and innovation will drive industry demand for a highly skilled workforce, which will in turn drive demand for ongoing training and retraining with high quality outcomes.<sup>62</sup>

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61 Productivity Commission, *The Role of Training and Innovation in Workplace Performance (1999)*, cited in DITR, *Submission No. 55*, p. 37.

62 Service Skills Victoria, *Submission No. 67*, p. 12.

4.111 The National Tourism Investment Strategy identifies that:

The most important motivations for innovation in tourism are cost reduction, demand from customers, meeting competition, interactions with another [sic] innovations such as online booking, and a general corporate culture of continuous improvement.<sup>63</sup>

4.112 Given the scope for innovative practices in relation to staff training, and the necessity to improve employee training and retention, the Committee supports the National Tourism Investment Strategy recommendation for more education on the value of innovation.

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<sup>63</sup> DITR, *National Tourism Investment Strategy: Investing In Our Future*, Canberra, March 2006, p. 60.



## Investing in business: training and taxation incentives

- 5.1 Training is an essential component of a sustainable industry. Without a skilled workforce, employers will not be competitive. This is particularly true in the tourism sector, where employee skills are on show to a national and international audience.
- 5.2 The standard and quality of tourism products are reliant on the skills and abilities of the tourism workforce – visitors will remember an unsatisfactory room and an unprofessional tour guide as well as they will a magnificent sunset over an iconic landmark. It is not enough to rely on our attractions to sell themselves, the industry must ensure that staff are consistently well trained and delivering a quality tourism experience.
- 5.3 This chapter examines measures to improve the provision and take-up of training. As discussed previously, the industry is faced with significant labour and skills shortages. Appropriate training is a key to addressing these shortages by upskilling people, providing career paths and therefore retaining people in the industry.
- 5.4 The chapter also discusses the calls by industry for taxation reform and the burdens of taxation felt by remote and regional employers. As a seasonal industry, tourism employers face particular challenges under the taxation regime.

## Vocational and technical education

5.5 The vocational and technical education (VET) system is delivered by states and territories in partnership with the Australian Government, based on the following principles:

- Industry and business needs, both now and in the future, must drive training policies, priorities and delivery.
- Clients must receive better quality training and achieve better outcomes, through more flexible and accelerated pathways.
- Processes must be simplified and streamlined and enhance national consistency.
- Young people have opportunities to gain a wide range of lasting skills that provide a strong foundation for their working lives.
- Training opportunities are expanded in areas of current and expected skills shortage.<sup>1</sup>

5.6 The formal mechanisms for industry involvement in the system are:

- direct input to high level training policy and delivery through a direct line of advice to the Ministerial Council on Vocational and Technical Education;
- direct input to quality assurance and national consistency through representation on the National Quality Council, a committee of the Ministerial Council on Vocational and Technical Education;
- determining relevant skills needs for the industry and defining the competencies necessary in the workplace; and
- direct input to planning decisions through a clearly defined role in the States' and Territories' annual plans for training provision.<sup>2</sup>

5.7 Vocational education and training underpins many positions in the tourism workforce. The qualifications lead to positions in:

- retail travel sales;
- tour guiding (including specific qualifications in Indigenous, cultural, nature-based, attractions and theme parks guiding);
- sales and marketing;
- product development and operational management;

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1 DEST, *Submission No. 60*, p. 2.

2 DEST, *Submission No. 60*, p. 3.

- cookery (including commercial cookery, patisserie, commercial catering and food and beverage service);
  - housekeeping;
  - office management;
  - gaming; and
  - security.<sup>3</sup>
- 5.8 Vocational education also offers qualifications in customer service, occupational health and safety, general and financial administration, computer technology and business (including people) management.<sup>4</sup>
- 5.9 Tourism employers rely heavily on in-house training, particularly for positions such as housekeeping, waiting and customer service positions. Accordingly much of this training falls outside of the vocational education and training system. Tourism WA reports that 64 per cent of workers in the industry lack formal qualifications.<sup>5</sup> This means that employees, while well trained, do not have formal qualifications, which limits opportunities for mobility and progression in the industry.
- 5.10 Because of the heavy reliance on in-house training, there are concerns generally about the variable quality of training in the tourism industry. It was widely acknowledged that there are some excellent training initiatives, particularly those delivered by larger employers. However, disparate training held in-house can limit opportunities for mobility.

In-house training plays an important role in providing (limited) vocational training and encouraging loyalty amongst employees, arguably leading to improvements in employee morale and resultant service standards.<sup>6</sup>

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3 DEST, *Submission No. 60*, Appendix A.

4 DEST, *Submission No. 60*, Appendix A.

5 Tourism WA, *Submission No. 62*, p. 26.

6 Industry Advisory Board, *Submission No. 30*, p. 3.

5.11 The provision of training is an essential part of any strategy aimed at recruiting and retaining quality employees. While the links between recruitment, retention and training are clear, Tourism WA submitted that many employers have not yet made this connection:

Employers must make the connection between recruitment, training and workplace productivity. The value of taking responsibility for training employees not only leads to more productive businesses, but also is more likely to encourage employees to remain in the industry because they have opportunities to grow and build satisfying careers. Aligning in-house training to accredited qualifications will further improve retention of staff in the sector.<sup>7</sup>

5.12 Linking in-house training to accredited qualifications requires better employer understanding of the content and value of qualifications. Results from a survey of employers in the tourism industry undertaken in the ACT – a region that because of its size has good access to quality training programs – found that 34 per cent of employers had limited to no understanding of training programs.<sup>8</sup>

5.13 In addition, 40 per cent of employers reported no or limited understanding of the variety of delivery methods for training courses.<sup>9</sup>

5.14 For example, it was submitted that there is the need for need for greater skills development in relation to supply chain management, customer service – in particularly frontline skills – and e-commerce applications. Twenty-one per cent of businesses identify customer service as a skill needed by qualified staff and 37 per cent identified that customer service as the most important future training need.<sup>10</sup>

5.15 Customer service skills are offered as a part of training packages. Employers are urged to make greater use of formal training if in-house training is not meeting their needs. Likewise, the formal training system need to better recognise the quality of in-house

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7 Tourism WA and WA Tourism and Hospitality ITC, *Submission No. 62*, p. 26.

8 Tourism and Hospitality Skills ACT and Region, *Tourism and Hospitality Training Needs Analysis, ACT and Region 2004*, p. 13.

9 Tourism and Hospitality Skills ACT and Region, *Tourism and Hospitality Training Needs Analysis, ACT and Region 2004*, p. 14.

10 Tourism and Hospitality Skills ACT and Region, *Tourism and Hospitality Training Needs Analysis, ACT and Region 2004*, p. 17 and 21. Also School of Leisure, Sport and Tourism, University of Technology Sydney, *Submission No. 4*, p. 2; ARTRC, *Submission No. 19*, p. 3.

training systems. More work needs to be undertaken to allow in-house training to be recognised as part of qualification attainment.

- 5.16 In remote and regional areas, lack of access to training organisations and understanding of how training can be delivered discourages formal training provision. It is therefore necessary for regional and remote businesses to work together to develop business clusters to support training delivery. This can reduce the cost to individual business and benefit regional areas by increasing the skill levels across a number of businesses operating in the areas. Again, businesses must work collaboratively to address this industry-wide challenge.
- 5.17 There is also a significant level of training that can be undertaken online (e-learning).<sup>11</sup> Businesses are urged to investigate these options and invest in the appropriate hardware and software to improve the take-up of e-learning.
- 5.18 There is more scope for industry to be more proactive in developing training that suits its needs. One such model has been developed in Western Australia:
- One example of industry and educators working synergistically is the 'Broadwater Business School' of Western Australia, being a successful collaboration between Broadwater Hotel and Resorts, Southern Cross University and the Australian School of Tourism and Hotel Management in Perth. The school offers a range of vocational training and tertiary studies, from traineeships through to MBA qualifications, already delivering significant employee development, product improvement and increased employee tenure in its initial year.<sup>12</sup>
- 5.19 The Committee commends this approach and believes there is more scope for partnerships of this kind between industry and training providers, particularly in remote and regional areas. For the training system to be more responsive to employer needs, it is necessary for employers to be involved in the development and the delivery of training standards.

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11 QTIC, *Submission No. 20*, p. 19.

12 Industry Advisory Board, *Submission No. 30*, p. 3.

## Training packages

- 5.20 Vocational and technical education is delivered in accordance with industry endorsed training packages. Training packages ‘contain competencies and qualifications (groups of competencies), which describe the skills and knowledge needed to perform effectively in the relevant industry workforce.’ Training packages are developed by industry skills councils in consultation with industry – for the tourism industry, the relevant industry skills council is Service Skills Australia.<sup>13</sup>
- 5.21 The Department of Education, Science and Training (DEST) noted that traditionally the tourism and hospitality sectors were separate in terms of industry representation, training frameworks and training delivery. However, as the two sectors have become more closely integrated in terms of service delivery, they now require many of the same skill sets.<sup>14</sup>
- 5.22 There are currently two training packages for tourism and hospitality related qualifications:
- Tourism Training Package (THT02); and
  - Hospitality Training Package (THH02).
- 5.23 As a result of a 2005–06 review of these packages, it was recommended that they be combined into one package. This package (Tourism, Hospitality and Events Package (SIT06)) was developed with extensive industry consultation and has been fully endorsed by industry.<sup>15</sup>
- 5.24 However, to be endorsed by the National Quality Council (NQC), and therefore implemented, the package needs the agreement of all states and territories. The Committee is concerned that this package, although unanimously endorsed by industry (including employers and unions) and the majority of the states and territories, has not been progressed to completion. At the time of writing this report, Victoria had not agreed with the package, delaying its progress.
- 5.25 The new package aligns competencies more closely with industry practices and, as it applies more rigorous standards to assessment, it

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13 DEST, *Submission No. 60*, p. 3.

14 DEST, *Submission No. 60*, p. 3.

15 Ms S. Briggs, Service Skills Australia, *Proof Transcript of Evidence*, 30 March 2007, p. 32.

also increases the value of resulting qualifications, which was requested by industry.

### **Recommendation 17**

**The Committee recommends that the Australian Government ensure that the proposed training package, Tourism, Hospitality and Events Package (SIT06), is finalised as a matter of priority.**

## **Vocational and technical education funding**

5.26 Vocational and technical education funding is an issue of concern for regional and remote employers. Current funding models are 'supply driven'. That is, the providers of training determine how training is delivered. As funding is time-based, training is delivered based on student contact hours rather than the achievement of competencies. This does not fit well in a sector filled with so many transitional workers who are largely achieving competencies through on the job experience and training.

5.27 The reliance on student contact hours for funding means that there is little incentive for training organisations to undertake training in remote locations:

Funding for training in regional areas needs to be increased to attract city based training organizations to operate in remote areas, currently funding models make it difficult for quality training to be delivered in remote areas when the funding amounts encourage city based training as it is more profitable.<sup>16</sup>

5.28 There are significant costs associated with the provision of training in remote locations and these costs must be borne regardless of participant completion. The current funding model, wherein payment is reliant on course completion, provides a disincentive to the provision of training in remote locations.

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16 Hostec, *Submission No. 7*, p. 2.

