



HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON EMPLOYMENT, EDUCATION AND TRAINING

Reference: Factors influencing the employment of young people

CANBERRA

Thursday, 20 March 1997

OFFICIAL HANSARD REPORT

CANBERRA

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON EMPLOYMENT, EDUCATION AND TRAINING

Members

Mr Charles (Chair)

Mr Baldwin	Mrs Gash
Mr Barresi	Mr Marek
Mr Bradford	Mr Mossfield
Mr Brough	Mr Neville
Mr Dargavel	Mr Pyne
Mrs Elson	Mr Sawford
Mr Martin Ferguson	

Matter referred for inquiry into and report on:

Factors influencing the employment of young people.

WITNESSES

HARRIS, Miss Denita Anne, Manager, Corporate and Industrial Relations, Australian Hotels Association, PO Box 4286, Manuka, Australian Capital Territory 2603 779

MULCAHY, Mr Richard John, National Executive Director, Australian Hotels Association, PO Box 4286, Manuka, Australian Capital Territory 2603 779

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Present

Mr Charles (Chair)

Mr Barresi

Mr Mossfield

Mr Dargavel

Mr Neville

Mrs Elson

Mr Pyne

Mrs Gash

Mr Sawford

Mr Marek

The committee met at 9.09 a.m.

Mr Charles took the chair.

CHAIR—I declare open this public hearing on the inquiry into factors influencing the employment of young people. The purpose of this inquiry is to consult widely and to produce recommendations for government action that will help promote the employment prospects of young people. The committee has received over 100 submissions and conducted public hearings in Canberra, Sydney, Melbourne, Adelaide, Brisbane and Hobart. The committee has also conducted school forums in Sydney, Brisbane and Hobart at which young people discussed their views and opinions with the committee.

It is a very broad ranging inquiry. Matters raised in submissions so far include the attitudes of young people, the work ethic of young people and their familiarity with the requirements of the workplace or lack thereof, the adequacy and relevance of the education and training systems, the importance of developing better linkages between schools and the business sector, the need for a more flexible industrial relations system, and the effectiveness and efficiency of government programs to assist young people to find employment.

This is not meant to be an exhaustive list of issues that the committee will consider which might be raised. We are entirely open to the views of everyone who wishes to make an input into the inquiry. We are here to listen, to learn and to help improve the prospects of young Australians.

[9.11 a.m.]

HARRIS, Miss Denita Anne, Manager, Corporate and Industrial Relations, Australian Hotels Association, PO Box 4286, Manuka, Australian Capital Territory 2603

MULCAHY, Mr Richard John, National Executive Director, Australian Hotels Association, PO Box 4286, Manuka, Australian Capital Territory 2603

CHAIR—I welcome representatives of the Australian Hotels Association. Would you like to make a brief opening statement before we ask you questions about your submission?

Mr Mulcahy—I have a short statement just to summarise our views. As was pointed out in the AHA's submission—and the AHA represents 7,000 hotels, resorts and casinos in all states and territories—the hotel industry can provide one of the greatest opportunities to create employment for young people which would build upon the increasing levels already being achieved in our industry.

Our industry currently employs over 200,000 people, but the most significant statistic in relation to those employees is that 40 per cent of them are aged between 15 and 24. This figure can be contrasted with the all-industry average of 20 per cent. Employment growth in the industry over the past decade has grown a massive 27 per cent, which is also much greater than the all-industry average of 18 per cent.

These figures, along with the recently published figures for the casino sector, which recorded an increase in full-time employment alone of 26 per cent from June 1995 to June 1996, are evidence of the importance of our industry to employment. The likelihood of these employment growth trends in the hotel sector continuing is excellent with tourism forecasting figures predicting that overseas visitors alone will double from 1995 up to the year 2000.

Regardless of the forecast figures of increases in tourism numbers which will lead to employment growth, staff shortages already exist in the hotel industry, particularly in relation to chefs and jobs of varying natures in different and sometimes remote locations. As the Industry Commission reported, the shortage of chefs is due to the increased demand from the ever expanding tourism industry and with more people eating meals outside of the home.

The number of apprenticeships being completed is unable to keep up with the demand. This issue is exacerbated with a large number of chefs leaving Australia to gain international experience. The AHA believes, however, that the ability to maximise the full potential of the opportunities for employment growth in one of Australia's most youthful industries can be achieved only if an environment is created to pursue that goal.

We recognise that some aspects of reform are already being implemented by the federal government, including the new Workplace Relations Act as well the new traineeships. There were 2,990 hospitality traineeships recently announced by the Minister for Schools, Vocational Education and Training, Dr David Kemp.

