



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

Workforce Challenges in the Tourism Sector

The tourism industry is a key contributor to Victoria's wealth. It supports over 160,000 jobs throughout the State, 60,000 of which are in regional Victoria.

With the unemployment rate at a generational low, and strong growth in other industry sectors, operators in the tourism industry are increasingly reporting difficulties in attracting skilled and experienced staff. These shortages are occurring across a range of areas within the broad tourism industry, but particularly in segments such as restaurants and catering; hospitality; and accommodation.

The tourism industry is expected to experience strong growth over the next ten years, predominantly from an increase in international visitors. Action is needed now to address workforce issues and ensure the industry has the ability to cater to the needs of visitors now and into the future.

Industry Trends

The tourism industry is expected to experience strong growth over the next 10 years. A historically high rate of world economic growth is likely to result in a strong increase in revenue from inbound tourism. Between 2006 and 2015, the Tourism Forecasting Committee expects the Total Inbound Economic Value of international visitation to grow at a real rate of 7.1 per cent per annum, comprising an average 5.5 per cent increase in the number of visitors and an increase in the average spend per visitor. In particular, the value of visitation from China is expected to grow at an average rate of 15.7 per cent per annum, and this is a challenge for which the tourism industry must prepare now.

Over the same time horizon, domestic tourism is expected to be stable. The Tourism Forecasting Committee expects average growth in value of 1.3 per cent per annum in domestic tourism between 2006 and 2015, with a trend towards shorter, higher yielding trips. The average propensity to travel is expected to fall over this period.

What this means is that the tourism industry needs to prepare now to ensure it has a workforce capable of providing a high level service, geared to the expected future shape of the industry. Based on the current position of the industry, some difficulties are likely to be experienced going forward, with several segments already experiencing difficulties in attracting skilled and experienced workers.

Industry Challenges

Labour Shortages

The tourism industry is being affected by both a broad economy-wide labour shortage, and a shortage of industry-specific skills.

Australia is currently experiencing strong revenue growth across the economy, particularly in the resource sector. This is attracting labour to the mining industry, and encouraging workers to relocate to resource-rich States (particularly Western Australia and Queensland).

The structure of the labour force is also changing. The Australian workforce is ageing, with the Baby Boomers heading towards retirement and fewer new entrants to the workforce to take their place. Current projections indicate that by 2011, the proportion of workers aged 14-24 years will fall by 18 per cent, while workers aged 45-64 years will rise by 34 per cent. While the 1980s and 1990s saw the Australian workforce grow by an average 170,000 per year, predicted growth for the entire 2020s is just 125,000. This will result in not only increased competition from other industries seeking to attract labour, but a loss of skills and experience as older employees exit the workforce.

The tourism industry has an increasingly transient workforce, with a large proportion of casual workers and evidence of high staff turnover. The motivations of workers in the industry appear to be changing – where tourism was once perceived as a ‘glamour industry’, which was relatively well-paid, with opportunities to travel and work overseas, it is no longer viewed as such, and employment in the industry is often perceived as a ‘job’ rather than a ‘career’. This is in turn impacting on the quality and quantity of new entrants to the tourism workforce.

Skill Shortages

At this stage, skill shortages tend to be confined to specific regions or careers within the industry, and tend to be less of an issue for high-profile businesses. However there are currently acute shortages in several specific fields – restaurants are short of chefs and cooks (particularly in regional Victoria) and front of house staff, while accommodation providers are finding it difficult to attract housekeeping staff.

In the Victorian Skills Survey, conducted by VECCI in 2006, respondents were asked to indicate their experience in recruiting skilled workers. Over the previous six months, 51 per cent of Accommodation, Café and Restaurant businesses surveyed reported difficulties in attracting skilled people to vacancies, while 59 per cent reported difficulties in attracting experienced people (compared with 53% and 51% respectively of respondents across all industries). Of particular concern was the number of businesses in the industry reporting difficulties in recruiting people to undertake apprenticeships or traineeships, with 22 per cent of respondents in the industry reporting difficulties, compared with the average for all industries of 13 per cent.

For the future, the industry will require a workforce with both broader industry-based skills, and specific skills relevant to the growth segments of the industry. Current forecasts for the industry indicate that future growth will come from international visitation, particularly

from North Asia. The industry needs to prepare now for the skills that will be required to provide quality service to those visitors. While the Tourism Excellence program, led by Tourism Victoria, is assisting in this area, there needs to be a stronger focus on the skills required for the future, particularly language and cultural training.

Seasonality and Regional Businesses

Seasonality in the tourism industry is less of an issue in Victoria than in other states of Australia. Seasonal destinations such as the ski fields do not tend to have major difficulties in attracting workers as the region is perceived as an attractive place to work, businesses often provide on-site accommodation, and there are often reciprocal business arrangements for staff in overseas locations.

In contrast, tourism operators along the Great Ocean Road and Surf Coast have reported difficulties in attracting staff. This area is affected by strong demand for housing pushing rental prices up, making it difficult for the labour force to live in the region. In general, the seasonality of demand for tourism services is only an issue where demand is high and there are few available workers.

Tourism Industry Information

Another challenge that the industry faces relates to the availability of information on the state of the tourism industry. While there is an abundance of data available relating to more traditional industries such as manufacturing, tourism lacks robust trend data and benchmarking, which makes it more difficult for the industry (and individual businesses within the industry) to identify and address key issues.