5.29 The Committee was told:

It is \$8 an hour to deliver training in Darwin and it is \$11 an hour if we deliver it remotely. So we get \$3 an hour extra to fly participants in, house them, feed them and fly them out again. That is enormously financially risky.<sup>17</sup>

5.30 To encourage the participation in training courses, particularly by more disadvantaged people in remote locations, training providers will often meet transport and accommodation costs. For example:

a Certificate I in Tourism (Australian Indigenous Culture) returns to the delivering RTO approximately \$2,100.00 per participant, a return that is entirely contingent upon the participant successfully completing the qualification. Whilst conducting a recent training programme delivering Certificate I in Tourism for 10 participants in a remote location, ICAE incurred costs of around \$12,000.00 for participant and instructor airfares, and accommodation and board costs for participants of around \$15,000.00. To conduct training of this nature, RTOs need access to additional funding guarantees to reduce the financial risks, and make delivery of remote tourism training financially viable and rewarding.<sup>18</sup>

5.31 Travel and accommodation costs for instructors and participants are fixed, regardless of how many participants actually complete the course. The ICAE suggested that funding should be contingent on milestone completion rather than course completion. This would give more financial surety to training providers and therefore offer a greater incentive to provide training in remote areas and in areas high Indigenous populations where completion rates can be lower.<sup>19</sup>

5.32 Some organisations claimed that funding for the completion of course components, rather than full qualifications, would encourage more employers to offer training as employees would be able to undertake training components directly relevant to their jobs. Changes to funding models would also encourage training providers to offer more flexible models of training.<sup>20</sup>

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17 Mr B. Chapman, Marketing Manager, ICAE, *Transcript of Evidence*, 7 March 2007, p. 20.

18 ICAE, *Submission No. 68*, p. 2.

19 Mr B. Chapman, ICAE, *Transcript of Evidence*, 7 March 2007, p. 20.

20 SATC, *Submission No. 34*, p. 6; QTIC, *Submission No. 20*, p. 11.



- 5.33 The capacity to adapt training models may also facilitate higher completion rates in Indigenous populations. Currently the need to travel and be separated from communities for long periods of training are contributing to lower completion rates.
- 5.34 Competency based training funding models that are more flexible and able to offer milestone completion targets would be more appropriate in some locations. However, the capacity of training providers to adapt their delivery modes is currently hampered by rigid funding frameworks.
- 5.35 It was submitted that the current funding models are a disincentive for training organisations to recognise prior learning. When asked why recognition of prior learning (RPL) is not working, Service Skills Australia told the Committee:
- it is not encouraged as much as it should be, and I guess there are some financial reasons underpinning that ... Obviously, when we get into the training system the funding is on student contact hours, so if a student gets exemptions from certain units within a course then that is money that the RTO does not get.<sup>21</sup>
- 5.36 RPL is an important component of the training system. Often people have been working in the industry for many years and are highly skilled and it is not necessary for them to undertake a full course to be deemed competent. Particularly in an industry where individuals work for many years on a seasonal basis, RPL is an important mechanism for skills recognition. For example, the Committee was told:
- There is one [example] that I will give you to recognise a person who obtained a certificate III. This lady is a kitchen hand. She is 72 years old and has worked in our particular business for in excess of 20 years ... She left school at form two, or year 8, which is what it is equivalent to now, terrified of the fact of going back to do any formalised learning. We had an RTO come in and do some assessment on her in the workplace, walked her through some verbal assessment and she received a recognition of certificate III ... Her grandchildren attended a special ceremony when she was

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21 Mr J. Sweetman, Service Skills Australia, *Proof Transcript of Evidence*, 30 March 2007, p. 34.

awarded the certificate to give her that recognition, and you would swear she had won Tattslotto three times over.<sup>22</sup>

- 5.37 The provision of RPL services should not be contingent on concerns of training organisations losing funding. RPL should be offered at the commencement of all training courses. If existing employees were to have greater formal recognition of their skills, retention may be improved. The potential of a qualification may also be an incentive for individuals to return to work in the industry, particularly mature-age workers.<sup>23</sup>
- 5.38 However, the Committee recognises the current disincentive for training providers to provide RPL services because of the reliance on student contact hours for funding, institutional bias of many trainers against RPL because it reduces the number of potential students, and lack of institutional experience in the provision of RPL. Therefore, funding and incentives for RPL need to be increased, both in the form of 'rebates or tax breaks to industry employers who support formal recognition of their staffs' skills for the attainment of industry qualifications' and for the provision of RPL services.<sup>24</sup>
- 5.39 There is also room for more flexibilities to be built into the RPL process to widen its take-up:
- Should an employee decide to take the RPL option, the mountain of paperwork and vocational language they are required to wade through often results in either non completion or declining to take up the RPL option in the first place. Because of the need to be flexible with the assessment approach and perhaps customise the evidence gathering approach the RTO does not engage because of the cost involved or inability to adapt.<sup>25</sup>
- 5.40 It has also been submitted that a separate industry body should be developed that is responsible for the assessment of RPL.<sup>26</sup>
- 5.41 To further support employer provision of training, TTF Australia recommended:

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22 Ms K. Hepner, Compass Group Australia, *Transcript of Evidence*, 9 February 2007, p. 8.

23 Tourism WA, *Submission No. 62*, p. 31.

24 QTIC, *Submission No. 20*, p. 16.

25 QTIC, *Submission No. 20*, p. 16.

26 QTIC, *Submission No. 20*, p. 17.

Restoration of the Guarantee Training Levy (or similar scheme) whereby corporates are encouraged to commit to the development of skills/knowledge in their industry. One of the key features was the tax deductibility which made it attractive to employers. The establishment of such a scheme would encourage establishment of new and expanded partnerships between corporate sector and tertiary institutions which are increasingly competing of public sector funds. Unfortunately GTL was abolished completely instead of modified in response to commercial abuse.<sup>27</sup>

- 5.42 The training guarantee levy is an issue of some contention, and the Committee is of the opinion that there would need to be a wider debate on the issue before any consideration of its reintroduction.

### **Recommendation 18**

**The Committee recommends that the Australian Government amend the funding model for vocational and technical education to allow funding that is competency based rather than time based.**

### **Recommendation 19**

**The Committee recommends that the Australian Government streamline the application of recognition of prior learning initiatives to encourage the industry to up-skill and provide qualifications to existing workers.**

### **Recommendation 20**

**The Committee recommends that the Australian Government investigate and reduce the barriers to take-up of recognition of prior learning at the employer, employee and training organisation level and require that recognition of prior learning be offered at the commencement of all training courses.**

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<sup>27</sup> TTF Australia, *Submission No. 37.1*, p. 4.

## Apprenticeships

- 5.43 In the 12 months to March 2006, 22 700 people commenced Australian Apprenticeships in tourism or hospitality qualifications. Apprenticeships can lead to a range of jobs in the tourism industry including traditional trades, cookery and tour guiding (including cultural and natural heritage and Indigenous guiding).
- 5.44 A range of measures have been put in place to make the apprenticeship system more accessible including:
- more flexibility in choice for the delivery of off-the-job components of training;
  - Australian Apprenticeship Centres providing 'information and assistance on all aspect of Australian Apprenticeships;'
  - incentives for employers who offer employment-related training;
  - incentives for mid-career apprentices and higher technical skills under the *Skills for the Future* package; and
  - group training.<sup>28</sup>
- 5.45 Despite this range of support, it was submitted that 'employers on the whole are unaware of the benefits of traineeships/apprenticeships and still perceive it to be a complex paperwork nightmare.'<sup>29</sup> Throughout the inquiry, employers also reported a reluctance to invest in apprentices due to the transient nature of employees.
- 5.46 There is a role for Australian Apprenticeship Centres to be more proactive, particularly in regional areas, in promoting incentive payments available and the benefits to employers of hiring apprentices.<sup>30</sup>
- 5.47 Submitters also noted the need to maintain the quality of training by ensuring that apprentices and trainees are supervised and mentored by appropriately qualified tradespersons.<sup>31</sup>
- 5.48 One measure to increase participation in apprenticeships is to increase the availability of accelerated pathways that are competency based rather than time based.<sup>32</sup>

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28 DEST, *Submission No. 60*, pp. 10–12.

29 Hostec, *Submission No. 7*, p. 2. Also International College of Advanced Education (ICAE), *Submission No. 68*, p. 2, Tourism WA, *Submission No. 62*, p. 25.

30 RCA, *Submission No. 31*, p. 20.

31 RCA, *Submission No. 31*, p. 19.

- 5.49 The Committee was told that it is difficult for apprentices in regional areas to attend training, therefore discouraging them from staying in remote and regional locations:

In many remote and regional areas the availability of block release to attend TAFE Colleges is non-existent requiring the apprentices to travel very considerable distances every week; often more than 500 kilometres return in one or two days together with their attendance at college. In NSW for example, apprentices in the resorts there are required to travel from Jindabyne to Shellharbour for Diesel Mechanic training, Fitters travel to Canberra and Electricians to Wollongong. Local TAFE colleges only offer restricted apprenticeship training courses.<sup>33</sup>

- 5.50 There is clearly the need for alternative models of apprenticeship training to be developed that accelerate learning where possible and also do not disadvantage young people who wish to stay in regional locations.
- 5.51 The current time-based supply driven model is counter productive to those employers on the margins of whether or not to invest in training. Many employers simply will not engage in training if the training sector dictates the terms of delivery. Employers need to be confident that training works flexibly and in accordance with the needs of their sector.
- 5.52 The tourism industry also struggles with the fact that it has such seasonal peaks and troughs. During peak seasons, it is more difficult to release staff for training, and during low seasons it becomes difficult to offer work to apprentices.
- 5.53 The International College of Advanced Education (ICAE) submitted:

Due to extreme seasonality, it is common practice in the Northern Territory and other areas for many tourism SMEs to employ staff on a casual basis. Because of the nature of their employment, these employees are excluded from undertaking an apprenticeship, and employers are denied the many advantages of having a workforce undertaking formal training. However, many staff follow employment demand in peak seasons in different regions, effectively maintaining

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32 CCIWA, *Submission No. 45*, p. 7.

33 ASAA, *Submission No. 9*, p. 13.

permanent employment, albeit with different employers in different locations. Consequently many employees in the industry amass significant experience, knowledge and skills over many years, but cannot access the benefits that an Apprenticeship or Traineeship affords, and exit the industry with no formal qualification in recognition of their abilities.<sup>34</sup>

5.54 This situation is more pronounced in Indigenous communities:

In many remote Indigenous communities, enterprises are organized and operated around community and cultural requirements, rather than a strict adherence to the more ubiquitous 24/7/365 arrangement found in regional and urban areas of Australia. This mode of operation, while obviously not lending itself to permanent full-time employment arrangements, allows people to contribute to the workforce whilst still participating in important traditional cultural practices. Employees in these situations often maintain employment over many years, receiving payment from their employer on a piecemeal basis, and building a considerable repertoire of workplace skills and knowledge. They are, however, denied access to Australian Apprenticeships, simply because of the nature of their employment.<sup>35</sup>

5.55 While the majority of apprentices will want to start and complete their training in a set timeframe, this model may not necessarily suit all, particularly not those in remote areas who only have the opportunity to work in their chosen field on a seasonal basis. For example, tour guides may only work for three to six months as guides and work in another industry when there is no guiding work available. This may be a lifestyle choice or it may be a consequence of the structure of the tourism industry, however it clearly restricts opportunities for apprentices.