However, further reform and options are required in a number of areas, including taxation, particularly

fringe benefits tax and the unfair taxation advantage afforded to private licensed registered clubs. Further industrial relations reforms and solutions to solving current staff shortages will be sought—and, obviously, also a general reduction in the level of regulation on business that is frequently generated out of the federal government area.

The AHA has recently expressed its concerns over the proposed cut to training incentives for employers with over 100 employees. It is in the large hotel properties where the majority of apprentice chefs are trained. It is likely that such a cut could only reduce the number of apprentices, which is contrary to the view of the Industry Commission that the government should be assisting the industry in increasing the number of apprentice chefs.

To redress the problems of youth unemployment, there needs to be a coordinated industry and all levels of government approach focusing on training and job creation with companies demonstrating a commitment to their employees. It is also important that this be accompanied by deregulation in a number of areas.

It is very difficult to predict numbers that may be required for the future in the hotel industry. However, given the tourism growth forecasts along with the shortages already existing, there is likely to be a continuation of employment opportunities in our industry. The opportunities can be fully realised only if there is the right environment for the hotels to operate in, along with the implementation of training which is relevant and of assistance to the industry, particularly focusing on skills shortage areas such as the one we pointed out with chefs.

CHAIR—Thank you for that, Richard. You say that it is very difficult to predict what jobs there will be in the future, which I find disappointing because at the end of this inquiry we would like industry to be able to tell us, the schools and the kids, what jobs are likely to be available. What is the hotel industry doing to tell young people what careers are available now in your industry and what they are likely to be in the future? Do you expect the teacher to do that?

Mr Mulcahy—No, we are working with it. I might invite Miss Harris to make some comments as she handles the training issues for the organisation.

Miss Harris—There is obviously a shortage of skills in the area of chefs. We would perceive that availability is always going to be there. Anyone entering the industry will always have the opportunity to pursue their career because of the shortages and the turnover of that particular skill. Tourism Training Australia has also been undertaking a number of surveys and an understanding of where the shortages are.

In terms of careers and training, we need to look at the fact that it is not so much what particular skill but in what particular location. Chefs are needed Australia wide. There are certain remote locations, such as the Northern Territory and Northern Queensland, in which the hotel industry is always looking for people with any type of training. That would include food and beverage, housekeeping, financial controllers, porters and the like. So there will always be the opportunity in remote locations for any career within the industry.

We need to look in terms of Tourism Training Australia and use that ability of training for where the training shortages are. At the moment there is a particular focus on the chef area because it is such a concern

to the industry.

Mr Mulcahy—I think your concern is actually attracting recruits in?

CHAIR—I do not think you understood my question at all. What are you doing to tell young people what careers are available—not where there are shortages in the industry. You wrote that in the submission and you have talked about that already. You do not have enough chefs, we understand that.

The point is that there are a heap of careers in your industry and all kinds of career paths, but how many young people understand what might be available to them from even an early age, before they get to year 12? Are you doing anything or have you any plans to tell young people what careers they might work towards in their school paths?

Mr Mulcahy—Certainly the hospitality training programs that we have—and there are 32 institutions offering hospitality courses throughout Australia; there are a lot of private sector smaller courses as well, but I am talking about of a recognised standard—we have been active in promoting those through the school system. We work very closely with all of those colleges in terms of their course content and the requirements of industry.

We also utilise the media quite heavily to promote the fact that there is an acute shortage in a number of areas. I have done current affairs interviews across the country and had thousands of phone calls as a result of those interviews that we have undertaken. It has primarily been promoted through the tertiary institutions highlighting to people in the secondary area that there are good career prospects.

Individual hotels also actively recruit at the secondary level and draw people's attention through the careers programs to the fact that there are vacancies available. Tourism Training Australia has certainly been active in promoting the fact that there are a range of career opportunities in the industry. In terms of more structured programs, I would be happy to provide some more information to the committee. I could send it as a supplementary comment to the evidence we are giving today.

I think the difficulty, though, is that a lot of people enter the industry still with a view that it is an interim measure while they go through university or move on to something else. That culture is changing with the development of programs through the tertiary area. I think that is a factor that is still contributing to our shortage.

A year ago we surveyed on one particular day and we estimated to the best we could that there were around 3,800 vacant positions on that one day that we selected. That was just a staggering number of jobs that we were trying to fill throughout Australia.

CHAIR—In your submission you talked about your high rate of employment for young people. I think you said 40 per cent were under 24?