Strategies and Solutions

Older Workers

Businesses in the tourism industry have always been heavily reliant on casual labour, in order to provide the flexibility needed to adapt to seasonal or irregular demand as well as long hours. While this has arguably contributed to the level of transience in the industry's workforce, with a high level of staff turnover, it should also be seen as a means of attracting new workers to the industry, particularly older workers that no longer wish to work full-time. Semi-retired workers, or retirees seeking a boost to their retirement income, represent a large untapped workforce, which could be of huge benefit to businesses in the tourism industry. Recent changes to taxation and superannuation arrangements for older workers should encourage these workers to remain in the workforce in some capacity. These workers would provide the skills and experience that the industry needs, and are often seeking flexible work (such as shorter hours or weekend work) that the industry can offer. Older workers are also known for their reliability and stability – studies indicate that two thirds of all Victorian workers aged over 45 years will still be with the same employer after five years.

A program to identify barriers to older workers remaining in the workforce, and the best methods of attracting older workers to the tourism industry needs to be undertaken. This should consider both ways of encouraging tourism operators to hire older workers, and encouraging older workers into the tourism workforce by communicating the benefits. A program along the lines of VECCI's "Grey Matters", a joint initiative with the Victorian Department of Communities, targeted specifically at the tourism industry, would be highly beneficial.

WorkChoices

Given the need for flexibility by tourism businesses, it is highly likely that the industry has much to gain from WorkChoices. WorkChoices will provide a major opportunity for employers to tailor the employment relationship to their business needs, and will be particularly beneficial for businesses in regional areas or those that operate on a seasonal basis.

The benefits of WorkChoices need to be effectively communicated to tourism operators, through dedicated funding for a widespread education campaign and the development of tools and support material targeted specifically at small businesses in the tourism industry.

Seasonal and Regional Employment

While seasonality in the tourism industry is less of a problem in Victoria than in other States, there are some regions that experience difficulties. Backpackers often follow seasonal work, and ensuring effective communication of available job opportunities to this segment of the tourism market (preferably months in advance) will go some way towards addressing the issue of seasonality. Older people travelling around Australia may also be interested in undertaking seasonal work as part of their holiday.

Recent changes to the Working Holiday Visa, which allow holders to work for up to six months with one employer (up from the previous limit of three months) have been welcomed by the industry, and provide a boost to the available workforce, as well as reducing the training and administrative burden on employers. These arrangements need to be maintained into the future.

In terms of growing regional employment in the tourism industry, the Victorian Government's "Provincial Victoria" campaign to attract people and business to live, work and invest in Provincial Victoria is generating positive results. A similar promotional campaign could be applied to the tourism industry.

Marketing Tourism Employment Opportunities

One of the issues discussed above is the perception that employment in the tourism industry is a 'job' rather than a 'career'. The industry needs to focus on the promotion and marketing of employment within the industry, in terms of availability, benefits and opportunities, and provide employees with clear career paths. Tourism needs to be promoted as a fast-paced growth industry of national significance, and clear communication is needed to ensure that employment demand and supply are closely linked.

Encouraging Training and Development

Reports of skills shortages in the industry highlight the need to focus on the importance of training and development. Employers need to take some responsibility to ensure the training needs of their workers are met, and would benefit from targeted information on training options for their employees. Businesses should be encouraged to develop relationships with training organisations, and there should also be a focus on the skills required for the future development of the tourism industry, such as language and cultural skills. There also needs to be recognition that businesses training needs may be met by short, skill-specific courses, as well as longer certificate or degree courses.

Businesses in the tourism industry have reported particular difficulties in attracting workers to apprenticeships and traineeships. VTIC supports calls from the Victorian Employers' Chamber of Commerce and Industry (VECCI) for the State Government to re-introduce payroll tax and WorkCover premium exemptions for apprentices and trainees in areas or occupations of identified skill shortage. Along with this, a targeted marketing campaign should be adopted, aimed at parents and young people promoting the value of apprenticeship and traineeship opportunities.

VTIC also believes that the Federal Government should consider exempting repayment of HECS debts from employer Fringe Benefits Tax in key areas relating to improving tourism skills and excellence, such as project management, marketing and business development.

Strong Industry Growth

In the future, the tourism industry's ability to attract high-quality employees will be dependent upon the growth and profitability of the industry as a whole. A strong, growing, profitable tourism industry will be able to provide both strong career paths and financial rewards for employees.

At present, the industry is at risk of pursuing "profitless volume", where the focus is on attracting a large number of visitors, at the expense of focusing on the average yield per visitor. If the industry operates on low margins, it will be unable to pay the labour rates required to attract potential employees into the workforce and compete with other more profitable industries for workers. A strong focus on improving the quality of tourism services, and increasing the average yield per visitor, means that the industry will be in a much stronger position to attract workers.

There is a definite role for Government in supporting the development of the tourism industry in Australia through a range of marketing, promotional and support activities, with a particular focus on increasing the quality of the visitor experience. As well as the current support provided, the industry would also benefit from a stronger Government role in the collection and analysis of industry trends and benchmarking data, to encourage a high level of excellence and international competitiveness within the industry.

Key Messages

- Strong growth is forecast for the tourism industry over the next decade, predominantly due to increased international visitation and average yield.
- There are increasing reports of labour and skill shortages in the industry, particularly in certain regions and in specific skill categories. If current trends continue, this situation may become critical.
- There needs to be a general focus on growing the industry, particularly industry profitability, to ensure it is in a better position to compete for labour with other sectors of the economy.
- Older workers represent a huge untapped resource for the tourism industry, which can provide the flexible, experienced workforce that is needed. Tourism operators will also benefit from WorkChoices, and these benefits need to be effectively communicated to the industry.
- Training and development is critically important in both existing areas of skill shortage and expected future skill needs (for example, Chinese language and cultural training). There also needs to be a focus on skill-set training and training geared towards older workers.
- Employment opportunities and career paths in the industry need to be promoted to potential employees.
- The industry would benefit from an improvement in the monitoring of industry trends, including benchmarking and survey tracking.