5.56 In addition to accelerated competency based apprenticeship schemes, measures need to be investigated that open up apprenticeship opportunities in regions and occupations that offer largely seasonal employment. While this may lengthen some apprenticeship terms, it will also expand apprenticeship opportunities to a much wider group.

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34 ICAE, *Submission No. 68*, p. 1.

35 ICAE, *Submission No. 68*, p. 2.

- 5.57 Many apprentices in the tourism sector go on to establish their own businesses, therefore, it is desirable that apprentices gain business skills. There was a call for post-apprenticeship business skills training to ensure that apprentices have business and human resource management skills.<sup>36</sup>
- 5.58 Business skills are an area of weakness in many small and medium sized enterprises. In October 2006, the Government announced the provision of business skills vouchers for apprentices as part of its *Skills for the Future* package.<sup>37</sup>
- 5.59 The Committee welcomes the Government's announcement as part of the 2007–08 Budget of support to young apprentices in skills shortage trades in the form of \$1 000 payments to people in their first and second year of training as a wage supplement and a \$500 payment to offset course fees.<sup>38</sup>

### **Recommendation 21**

**The Committee recommends that the Australian Government take steps to actively promote the development of competency based apprenticeship pathways in areas of skills shortages in the tourism industry.**

## **Secondary school and university training**

### **Secondary students**

- 5.60 Many secondary students are employed in hospitality positions as weekend jobs. The challenge for the industry is to inspire these students to consider tourism as a career option.
- 5.61 Secondary school students can undertake VET courses whilst still at school to gain credit towards national competency standards or as part of a school-based apprenticeship in the range of areas on offer under industry training packages.

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36 QTIC, *Submission No. 20*, p. 11.

37 DEST, *Submission No. 60*, p. 6.

38 Hon. P. Costello, MP, Treasurer, *Budget Speech 2007–08*, 8 May 2007, accessed 9 May 2007, <[aph.gov.au/budget/2007-08/speech/download/Speech](http://aph.gov.au/budget/2007-08/speech/download/Speech)>.

- 5.62 A number of young people will also have access to Australian Technical Colleges (ATCs) offering commercial cookery training at a certificate level three equivalent or above. By 2009 at least eleven of the 28 ATCs will be offering commercial cookery.<sup>39</sup>
- 5.63 Because of the casual job opportunities for secondary students, hospitality is the second most popular area of vocational education after retail. DEST reports that 'school based apprenticeships accounted for 10.4 per cent of all commencements in hospitality apprenticeships and traineeships in the 12 months to September 2006'.<sup>40</sup>
- 5.64 Despite this popularity, focus groups held with year 11 and 12 students in the ACT studying the lower level Tourism (Operations) Certificate II and Hospitality (Operations) Certificate I and II found that the majority of students did not consider the industry as a long-term career choice.
- 5.65 It is apparent that while there were opportunities to work in hospitality, students are not being exposed to experiences that would encourage them to consider further tourism studies. Findings were:
- Both years 11 and 12 tourism and hospitality students had a good practical understanding of the industry they were studying. This was particularly evident in year 12 students who had previously undertaken certificate I in hospitality operations and were a year older;
  - Students clearly saw the benefit of undertaking vocational training and receiving a certificate whilst still at college [years 11 and 12];
  - A major reason given for undertaking the hospitality and tourism certificate was that it would assist them to get a job when travelling overseas;
  - Approximately 30% of students identified that they may consider or would go on to do additional hospitality and tourism study at CIT [Canberra Institute of Technology] or University. Five out of eleven tourism students at Lake Ginninderra College stated that they would like to pursue a career in tourism;
  - Approximately 70% of all students participating in the focus groups were working in the hospitality industry;

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39 DEST, *Submission No. 60*, p. 14. Also <australiantechnicalcolleges.gov.au>, accessed 22 May 2007.

40 DEST, *Supplementary Submission No. 60.1*, p. 1.



- Limited or no opportunity exists for tourism students to work in the tourism sector;
- The majority of students (approximately 65%) had undertaken or were looking at undertaking the bar course and once again saw this as a valuable asset in getting work while travelling overseas;
- Students that were working in the hospitality industry were well aware of varying employer conditions and rates of pay;
- Normal rates of pay for those students currently working in the hospitality industry varied from \$8.00 to \$16.00 per hour;
- Tourism students believed that the tourism industry was a 'booming' industry sector; and
- It was evident from discussions with the students that the courses were of great value, enjoyable and delivered by professional dedicated educators who have good industry knowledge.<sup>41</sup>

5.66 The industry acknowledges that while school-based vocational education exposes students to opportunities in the tourism industry, the industry needs to engage more with students and offer work experiences that may lead to paid employment. The Committee was told that:

An effective means for industry groups and individual operators to engage with high school students is through their Regional Industry Career Advisor (RICA), which is a Career Advice Australia initiative. One of the objectives of this initiative is to identify skill gaps of local and regional businesses and support solutions to address skill shortages.<sup>42</sup>

5.67 Lack of employment opportunities is one reason why young people leave regional areas at the completion of schooling. Greater engagement with secondary students in regional areas in particular will not only promote the careers that the industry has to offer, but may also encourage young people to stay in regional areas.

5.68 Secondary school teachers and parents are key in influencing students' study and work choices. Any industry strategies aimed at secondary student must also ensure that appropriate information about opportunities the industry affords is available to schools and

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41 Tourism and Hospitality Skills ACT and Region, *Tourism and Hospitality Training Needs Analysis, ACT and Region 2004*, p. 27.

42 CCIWA, *Submission No. 45*, p. 10.

- parents. Schools and training organisations must also ensure that secondary teachers' knowledge is current and relevant to industry.
- 5.69 Beyond industry-related training, it was submitted that basic literacy and numeracy education at primary and secondary levels needs to be addressed, particularly in remote and regional areas.<sup>43</sup> Sixty per cent of employers 'believe graduates from tourism training have inadequate literacy and numeracy skills.'<sup>44</sup>
- 5.70 Employers submitted that improved basic numeracy and literacy skills will improve employability. This is supported by the Productivity Commission which 'has previously noted that if secondary education attainment levels were improved, the rate of productivity once young people join the workforce would grow significantly.'<sup>45</sup>
- 5.71 The Committee agrees that basic literacy and numeracy skills are fundamental to job readiness. All education providers, at primary, secondary and tertiary level, are responsible for ensuring that graduates are equipped with these skills. Governments at all levels are responsible for promoting the value of basic education and supporting programs aimed at ensuring job-seekers lacking these skills have the opportunity to acquire them.
- 5.72 The Committee welcomes measures in the 2007–08 Budget aimed at improving basic literacy and numeracy levels. These include vouchers for tuition for students in grades three, five and seven, \$50 000 bonuses for schools who make significant improvements in literacy and numeracy standards, and professional development for teachers.<sup>46</sup>
- 5.73 Several submissions called for attitude and aptitude testing of students and job seekers to identify suitable positions and areas where remedial programs for basic skills may be necessary. This call is supported by the National Tourism Investment Strategy.<sup>47</sup>

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43 Tourism NT, *Submission No. 39*, p. 6; TTF Australia, *Submission No. 37*, p. 3; Service Skills Australia, *Submission No. 32*, p. 7; ASAA, *Submission No. 9*, p. 17; Tourism WA, *Submission No. 62*, p. 23.

44 Tourism WA and WA Tourism and Hospitality ITC, *Submission No. 62*, p. 23.

45 TTF Australia, *Submission No. 37*, p. 3.

46 Hon. P. Costello, MP, Treasurer, *Budget Speech 2007–08*, 8 May 2007, p. 4, accessed 9 May 2007, <[aph.gov.au/budget/2007-08/speech/download/Speech](http://aph.gov.au/budget/2007-08/speech/download/Speech)>.

47 Australian Government, DITR, *National Tourism Investment Strategy*, March 2006, p. 65.

- 5.74 Employers are responsible for assessing applicants for their attitude and aptitude for vacancies. Given labour shortages, there may be a greater onus placed on employers to provide training in some basic skills in order to fill vacancies. The investment in training relates back to retention strategies and the industry establishing itself as an employer of choice, as discussed in the previous chapter.

## University level training

- 5.75 A number of degrees leading to careers in the tourism industry are offered at Australian universities. For example, Southern Cross University offers the following degree courses at undergraduate and graduate level:
- 5.76 Bachelor of Business in Tourism Management –
- Bachelor of Business in Club and Gaming Management
  - Bachelor of Business in International Tourism Management
  - Bachelor of Business in Hotel and Resort Management
  - Bachelor of Business in Hotel Management
  - Bachelor of Sport Tourism Management
  - Bachelor of Environmental Tourism Management
  - Bachelor of Business in Convention and Event Management
  - Master of Business Administration in Hotel and Tourism Management
  - Master of Convention and Event Management
  - Master of International Hotel and Tourism Management
  - Master of Tourism and Hotel Management
- 5.77 It was suggested that the community perception that the industry does not provide career paths has reduced the number of applicants for tourism and hospitality education programs at the university level. This is of critical concern given the projected future workforce demands.<sup>48</sup>
- 5.78 Falling student demand has led to universities rationalising tourism management programs. However, other tertiary institutions (such as TAFE colleges) are starting to deliver associate and full degree programs in tourism management.

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48 School of Leisure, Sport and Tourism, University of Technology Sydney, *Submission No. 4*, p. 2; School of Sport, Tourism and Hospitality Management, La Trobe University, *Submission No. 5*, p. 2.

- 5.79 Concerns were raised that this dual system has the potential to lower the overall professional quality of the tourism industry by not distinguishing appropriately between operational and strategic skills sets, therefore confusing both students and employers.<sup>49</sup>
- 5.80 The Committee is aware that this is an ongoing debate between the two education sectors, however it considers that both sectors offer valuable training options that will appeal to employers in different ways.
- 5.81 It was put to the Committee that the tourism ‘industry’ is in fact made up of multiple ‘industries’. The failure to recognise this fact, it is asserted
- leads designers of training programs to imagine that a generic syllabus will be relevant to employment in ‘the industry’ whereas in fact there are major differences between and within different tourism industries, differences salient to the knowledge and skills desirable in employees.<sup>50</sup>
- 5.82 It would appear that the industry, in all its forms, would agree with this assertion with employers reporting that graduates do not necessarily have skills appropriate to their needs.<sup>51</sup> This supports the argument that there is scope for a range of tourism degree courses; narrowing the available options also risks producing a narrow field of graduates. There is also scope for industry to be more involved in course development and delivery to ensure that graduates are job-ready.
- 5.83 There are new educational tracks including ‘entrepreneurship’ and ‘yield management’ that are creating creative and business savvy professionals that can offer employers new skills with which to compete in a highly competitive marketplace.<sup>52</sup> Universities need to communicate to industry how these skills will be beneficial to businesses.
- 5.84 The Committee urges businesses and the industry as a whole to more fully engage with education providers and tailor course design to industry needs. Industry must also be prepared to place greater value

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49 School of Sport, Tourism and Hospitality Management, La Trobe University, *Submission No. 5*, p. 3.

50 Professor N. Leiper, *Submission No. 13*, pp. 2-3.

51 Tourism WA, *Submission No. 62*, p. 23.

52 School of Sport, Tourism and Hospitality Management, La Trobe University, *Submission No. 5*, p. 3.

on professional qualifications and ensure graduates are appropriately remunerated, otherwise they will not develop careers in the industry.<sup>53</sup>

- 5.85 Moreover, the supply driven approach of the university and vocational education sector needs to be modified in order to meet the demands of the tourism sector.

## Mandatory training requirements

- 5.86 A number of submitters noted that, due to mandatory training requirements (such as workplace health and safety, responsible service of alcohol, and first aid), that employers are not able to resource training aimed at skills development.
- 5.87 It was also widely submitted that the Government should:
- Develop a rebate program for employers which covers 'mandatory' training areas within the industry (in particular) that includes Workplace Health and Safety, Responsible Services of Alcohol, Responsible Gaming, First Aid. Whilst not mandatory we highly recommend including Customer Service. Such a rebate program could be delivered consistently throughout the States and Territories, and would free up limited employer resources to provide training in additional, developmental skills and knowledge that support sustainable and innovative business practice.<sup>54</sup>
- 5.88 The Committee found no evidence to suggest that a rebate scheme for mandatory training would increase the provision of other workplace training. However, the Committee was concerned about the high levels of repetition of mandatory training between states and territories. In addition, as current training models are based on student contact hours, there is little incentive for training providers to offer recognition of qualifications gained in other jurisdictions.
- 5.89 Certain training requirements are mandatory Australia-wide, with each state and territory responsible for certifying qualifications, although currently, these qualifications are not transportable across borders. This results in the ridiculous situation where individuals will potentially have to complete the same training multiple times as they cross state borders. For an industry reliant on highly mobile

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53 YATA, *Submission No. 46*, p. 2.

54 QTIC, *Submission No. 20*, p. 12.

short-term employees, this duplication of training effort is an unnecessary cost burden and disincentive for people to stay within the industry.

- 5.90 The Committee is aware that this issue has been before the Coalition of Australian Governments (COAG) for some time and the recognition of licensed occupations is progressing. However, delays are costly and it is essential that mandatory employment training is nationally recognised.

### **Recommendation 22**

**The Committee recommends that the Australian Government, through the National Reform Agenda actions, pursue as a matter of priority, the portability of qualifications between jurisdictions.**

**The Committee further recommends that training which has been legislated as mandatory for employment in the tourism industry be a priority for national recognition.**

### **Skills recognition**

- 5.91 Employees in the tourism industry at all levels are often highly skilled in their occupations. However, there is a lack of recognition for these occupations as professions and the skills inherent in these positions.

For example:

there is little in the way of accredited, portable training qualifications for waiters. Waiting is not seen as a craft in Australia; it is seen as a job suitable for itinerant or temporary workers. This contrasts with most European countries and the United States where waiting in higher-end establishments is a highly valued and rewarded profession. The tourism and hospitality industry in Australia may well be able to learn from this experience.<sup>55</sup>

- 5.92 In order for the image of the industry to be lifted, the professions within it need to be appropriately valued and recognised as such. There were a number of industry proposed initiatives submitted to address this issue based on improving skills recognition. These include the development of an industry 'skills passport': a portfolio of

55 ARTRC, *Submission No 19*, p. 2.

training and competencies achieved that employees can use to certify skills to new employers and offer maps of career pathways; and the development of a scheme that recognises the particular skills gained by employees working in remote and regional areas.<sup>56</sup>

5.93 There is a role for the establishment of a national, singular, professional body for the industry to raise the status of jobs in the industry to an international standard. It was submitted that this body would

formally recognise and accredit individuals who attain prescribed educational qualifications and/or relevant industry expertise and provide ongoing professional development programs (similar to such associations for doctors, lawyers, accountants, etc) would also greatly enhance the perceived status and appeal for long term careers within the sector.<sup>57</sup>

5.94 The Committee supports this call and believes that such a body would be able to greatly enhance the status of careers in the tourism industry.

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### **Recommendation 23**

**The Committee recommends that the Australian Government task the industry leaders' forum (referred to in Recommendation 12) with the role for establishing a professional tourism body to be responsible for formally recognising and accrediting individuals against prescribed qualifications and training.**

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56 QTIC, *Submission No. 20*, p. 17; ARTRC, *Submission No. 19*, p. 5.

57 CCIWA, *Submission No. 45*, p. 10. Also, Industry Advisory Board, *Submission No. 30*, p. 8.

## Management and business skills

- 5.95 As noted previously in the report, there are widespread concerns about the skills of employers in relation to business management and human resource management:

Unlike many similarly competitive industries, a large number of senior managers working within the tourism industry do not have relevant tertiary or professional qualifications, which can reduce their motivation to encourage or require their own workforce to possess or attain formal qualifications themselves. It is therefore probable that unless, and until, the industry is more widely required to hold formal qualifications as an essential business and professional tool, the industry may well fail to attract the highly qualified managers, and capable future leaders, it requires to sustain the industry.<sup>58</sup>

- 5.96 Employers share these concerns, 68 per cent of managers/owners report that they would benefit from additional training. The specific areas identified for further training were:

- marketing – 22 per cent;
- human resource management – 19 per cent;
- communication skills – 15 per cent;
- computer skills – 15 per cent;
- administration and book keeping skills – 15 per cent; and
- general business skills – 14 per cent.<sup>59</sup>

- 5.97 Human resource skills were seen by industry bodies as particularly important to give employers the skills to improve the skills of their employees, in particular programs aimed at 'career planning, job rotation, multi-skilling, mentoring and coaching, flexible remuneration systems and succession planning.'<sup>60</sup>

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58 Industry Advisory Board, *Submission No. 30*, p. 4.

59 Tourism and Hospitality Skills ACT and Region, *Tourism and Hospitality Training Needs Analysis, ACT and Region 2004*, p. 18.

60 QTIC, *Submission No. 20*, p. 17. Also Industry Advisory Board, *Submission No. 30*, p. 21. Also, Tourism Industry Council Tasmania, *Submission No. 36*, p. 5.



- 5.98 More businesses need to focus on management 'coaching, mentoring or structured industry peer development networks.'<sup>61</sup> However, in a disparate industry, the development of these networks, while essential, will be difficult.
- 5.99 There was a call for the development of a national centre for entrepreneurial tourism to 'act as a clearing house for best practice, benchmarks on business performance and professional development of business owners in this sector.' It was claimed that such a centre would support small to medium size businesses to become more competitive and profitable as well as supporting skills development and networking by business owners.<sup>62</sup>
- 5.100 The Committee was widely told that small owner-operated businesses do not adequately engage in forward planning due to owners having to work long hours just to keep the business operating. This lack of critical strategic thinking leads to the failure of many start-up businesses. It was put to the Committee that a national centre for entrepreneurial tourism would alleviate some of this pressure by providing strategic and practical assistance to support professional service delivery in this sector of the industry:
- Small business owners in the sector currently learn in a fragmented way. They glean some information from a trade show; they talk to their peers over the phone or at the trade show or wherever or find some information on the internet that might be helpful. If they are larger, they may have consultants come in to help work with them. Having a national clearing house where systematic research is done developing best practice cases and financial benchmarking and having systematic programs designed on the basis of that type of research would provide these smaller operators with a much better way of delivering consistency across the industry. At the end of the day, if we look at the Irish example [of a similar system], consistency of operators on the ground in the day-to-day management of their businesses is very good practice for us to think about.<sup>63</sup>
- 5.101 Small and medium sized businesses do need support to ensure that they are able to be viable in a competitive marketplace. This support is best placed coming from industry. The lack of experienced of

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61 Hostec, *Submission No. 7*, p. 2.

62 Prof. M. Christie, *Submission Nos. 14 and 14.1*, p. 1.

63 Prof. M. Christie, Murdoch University, *Transcript of Evidence*, 9 March 2007, p. 12.

business operators was consistently cited as a cause of business failure and employee turnover.

- 5.102 The Committee is in support of innovative measures aimed at increasing the professionalism and viability of small to medium sized enterprises. It is aware that many people devote their retirement savings to the establishment of these businesses and thus their failure has serious implications, not only for individuals, but the wider economy.
- 5.103 The Committee encourages the industry to better support entrepreneurial tourism and suggests that international models are considered as ways to increase the business success of new enterprises.

## Taxation issues

- 5.104 The Australian tourism industry is subject to a wide range of taxes, charges and levies, some of which apply only to the tourism sector. Dominated by SMEs, the industry is particularly vulnerable to the compliance and operational costs imposed by taxation complexity and other regulatory requirements.
- 5.105 While it is the responsibility of industry to invest in its future through innovation, training and retention strategies, government imposed costs can be a constraint on the resources of business to review and improve practices. At the same time, strategically targeted taxation incentives and concessions can help drive investment and build capacity for recruitment, training and professional development as well as service diversification.
- 5.106 As part of its business tax reform agenda the Australian Government has introduced measures which will provide relief and assistance to tourism SMEs in a number of key areas, such as in fringe benefits taxation, capital assets depreciation, and capital gains tax for domestic and international investors.<sup>64</sup>

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64 The Treasury, *Continuing Business Tax Reform, Budget 2006-07*, accessed 30 April 2007, <budget.gov.au>.

## Fringe benefits taxation

- 5.107 There was a particular focus in submissions on the need for fringe benefit taxation (FBT) relief to assist with seasonal employment demands and the additional burdens experienced by rural and regional tourism operators.
- 5.108 FBT is part of the general taxation regime applying to the tourism sector. FBT applies to all non salary payments provided to employees and may include any 'right, including property right, privilege, service or facility'. While there are no entertainment fringe benefits, holidays and meals, transport or accommodation benefits associated with entertainment may be counted as property fringe benefits, depending on the nature of the gift.<sup>65</sup>
- 5.109 Accommodation, board, entertainment, transport and other related benefits are frequently offered by tourism operators to attract and retain staff, particularly in regional and remote areas. In addition, holiday and food voucher incentives may be offered under employee reward schemes.<sup>66</sup>
- 5.110 Given the nature of tourism services, it is clear that FBT may impinge on the industry's capacity to use its key asset to address skill and labour shortages, making it less competitive with other sectors.
- 5.111 Operators in regional and remote areas, in particular, experience strong competition from the mining sector which offers wages and benefits, such as fly-in fly-out employment, which are unmatched by tourism and hospitality businesses. At the same time, the tourism industry experiences the same peaks and troughs as primary producers, which at present receive generous FBT exemption packages.<sup>67</sup>
- 5.112 Tourism stakeholders therefore made strong representations for FBT concessions to apply more generously to the sector.
- 5.113 FBT exemptions allow for concessional treatment which may reduce or cancel out the amount of FBT payable. Exemptions apply to remote businesses and include concessions on provision of housing, meals, holiday, transport, relocation assistance and living away from home allowances.<sup>68</sup>

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65 ATO, *Reportable Fringe Benefits Tax: – Facts for Employees*, pp. 2–5.

66 See for example, Hayman Island, *Submission No. 56*, p. [3].

67 Voyages, *Submission No. 33*, p. [2]; Tourism NT, *Submission No. 39*, p. 5.

68 ATO, *Fringe Benefits Tax: a Guide for Employers*, pp. 144–54.

5.114 Tourism and Transport Forum (TTF) Australia submitted:

Our main difficulty is the location of our properties and making it attractive for employees to live and work in these locations. The vast majority of employees come to our properties to save as much money as they can. If they were provided more incentives to work in remote regional areas through the taxation system we may be able to attract more applicants. We could offer staff more incentives to leave properties and visit nearby cities if fringe benefit tax implications were changed, thereby retaining their labour for longer periods than we currently do.<sup>69</sup>

5.115 Voyages Hotel group provided a case in point. Its Lizard Island resort can only be accessed by flights from Cairns, so staff must be provided with accommodation and travel. Voyages advised that staff exit surveys have indicated that retention would improve if staff were able to travel from the island more frequently. Relief from FBT would allow the resort to offer more free flights to staff.<sup>70</sup>

5.116 FBT adjustments would therefore be a very effective lever to reduce pay disparities between tourism and other sectors, as well as to address other workforce challenges in regional and remote locations.

5.117 In the 2006–07 Budget, changes were made to FBT requirements which will provide operators with some relief, including from the compliance burden associated with the processing of FBT.<sup>71</sup>

5.118 FBT is only paid, and records kept, when the grossed-up taxable value of the benefits received by a particular employee exceeds the fringe benefits reporting exclusion threshold.<sup>72</sup> In 2006, the FBT rate, by which the grossed calculation is made, was lowered from 48.5 to 46.5 per cent.<sup>73</sup>

5.119 The 2006–07 Budget also introduced a number of measures, to commence from April 2007:

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69 Ms K. Davidson, TTF Australia, *Transcript of Evidence*, 7 December 2006, p. 12.

70 Voyages, *Submission No. 33*, p. [6].

71 Australian Government, Budget 2006–07, *Appendix B: Tax Reform and Budget Measures in the 2006-07 Budget*, p. 9, accessed February 2007, The Treasury, <[budget.gov.au/2006-07/ministerial/html/treasury-08](http://budget.gov.au/2006-07/ministerial/html/treasury-08)>.

72 ATO, *Fringe Benefits Tax: a Guide for Employers*, p. 9.

73 Aligned with the highest marginal rate of income tax, plus the Medicare Levy ATO, *FBT Rates and Thresholds*, accessed February 2006, <[ato.gov.au?printaspa?doc=/content/76140](http://ato.gov.au?printaspa?doc=/content/76140)>.

- the FBT threshold was raised from \$1 000 to \$2 000;
- the minor benefits exemption threshold was increased from \$100 to \$300; and
- the in-house fringe benefit tax-free threshold was raised from \$500 to \$1 000.<sup>74</sup>

5.120 In-house fringe benefits allow employers to provide a good or service to an employee that is identical or similar to that provided by the employer's business, and so the above amendments will directly improve the capacity of operators to provide more incentives to staff.<sup>75</sup>

5.121 These changes will advantage the very diverse range of small businesses operating in the tourism industry. However, the Committee is of the opinion that, in view of the very considerable pressures exerted by growth in other sectors of the economy, an assessment and review of FBT exemptions for remote and regional tourism operators should be conducted, with a view to providing greater relief and assistance.

### Recommendation 24

**The Committee recommends that the Australian Government assess the extent to which fringe benefits taxation exemptions apply, and are accessed, by remote and regional tourism operators and review these arrangements to ensure they are adequate to assist the industry in employee retention.**

### Tax arrangements for seasonal employment

5.122 The Committee recognises that there are a number of other possible areas for further taxation incentives and concessions to address the seasonal nature of employment.

5.123 Seasonal work often involves extended hours in peak periods, followed by long down times. In light of this, submitters supported

74 Australian Government, The Treasury, Budget 2006-07, *Appendix B: Tax Reform and Budget Measures in the 2006-07 Budget*, p. 9, accessed February 2007, <[budget.gov.au/2006-07/ministerial/html/treasury-08](http://budget.gov.au/2006-07/ministerial/html/treasury-08)>.

75 ATO, *Fringe Benefits Tax: a Guide for Employers*, p. 9.

the National Tourism Investment Strategy recommendation that tax averaging arrangements be introduced for rural and remote tourism operators, similar to arrangements available to primary producers. This would 'ensure the tax paid by these operators is comparable to tax paid by those on similar but regular incomes'.<sup>76</sup>

- 5.124 The Committee also endorses this proposal believing it offers both employers and employees the greatest flexibility, and will encourage business growth and employee retention.

### Recommendation 25

**The Committee recommends that the Australian Government introduce tax averaging arrangements for rural and remote tourism operators similar to arrangements available to primary producers, to ensure the tax paid by these operators is comparable to tax paid by those on similar, but regular, incomes.**

## Investment and depreciation incentives

- 5.125 The Australian tourism industry has received international accolades for the range and attractiveness of its tourism products. However, there are very considerable risks that, without growing investment in the sector, the capacity to deliver the quality of service expected will not be achievable.
- 5.126 The following measures introduced by the Australian Government, will encourage international and domestic investment in tourism:
- the removal of capital gains tax for international investors on the sale of some Australian assets; and
  - amendment of the Income Tax Assessment Acts to streamline the tax treatment of private sector investment in infrastructure projects.<sup>77</sup>
- 5.127 Building and maintaining tourism and travel assets are a major and continuing expenditure for tourism operators. Submitters welcomed

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76 Australian Ski Areas Association (ASAA), *Submission No. 9*, p. 15; Tourism WA, *Submission No. 62*, p. 42.

77 ASAA, *Submission No. 9*, p. 15.

and endorsed the recognition of this in the National Tourism Investment Strategy, which recommended review of tax depreciation schedules for hotel furniture and furnishings and for landscaping, clearing and site improvements.<sup>78</sup>

- 5.128 Of particular merit, given the concerns about the operational capacities of regional air services, are reforms for management of regional aviation fleets, including 'depreciation smoothing', capital gains tax exemption for aircraft replacement, and revision the definition of economic life of small aircraft used for regional purposes to five years from the current ten years.<sup>79</sup>
- 5.129 The Committee commends these recommendations for further evaluation by the Australian Government.

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78 DITR, *National Tourism Investment Strategy: Investing for Our Future*, March 2006, pp. 29-30.

79 Tourism WA and WA Tourism and Hospitality Skills ITC, *Submission No. 9*, p. 42; ASAA, *Submission No. 9*, p. 15.





## Conclusion

- 6.1 This inquiry has come at an important time for the industry. Australia is a peak destination for tourists, and has consistently improved its performance against international standards and benchmarks.
- 6.2 Strong growth is predicted for the tourism sector, with anticipated growth in both inbound and domestic tourism. Regional areas are expected to be an expanding market for domestic tourism, leading to growth in niche markets and new tourism experiences on offer.
- 6.3 However, it is also a time of sustained economic growth for the country generally. Consequently, demand for skills and labour is at a premium. The growth in the resources sector, with the resultant premium wages paid for skilled staff, has adversely affected the competitiveness of the tourism sector.
- 6.4 The tourism sector also faces international competition for market share and skilled employees. The increasingly mobile population, while good for tourism, is also a drain on the available workforce.
- 6.5 The most significant workforce challenge facing the tourism industry is to improve employee retention. Turnover is costly, and the industry will fail to thrive while it has an acceptance of such a high turnover culture.
- 6.6 The Committee makes recommendations aimed at improving the position of the industry to better understand its workforce challenges. Data compilation and analysis needs to be improved as does the industry's ability to utilise this data effectively.

- 6.7 Easing the pressure of labour shortages is more challenging. The seasonal nature of most tourism experiences means that there are significant peaks and troughs in employment demand. However, because of the size and diversity of experiences available, there is scope for opposing seasons to work collaboratively to share a common workforce.
- 6.8 Unfortunately, the lack of industry coordination, due to its high percentage of small owner operated businesses, means that these opportunities are often missed. Accordingly, the Committee has recommended the development of a seasonal workforce management plan to assist industry cooperation.
- 6.9 Skills demands are a persistent challenge facing the industry. The shortages of chefs are well documented. However, the Committee found that there are skills demands across the full range of industry jobs. Skills demands in remote and regional areas are particularly severe and the Committee discusses the main causal factors for these shortages.
- 6.10 Because many tourism destinations are in remote and regional areas, the Committee has recommended the development of a destination management planning resource that also addresses community infrastructure to make these destinations more attractive for permanent residents.
- 6.11 Migrant labour was discussed at length throughout the inquiry. These issues are discussed in the report with recommendations made addressing the processing of visas, and amendments to the working holiday maker scheme and student visas to better support the tourism industry.
- 6.12 The report discusses the limitations of the Migration Occupations on Demand List and its exclusion of the particular skills required for certain positions in the tourism industry. The Committee recommends that the qualification criteria of the Migration Occupations on Demand List be amended to include the skilled occupations in demand in the tourism industry.
- 6.13 The report discusses the industry call for a seasonal visa for low-skill positions. The Committee recommends the establishment of a taskforce to examine further flexibilities in the immigration program to alleviate some of the labour pressures facing regional and remote businesses.

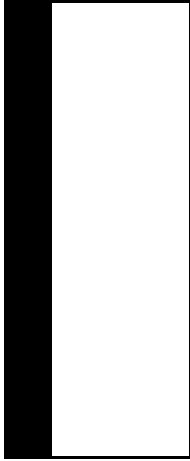
- 6.14 The recruitment and retention practices in the industry are highly variable. This is in part based on the number of small and medium sized operators with little or no human resource management experience. The industry as a whole needs to work collectively to support better recruitment and retention practices to try to reduce turnover and keep dedicated people within the industry.
- 6.15 To improve the industry image and develop better career paths, the Committee has recommended the establishment of a leaders forum to take responsibility for these issues.
- 6.16 There is a pool of potential employees that are not being exploited by the industry, as they are beyond its traditional workforce. The report recommends support to identify the barriers to the employment of older workers, particularly those already travelling Australia as 'grey nomads'.
- 6.17 Indigenous tourism is potentially a boom niche market for Australian tourism. The Committee was extremely impressed with a number of initiatives it saw in Queensland, however, recognises that there are barriers to employment growth, training and investment in this sector. The report therefore recommends an inquiry into the opportunities for Indigenous tourism growth.
- 6.18 Recommendations are made aimed at increasing employer knowledge of the connections between turnover costs and retention strategies. The report also recommends a scheme aimed at jurisdictional portability of long service leave.
- 6.19 Training is discussed at length. Industry commitment to training delivery needs to be improved and the report makes a series of recommendations aimed at training funding models based on recognised competencies achieved rather than time served.
- 6.20 The tourism professions are not highly recognised outside of, and sometimes within, the industry. The report recommends the establishment of a professional tourism body that is responsible for formal recognition of qualifications, and lifting the profile of careers in the industry to an international standard.

- 6.21 Finally, the report discusses areas where both the Government and industry can be more innovative. Taxation issues are discussed at length and the Committee calls on the Government to give the same recognition to the tourism industry as it does to primary producers in its taxation treatment. Fringe benefits taxation relief is recommended and the recommendations of the National Tourism Investment Strategy are endorsed.
- 6.22 The Committee is positive, that with commitment and effort, and better industry collaboration, the workforce challenges facing it will be overcome.
- 6.23 The Committee travelled to a number of regions of Australia and experienced a range of accommodation and services. There are widely varying standards in service throughout Australia and some parts of the industry have much to learn in order to survive competitively. There are also outstanding examples of innovation and professionalism.
- 6.24 The Government and industry each have their role to play to ensure the ongoing competitiveness of the Australian tourism industry. However, the community also has a role to play in supporting the industry. This role is the easiest recommendation that the Committee has to make.
- 6.25 The Committee recommends that more people take a holiday, and see Australia.

Hon Gary Hardgrave MP

Chair

18 June 2007



## Additional comments

### **Mr Chris Hayes MP, Ms Jill Hall MP, Mr Brendan O'Connor MP, Hon Roger Price MP**

- 1.1 The consistent message from both tourism industry operators, employer representative bodies and employee representatives is that two challenges lay at the heart of the workforce challenges in the Australian tourism sector, the first being the employment conditions of the industry and the second being access to training.
- 1.2 This industry wide view was supported by research of the Sustainable Tourism CRC's which noted in its submission to the Committee that turnover rates within the hotel industry were between 39 per cent and 84 per cent depending on the level of the role. The CRC also found that:

the main reasons for employee turnover being the low pay, poor working hours and the need to search for better career opportunities.<sup>1</sup>
- 1.3 While the Committee report has considered these issues in depth, the focus of much of the consideration of the workforce issues in the industry has considered the industry in light of *employers*. Labor

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1 Sustainable Tourism CRC (STCRC), *Submission No. 16*, p. 7.

members of the Committee feel that the needs of *employees* deserve further consideration.

## WorkChoices – Helping a Low Pay industry lower pay

1.4 Tourism is not a high paying industry. The reputation of the tourism industry as an industry of hard work, bad conditions and relatively low pay was not disputed by operators, employer representatives or employee representatives. This is evidenced below.

1.5 The South Australian Tourism Commission commented:

You talk about lousy wages and bad conditions and I do not think we did say that, but I know what you are saying. You are saying that the industry is not renowned for being big payers. They are renowned for paying people to do a job and expecting a pound of flesh for it, to use that phrase.<sup>2</sup>

1.6 The City of Mandurah (Western Australia) noted:

The tourism industry is beset with demanding working conditions (including comparatively low pay and 'antisocial' hours) which makes it much less attractive to people looking for work in a competitive employment market and to which the high levels of turnover in the industry may be partially attributed.<sup>3</sup>

1.7 The Chamber of Commerce and Industry (WA) described how:

The tourism sector is characterised by high service and relatively low pay. As a consequence, many tourism staff (skilled, semi-skilled and unskilled) are being enticed by the lucrative salaries offered by the resources sector for seemingly similar work.<sup>4</sup>

1.8 Reflecting the attitude of some employers were the comments of Mr Peter Olah of the Hotels and Motels Association who indicated to the Committee that there are regular breaches of employment law and 'nonadherence to award conditions in parts of the industry'.<sup>5</sup> Accordingly the Association had rationalised that WorkChoices assisted the industry as it made legal the actions of those previously

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2 Mr P. Styles, SA Tourism Commission, *Transcript of Evidence*, 30 March 2007, p. 52.

3 City of Mandurah, *Submission No. 29*, p. 2.

4 Chamber of Commerce and Industry WA, *Submission No. 45*, p. 6

5 Mr P. Olah, Hotel, Motel and Accommodation Association, *Transcript of Evidence*, 30 March 2007, p. 26.

breaching the law. It is disappointing that one of the peak organisations has taken such an approach to the application of WorkChoices.

1.9 The evidence on the negative use and negative impact of WorkChoices was supported by evidence from the unions regarding coverage of employees in the tourism industry.

1.10 In evidence to the Committee, Ms Jo Justo of the Australian Services Union noted:

People are drifting out of the industry because their jobs are not or do not appear to be sustainable and employers are constantly attacking their wages and conditions.<sup>6</sup>

1.11 The union representatives who appeared before the Committee noted that the problems of low wages and conditions have been exacerbated under WorkChoices.

1.12 Mr Neal Swancott of the Liquor, Hospitality and Miscellaneous Works Union noted:

The pattern is in essence the abolition of weekend penalties and the payment of employees of the Monday to Friday, nine to five rate of pay for all hours that they work, whether they be Sunday night, Saturday night, early Sunday morning or whatever. In some agreements there is additional payment for work on public holidays, but not in all.<sup>7</sup>

1.13 Mr Swancott went on to note:

You could use Work Choices to pay somebody a higher salary instead of bundy clocking and time sheeting and what have you. The trust is that these agreements provide the award rate and simply eliminate the penalty rates. There is no additional amount that is identifiable at all for the lost benefits.<sup>8</sup>

1.14 Further, Mr Swancott noted that 'the minimum rates are the actual rates.'<sup>9</sup> Problems with the bargaining process were also noted.

1.15 The Australian Workers' Union of Employees, Queensland, noted:

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6 Ms J. Justo, Australian Services Union (ASU), *Transcript of Evidence*, 30 March 2007, p. 72.

7 Mr N. Swancott, Liquor, Hospitality and Miscellaneous Works Union (LHMU), *Transcript of Evidence*, 30 March 2007, p. 29.

8 Mr N. Swancott, LHMU, *Transcript of Evidence*, 30 March 2007, p. 29.

9 Mr N. Swancott, LHMU, *Transcript of Evidence*, 30 March 2007, p. 40.

The new Work Choices legislation has exacerbated the problem as employers have use the new and dramatically strengthened bargaining position over the workers to the point that in many instances genuine bargaining over wages and conditions does not actually occur at all.<sup>10</sup>

- 1.16 There is no doubt that WorkChoices is making it easier for the wages of already low paid employees to be driven down further. This is a trend that is unlikely to change in the short term. The Cairns Business College noted:

The preponderance of low-paid, insecure, part-time and casual jobs in the tourism-related industry is likely to continue. This likelihood can be traced to the 27 March, 2006 *WorkChoices* amendments to the *Workplace Relations Act* – particularly in relation to Award rights, but also in relation to unfair dismissal rights.<sup>11</sup>

- 1.17 Although WorkChoices has been used as a means to cut costs, in particular through the removal of penalty rates, in the tourism sector the application of Work Choices has not simply been limited to efforts to drive down wage costs.

- 1.18 In its evidence to the Committee, Mr Bill Healey of the Australian Hotels Association noted:

**Mr Healey** – We cannot go below that and we have to live with it. But, for example, you talked about flexibility and raised the issue about seasonal work. The answer might be that someone in Jindabyne has a 12-month job where they work 45 hours a week during the ski season and 15 hours a week during the summer for a guaranteed income, and that person may want that. That has been tried.

**CHAIR** – So there are examples of that now taking place?

**Mr Healey** – Yes, in some places.<sup>12</sup>

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10 Ms S. Winn, Australian Workers' Union of Employees, Queensland (AWU(Q)), *Transcript of Evidence*, 23 November 2006, p.49.

11 Cairns Business College, *Submission No. 63*, p. 8.

12 Mr B. Healey, Australian Hotels Association (AHA), *Transcript of Evidence*, 2 November 2006, p. 15.



1.19 In its submission, Restaurant and Catering Australia noted:

To the extent that these businesses can access the new more flexible workplace relations changes, there are great benefits in moving to agreements under WorkChoices. In particular, possibilities such as averaging weekly hours to 38 across a 12 month period, eliminating penalty rates and cashing out leave (given the relevant mutual concurrence) create ways in which the required flexibility can be obtained. This is particularly important for businesses with longer opening times and seasonal fluctuations and will assist to make restaurant and catering businesses sustainable.<sup>13</sup>

1.20 It is noted that the Government has recently introduced changes to WorkChoices that are aimed at stopping employees having penalty rates removed without adequate compensation. However, given that Mr Olah from the Hotels and Motels Association indicated in his evidence that there has been a history of “nonadherence” to awards, Labor members wonder whether these changes will provide employees with the necessary protections.

## Employee Training

1.21 Low staff retention rates are not solely caused by low wages, but are contributed to by a lack of staff training which adds to the perception that employment in the tourism sector is not starting out on a career path but rather it is the job you have before you get a real job.<sup>14</sup>

1.22 As was the case with issues surrounding wages and conditions, employers, employer organisations and employee representatives noted the direct contribution that a lack of training in the industry had contributed to high staff turnover.

1.23 The problems that result in high staff turnover was most succinctly summarised in the submission from the Australian Workers’ Union of Employees Queensland which noted:

The AWU(Q) repeats that the principle reasons for an inability of employers in the tourism sector to attract and retain employees is,

(a) the poor wages and conditions paid to employees in the industry; and

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13 Restaurant and Catering Australia, *Submission No. 31*, p. 24.

14 Ms V. Smith, *Tourism NT, Transcript of Evidence*, 7 March 2007 p. 7

(b) the failure of employers to invest in training for their employees to provide them with the incentive to enter and stay in the industry.<sup>15</sup>

1.24 In evidence presented to the Committee the Liquor, Hospitality and Miscellaneous Workers Union noted:

**Mr Swancott** – I heard part of Mr Sweetman’s presentation and I agree with large sections of that. One thing that amazes me in this industry is the comment I hear often from employers that if they invest in training then somebody will poach the people they train. Nobody starts the training process in the industry for fear of ... They fear they will not get the return from the investment. There is a cultural problem or a mindset in this industry – and I do not want to unnecessarily slag them off – where they try to drive wages down, even in terms of cents per hour for employees. We have battles over 15c an hour in enterprise bargaining negotiations.

A couple of years ago, when New South Wales introduced compulsory recognition of problem gambling training courses for employees, those courses – the acceptable course for problem gambling and responsible service of alcohol – cost \$60 to deliver. We put a proposal to the Australian Hotels Association that we agree on an award variation in which the employer would refund the cost of the training course if the employee stayed three months, and they knocked it back. In other words, employees have to bear the cost of their responsible gambling and responsible alcohol training. The employer contributes nothing, and in some cases employers are registered training organisation, so they derive a benefit from the process anyway.

It is that mean-spirited approach to investment in training that has always astonished me, particularly with my background. I come from an industry, journalism, where there was significant training investment by employers, and it was considered an essential cost of running the business.<sup>16</sup>

1.25 Staff turnover imposes additional costs on employers. Ms Jo Justo of the Australian Services Union noted that ‘the evidence is clear that the

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15 Australian Workers Union of Employees, Queensland, *Submission No. 59*, p. 16

16 Mr N. Swancott, LHMU, *Transcript of Evidence*, 30 March 2007, p. 43.

staff turnover costs far exceed those of being able to retain employees.’<sup>17</sup>

- 1.26 The difficulties of retaining staff was also noted by industry bodies with the South Australian Tourism Commission who recognised the problem of attracting people with skills sets that could easily be used in other industries. The Commission did note that employers would benefit from retaining staff and that employers should be made more aware of the potential benefits of staff retention.

The work we did in our research indicated different levels of reasons – and different reasons, obviously – why people have left. Some of them were attracted by ‘sexier’ industries. You can have a person driving a tourist coach who has driving skills, and the mining industry says, ‘We’ll pay you three times that salary to drive a truck around the bottom of Roxby Downs.’ I do not know the answer, but we believe it is the responsibility of the industry generally and employers. Employers have to be told, taught and encouraged about the benefits of retaining staff. Considering the cost of retaining a staff member as opposed to the cost of continually training someone, there are lots of benefits in keeping people.<sup>18</sup>

- 1.27 The Australian Workers’ Union of Employees Queensland in evidence to the Committee also noted the lack of training provided to employees:

I have seen some resorts that promote training but I have seen a lot that do not because they say their turnover is too high and they do not want to invest in training if it is going to go elsewhere.<sup>19</sup>

- 1.28 Both employers and unions who provided evidence to the Committee noted that the low-pay in the industry contributes to the situation experienced by many tourism operators that the tourism industry is not an industry of choice but rather an interim means of employment.

- 1.29 The Committee has recommended (Recommendation 23) that the Australian Government task an industry leaders’ forum with the role of establishing a professional tourism body to be responsible for

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17 Ms J. Justo, ASU, *Transcript of Evidence*, 30 March 2007, p. 74.

18 Mr P Styles, SATC, *Transcript of Evidence*, 30 March 2007, p. 50

19 Ms S. Winn, Australian Workers’ Union of Employees, Queensland (AWU(Q)), *Transcript of Evidence*, 23 November 2006, p.49.

formally recognising and accrediting individuals against prescribed qualifications and training.

1.30 It is noted that not all employers in the industry resist the provision of training opportunities. Large organisations and some peak industry bodies have put in place training regimes.

1.31 Restaurant and Catering Australia outlined its approach to the provision of training services for its members, noting:

**Ms HALL** – I am talking about a commitment to a career path.

**Mr Hart** – It also does not necessarily mean that there is not a career path. If you look at the work that we did through the National Skills Shortages Strategy, you will find that a lot of the comments that came through from the workshops we ran suggested that the industry is putting increasing focus on giving career paths for casuals and looking after people who are within their businesses only for a short period of time. They need to hold them for those two to 2½ years to make sure that they can utilise the skills of those people better.

With regard to the question about what are we doing to make sure that businesses are accessing this training and employees are accessing this training within those businesses, there are a whole lot of examples of how we are doing that. One would be our Certified Professional Restaurateurs program that we launched last August. Each of the certified restaurateurs – of which we had 600 applicants in the first two months of launching that program – is embarking on training and recognition of their skills that are within the qualifications framework within the training package. We are ensuring that through that certification program we are embarking on a journey with our members to get them linked into the formal training system and to get them to upskill. We run a whole series of programs around the country through programs like the employer demand demonstration program that links formal qualifications for industry entrants or those moving from welfare to work. So there is a whole series of examples where we are tying in training effort within the industry to the formal training system to ensure that we are putting people onto a career pathway and launching them through

the structure of qualifications and opportunities that our industry presents.<sup>20</sup>

- 1.32 Given the composition of the sector, being primarily small and medium sized enterprises in a highly competitive market, the question remains as to how the attitude to training taken by large organisations or by industry bodies can be replicated by smaller industry operators. The development of the means to encourage widespread participation in training and up-skilling of employees should be a high priority for the industry.
- 1.33 The provision of, and access to, training and advancement opportunities are an important part of career development. Opportunities for advancement separate careers from jobs.
- 1.34 The Committee heard evidence to suggest that opportunities for training and advancement in other industries have also generated loyalty. Accordingly, the attitude of some in the industry that the provision of training will only result in staff being poached and a return on that investment not being delivered could be viewed as a misplaced concern.
- 1.35 The difficulties being experienced by the tourism industry have been encountered by other industries in Australia and it is important that the industry leaders forum consider the experiences of other sectors and consider the approaches that have been adopted to combat the difficulties of loose attachment to workplaces, high staff turnover, limited or no training opportunities, scope for advancement and relative low wages.
- 1.36 The Maritime Union of Australia in its evidence to the Committee noted:
- We say the best opportunity is to give people structured skills based around the competencies developed through training packages.<sup>21</sup>
- 1.37 Training lifts the competency level of the entire workforce and the entire industry. It also creates career paths which are likely to be a significant factor in addressing the relatively loose connection between employees and the sector.

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20 Ms J. Hall MP and Mr J. Hart, RCA, *Transcript of Evidence*, 19 October 2006 p. 5-6.

21 Mr R. Pickett, Maritime Workers Union (MUA), *Transcript of Evidence*, 30 March 2007, p. 57.

- 1.38 This aspect of training is something that members of the industry leaders forum, should the Government adopt the recommendation of the Committee to form this forum, should be mindful of.

## Use of 457 Visas

- 1.39 Labor Committee members also note the recommendations relating to visas and the use of overseas labour in the industry.
- 1.40 On balance these recommendations were considered to be necessary to overcome short term problems associated with labour and skill shortages. The use of overseas labour should not be considered to be the ultimate long term solution for the industry as this will only place further downward pressure on wages and reduce the opportunities to provide training.
- 1.41 The use of 457 visas may assist in overcoming the immediate short term workforce difficulties faced by the industry but it is not a substitute for investment in training and skills development, nor should agreement to these recommendations be considered to be an endorsement of the long term use of 457 visas.
- 1.42 Labor members are concerned at the lack of any departmental follow up of employers utilising 457 visas as outlined to the Committee by the Cairns Chamber of Commerce:

**Mr PRICE** – Exploitation of section 457 visas often comes, as I understand it, in a number of ways – for example, in inflated accommodation and living expenses. You being the certified authority, you are part of the community and probably have a better chance of getting a handle on that rather than the department. Have you had any evidence of that?

**Mr Whyte** – No, we have not, and I keep asking the department for problem cases in our area and they tell me, ‘No, you don’t have any.’ I think one issue with this is that Immigration has a set of parameters that it needs to work on. If someone breaks those rules then they should be punished. What is not occurring is the monitoring by the department, and some of these situations probably get out of hand. We make it very clear to employers that they will get inspected during that time, but to be honest with you it is a very low

proportion. We just try to put the fear of God into some of them so that they do the right thing.<sup>22</sup>

- 1.43 In order to minimise the potential for exploitation that is possible under the 457 visa system, it is important that the Department of Immigration and Citizenship actively monitor the use of this visa class.

## Concluding Comments

- 1.44 The tourism industry by its very nature is a collection of small to medium sized enterprises in a highly competitive market. The Australian tourism industry does not have some of the geographic advantages of some other countries as those who visit Australia must make the deliberate decision to do so.
- 1.45 The Committee report and the adoption of its recommendations will assist in the development of the industry and will address the challenges facing it. Labor members agree that these recommendations will provide an important building block for the industry.
- 1.46 It is essential that in such a labour intensive industry that the needs of employees are not ignored.
- 1.47 The industry is currently grappling with skills and labour shortages and low staff retention and some of these issues will only be dealt with by an industry wide approach. Simply adopting the attitude that flexibility can only be introduced by cutting wages will not make the industry more attractive to current or future employees, such an approach will only act to entrench the idea that the tourism industry is an industry in which to find a job not an industry to embark on a career.
- 1.48 The Committee has heard evidence from both sides of the employment relationship that the flexible approach that has been enabled by WorkChoices has generally resulted in further reductions in take home pay. This may assist individual enterprises in the short term but does not assist the industry, it is noted that, given the composition of industry operators it is difficult and often cost prohibitive for individual small businesses to fund training. This

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22 Hon R. Price MP and Mr S. Whyte, Cairns Chamber of Commerce, *Transcript of Evidence*, 22 November 2006, pp. 30-31.

should not be used as an excuse by the industry to limit or discourage the provision of staff training.

- 1.49 While Labor members believe that employers do bear some of the responsibility for the provision of adequate training, the tourism sector is in a relatively unique position to be able to enhance its own potential through a collaborative approach to training. This opportunity should be actively pursued not only for the sustainability of the industry but also for the employees involved and for the industry's place in the national economy.
- 1.50 The tourism industry needs to come together and deal with the issues revolving around skill and labour shortages, industry training and wages. While the competitive nature of the industry and the predominance of small and medium sized operators cannot be ignored, it is more likely that the whole industry will benefit by adopting an approach in which there is portability of the recognition of both training/accreditation and portability of entitlements.
- 1.51 It would be short-sighted to consider the national or international portability of skills to be adequate compensation for the relatively uncompetitive wages and a lack of opportunities for ongoing training and advancement. The seasonal nature of the industry, the demands placed on employees and the fact that highly skilled employees in the industry are in demand around the world needs to be taken into account when considering the workforce issues faced by the tourism industry in Australia.





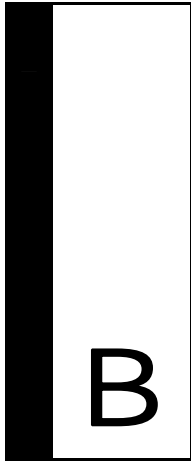
## Appendix A – List of submissions

- 1 Ms Margaret Lesjak
- 2 Buffalo Brewery
- 3 MyHealth Australia
- 4 University of Technology Sydney – School of Leisure, Sport and Tourism
- 5 La Trobe University – School of Sport, Tourism and Hospitality Management
- 6 Seashells Hospitality Group
- 7 Hostec
- 8 Australian Airports Association Ltd
- 9 Australian Ski Areas Association
- 10 Liquor, Hospitality and Miscellaneous Union
- 10.1 Liquor, Hospitality and Miscellaneous Union
- 11 Mr Robert Wesley
- 11.1 Mr Robert Wesley
- 12 Victorian Tourism Industry Council
- 13 Professor Neil Leiper
- 14 Professor Michael Christie
- 14.1 Professor Michael Christie

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- 15 Hamilton Island Resort
  - 16 Sustainable Tourism CRC
  - 17 Department of Employment and Workplace Relations
  - 17.1 Department of Employment and Workplace Relations
  - 18 Furnished Property Industry Association
  - 19 Australian Regional Tourism Research Centre
  - 20 Queensland Tourism Industry Council
  - 21 Southern Cross University – School of Tourism and Hospitality Management
  - 22 National Centre for Vocational Education and Research
  - 23 Mrs Rosemary Young
  - 24 Tourism Alliance Victoria
  - 25 Mirambeena Resort Darwin
  - 26 Mr Nick Pastalatzis
  - 27 Tourism Whitsundays
  - 28 Maritime Union of Australia
  - 29 City of Mandurah
  - 30 Industry Advisory Board
  - 31 Restaurant and Catering Australia
  - 32 Services Skills Australia
  - 33 Voyages Hotels and Resorts
  - 34 South Australian Tourism Commission
  - 35 Whitsunday Charter Boat Industry Association
  - 36 Tourism Industry Council Tasmania
  - 37 TTF Australia Ltd
  - 37.1 TTF Australia Ltd
  - 38 Indigenous Business Australia
  - 39 Tourism NT
  - 40 Australian Services Union

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- 41 Tourism Tropical North Queensland
  - 42 Department of Foreign Affairs and Trade
  - 42.1 Department of Foreign Affairs and Trade
  - 43 Australian Hotels Association
  - 44 Campervan and Motorhome Club of Australia
  - 45 Chamber of Commerce and Industry of Western Australia
  - 46 Young Australians Tourism Association
  - 47 Department of Immigration and Multicultural Affairs
  - 48 New South Wales Government
  - 49 CONFIDENTIAL
  - 50 Tour Guides Western Australia Inc.
  - 51 Australian Tourism Export Council
  - 52 Whitsunday Shuttle Service
  - 53 Guiding Organisations Australia
  - 54 Daydream Island Resort and Spa
  - 55 Department of Industry, Tourism and Resources
  - 55.1 Department of Industry, Tourism and Resources
  - 56 Hayman
  - 56.1 Hayman
  - 57 Victorian Government
  - 58 Tourism and Hospitality Skills ACT and Region
  - 59 Australian Workers Union of Employees, Queensland
  - 60 Department of Education, Science and Training
  - 60.1 Department of Education, Science and Training
  - 61 Wet Tropics Management Authority
  - 62 Tourism Western Australia and Western Australian Hospitality and Tourism Industry Training Council Inc.
  - 63 Cairns Business College
  - 64 Hotel Motel and Accommodation Association

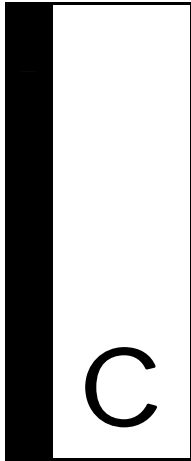
- 65 Association of Marine Park Operators Ltd
- 66 Scubaversity
- 67 Service Skills Victoria
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- 69 Australian Hotels Association, Western Australia



## Appendix B – List of exhibits

- 1 Ms Margot Homersham  
*Skill shortages and training needs – travel and tourism sectors*
  
- 2 Passions at Paradise  
*Speaking notes*
  
- 3 Djabugay Tours  
*Correspondence and newspaper article*
  
- 4 Victorian Employers' Chamber of Commerce and Industry  
*Survey results summary*
  
- 5 International College of Advanced Education  
*Course brochures*
  
- 6 Industry Advisory Board  
*School brochure*





## Appendix C – List of hearings, witnesses and inspections

Thursday, 12 October 2006—Canberra

### **Indigenous Business Australia**

Mr Ian Myers, Deputy General Manager

Ms Valerie Price-Beck, Acting Assistant General Manager,

Ms Kaely Woods, Assistant General Manager, Policy and Partnerships

Dr Kamal Singhe, Policy and Research Advisor

Thursday, 19 October 2006—Canberra

### **Restaurant and Catering Australia**

Mr John Hart, Chief Executive Officer

Thursday, 2 November 2006—Canberra

### **Australian Hotels Association**

Mr Bill Healey, Director, National Affairs

Wednesday, 22 November 2006—Cairns

**Australian Marine Training Network**

Mrs Margie McKenzie, Chairperson

Mr Alan Wallish, Chairperson, Cairns Marine Tourism Skills  
Formation Strategy

**Cairns Chamber of Commerce Inc.**

Mr Alexander (Sandy) Whyte, Executive Officer

**Port Douglas Daintree Tourism Ltd**

Mr Ken Dobbs, Chairperson

**Tourism Tropical North Queensland**

Mr Robin Giason, Chief Executive Officer

**Wet Tropics Management Authority**

Mr Max Chappell, Acting Executive Officer

Thursday, 23 November 2006—Cairns

**Cairns Business College Ltd**

Ms Conni Fuerst, Deputy Principal

**Djabugay Tours**

Mr Willie Brim, Chairperson

**Queensland Tourism Industry Council**

Mr Daniel Gschwind, Chief Executive Officer

**Australian Workers Union of Employees (Queensland)**

Ms Sharon Winn, Organiser

**Tjapukai Aboriginal Cultural Park**

Mr Don Freeman, Director

Ms Judy Freeman, Director

**Site visits**

Tjapukai Aboriginal Cultural Park

Deep Sea Divers Den



Friday, 24 November 2006—Hamilton Island

**Daydream Island Resort and Spa**

Ms Sarah Power, Human Resources and Training Manager

**Hamilton Island Enterprises Ltd**

Mr Craig Davidson, Resort General Manager

Mr Ben McCarron, Recruitment, Training and Development Manager

**Hayman**

Mr Wayne Milgate, Resort Manager

Mr Roger Wright, General Manager

Miss Erin Dalton, Director of Human Resources

**Association of Marine Park Operators Ltd**

Mr David Windsor, Executive Director

Mr Craig Davidson, Director

**Tourism Whitsundays**

Mr Matthew Williams, General Manager

Mr Ian Bone, Project Officer

**Site visits**

Hamilton Island – staff accommodation

Thursday, 7 December 2006—Canberra

**Tourism Transport Forum (TTF) Australia Ltd**

Ms Kate Davidson, National Manager, Research

Dr Mark Dimech, National Manager, Aviation and Education

Friday, 9 February 2007—Melbourne

**Private capacity**

Mrs Lynne Furness

Mrs Rosemary Young

**Australian Airports Association Ltd**

Mr Ken Keech, Chief Executive Officer

**Australian Ski Areas Association**

Mr Andrew Ramsey, Executive Director

Ms Elaine Burridge, Human Resources Manager, Mount Hotham Skiing Company Pty Ltd

Mrs Jennifer Eisner, Administration Supervisor, Ski and Snowboard School, Buller Ski Lifts Ltd

Miss Lyn Gibbs, General Manager, Falls Creek Ski Lifts Pty Ltd

Mr Carmine Mancuso, Administration Manager, Buller Ski Lifts Ltd

**National Centre for Vocational Education and Research**

Dr Tom Karmel, Managing Director

**Sustainable Tourism CRC**

Prof. Margaret Deery, Principal Research Fellow

**Tourism Alliance Victoria**

Mr Nicholas Hunt, Chief Executive Officer

Ms Karon Hepner, Group Human Resources Development Manager, Compass Group (Australia)

Mr John Sweetman, Director, Service Skills Australia

Mr Ian Nicolson, Chief Executive Officer, Service Skills Victoria

Miss Lucy Hooper, Project Officer, Service Skills Victoria

**Victorian Tourism Industry Council**

Ms Bindi Gove, Manager, Tourism Industry Development, Victorian Employers' Chamber of Commerce and Industry

Ms Katherine Salih, Policy Officer

Thursday, 15 February 2007—Canberra

**Department of Foreign Affairs and Trade**

Mr Ric Wells, Acting First Assistant Secretary, Trade Development Division

Mr Nic Brown, Assistant Secretary, Trade and Economic Analysis Branch, Trade Development Division

Ms Jane Madden, Assistant Secretary, Services and Intellectual Property Branch, Office of Trade and Negotiations

**Department of Immigration and Citizenship**

Ms Jacqueline Daly, Director, Business Employment Section

Mr Peter Job, Director, Working Holiday and Sponsored Training

Thursday, 1 March 2007—Canberra

**Department of Employment and Workplace Relations**

Ms Louise McSorley, Assistant Secretary, Industry Strategies Branch

Mr Ivan Neville, Assistant Secretary, Labour Supply and Skills Branch

Ms Colette Shelley, Assistant Secretary, Industries Branch

Mr Michael Manthorpe, Group Manager, Labour Market Strategies Group

Wednesday, 7 March 2007—Darwin

**International College of Advanced Education**

Mr Bryan Chapman, Marketing Manager

**Private capacity**

Mr Michael Scott

**Tourism Northern Territory**

Ms Valerie Smith, Manager Special Projects, Strategic Services and Business Tourism

**Site visit**

Crocodylus Park, Wildlife Research and Education Centre

Thursday, 8 March 2007 (Roundtable)—Broome

**Australia's North West Tourism**

Mr Glen Chidlow, Chief Executive Officer

**Broome Visitor Centre**

Miss Brooke Clapton, Assistant Manager and Staff Supervisor

**Cable Beach Club Resort**

Mr Ronald Sedon, General Manager

**Shire of Broome**

Mr Ian Bodill, Chief Executive Officer

Mr Graeme Campbell, Shire President

**Tourism Western Australia**

Mr Vaughan Davies, Kimberley Regional Manager

**Site visit**

Willie Creek Pearls – facilities

Friday, 9 March 2007—Swan Valley (Western Australia)

**Private capacity**

Mr Robert Wesley

**Australian Hotels Association, Western Australia**

Ms Angela Lynch, Employment Relations Manager

**Chamber of Commerce and Industry of Western Australia**

Ms Marcia Kuhne, Manager, Workplace Relations Policy

Mr Trevor Lovelle, Manager, Industry Policy

**City of Mandurah**

Mr Scott Mills, Manager, Economic Opportunities

**Industry Education Advisory Board**

Mr Scott Cogar, Chairperson and Chief Executive Officer, Broadwater Hotels and Resorts

**Murdoch University**

Professor Michael J. Christie, City of Mandurah Chair in  
Entrepreneurship and Business Innovation

**Tour Guides Western Australia Inc.**

Mrs Cherie Toovey, President

Ms Ellen Bradley, Secretary

**Tourism Western Australia**

Ms Kate Lamont, Chairperson

**Western Australian Hospitality and Tourism Industry Training Council Inc.**

Ms Anthea Kilminster, Executive Officer

**Young Australians Tourism Association**

Miss Kara Cownie, Treasurer

Thursday, 22 March 2007—Canberra

**Department of Education, Science and Training**

Mr Matthew Davies, Assistant Secretary, Skills Branch, Industry Skills  
Development Group

Ms Catherine Wall, Assistant Secretary, Australian Technical Colleges  
Branch, National Training Directions Group

Ms Mary Johnston, Acting Group Manager, Industry Skills  
Development Group

**Tourism and Hospitality Skills ACT and Region**

Mr Stuart Walsh, Chairperson

Mr Joseph Griffiths, Chairperson, Tourism Industry Council ACT and  
Region Ltd

Thursday, 29 March 2007—Canberra

**Department of Industry, Tourism and Resources**

Dr Peter Tucker, General Manager, Industry Sustainability Branch,  
Tourism Division

Mr Peter Van Rens, Manager, Industry Liaison Team, Industry  
Sustainability Group, Tourism Division

Friday, 30 March 2007—Sydney

**South Australian Tourism Commission**

Mr Phillip Styles, Consultant

**Australian Services Union**

Ms Jo Justo, National Industrial Officer

**Campervan and Motorhome Club of Australia**

Mr William Osborne, General Manager

Mr Bruce Treloar, Director

Mrs Diana Worner, Director

Mr Tony Charters, Consultant

**Hostec**

Mr Raman Nambiar, Director

Mr Andrew Ugarte, General Manager, Education and Training

**Hotel Motel and Accommodation Association**

Mr Peter Olah, National Affairs Manager

**Liquor, Hospitality and Miscellaneous Union**

Mr Neal Swancott, National Legal Coordinator

**Maritime Union of Australia**

Mr Rod Pickette, Communications and Research Officer

**School of Sport, Tourism and Hospitality Management – La Trobe  
University**

Professor Hans Westerbeek, Head of School

**Service Skills Australia**

Mrs Susan Briggs, Tourism and Hospitality Industry Specialist

Mr John Sweetman, Chairperson