Mr Mulcahy—Yes.

CHAIR—Can you tell us why that is? Is it wage rates?

Mr Mulcahy—No, it is an industry that is appealing to young people. There is a degree of fashionability with working in hospitality venues in this day and age. It attracts young people. The hours often are appealing to younger people because of the fact that often the work tends to be night orientated or weekend orientated. Because of the penalty rate structure, many people going through university know they can work for a few days over a weekend or towards the end of the week and generate enough income from doing that to carry them through their studies.

So certainly for a range of factors it lends itself to be a field to which young people like to gravitate. It is not that we go out and say, 'We only hire young people,' but it is an area to which young people become naturally attracted. Obviously that is good for the national interest in that we are creating employment for young people. It is good for our industry in that an increasing number of those people say, 'This is a career I would like to make.' So the investment we are making in people when they are younger is paying dividends if they stay with the industry, even if they transfer their skills to other hotel operations. I think they are the reasons why we now have got so many young people making it a career.

Mr SAWFORD—Can you give us a picture of what sorts of hours an 18- or 19-year-old would work? I am not talking about a university student by the way; somebody who is full time. What sorts of wages and what sort of hour structure would they work? I know it is a stereotype and it is not going to apply to everybody, but just give us a picture of it.

Miss Harris—If we look at a porter, who is usually quite young, they are probably looking at about \$400 for a base rate. They are more than likely working casual, but some would be working full time. You are looking at a full-time base rate of just over \$400 a week. However, with the penalty structure in the award, you would find that, with the shifts that they are working on evenings and weekends, they would make quite a substantial amount of that. Someone I know personally is currently working about 40 hours a week—he usually works a bit of extra overtime—and is bringing in about \$550 a week.

Mr SAWFORD—And he is 18 or 19 years old?

Miss Harris—Yes.

Mr SAWFORD—That is a significantly higher wage than what an equivalent 18- or 19-year-old is getting in the retail industry, from what I can gather. Yet this committee in its deliberations on this inquiry has been told of an example where one teacher had 80 per cent teaching duties and 20 per cent careers adviser duties for a school with an enrolment of 800. That is just ridiculous. No-one can do that properly.

So acknowledging that this is a problem with careers advisers in secondary schools, it also seems to be that, for various industries—yours may be one or may not be one—and this follows the chairman's question, the options available to young people are simply not known. You can have a flash in the pan on *A Current Affair* every now and again, but that is just a flash in the pan.

I would bet my bottom dollar that the majority of secondary school students would not know what the career patterns are in the hotel industry. Surely the industry must need to do something about this because it is your industry. I think there is a problem there. It would be interesting to see what your association intends to

do about that. I am quite sure that young people just do not know what the options are.

The other thing about university students—and we have all been uni students at one stage or other and we have all valued very much the part-time work and experience—is that they float in and out. This seems to be a real problem in your industry. Having a focus on young people, I would think that you would be a little more particular about taking on university students and would be a little more particular about taking on people who you may be able to hold within the industry because you will not hold 99 per cent of those young people. They will never come back to the industry in the main. What is your view of those three things?

Mr Mulcahy—As I have mentioned earlier—I will just expand a little—in relation to promoting vacancies within the industry, I agree that periodic meetings on the media are not going to solve that. We have worked quite closely with the tertiary institutions. I have just accepted a position on the Industry Advisory Board of Griffith University.

I am also involved with the faculty board of the South Australian Regency Park College. I have tried to work closely on behalf of, and with my colleagues in the AHA, with a number of the other colleges around Australia. I have worked closely with them, even here locally with the International Hotel School in Canberra to assist them promoting their skills, publicising through our journals, encouraging people who are interested in a career to talk to those institutions and accept training.

In terms of the fact that we should be more selective about people being brought in, there is some merit in what you say but the difficulty we have faced is that frequently we are looking at having more vacancies than there are people. I know that when I did that survey which found that there were 3,800 positions, I think we identified about 300 housekeeping positions in Sydney alone. When you have a number of positions to fill in excess of the number of people who are out there interested in working, it does reduce your scope to pick and choose unduly in terms of saying, ‘Have you got a long-term commitment to the industry?’

There were also legislative impediments. Without getting anyone too excited, I think that with the dismissal legislation that was in place in its former state, whether one would argue for or against that, there was certainly a widely held concern in many parts of my industry—reinforced by our experience—that there were some real hazards in offering permanent employment to people because of the possible consequences in having to end those relationships. Certainly, our office has had to deal with an extraordinary amount of work up to around Christmas time dealing with many frivolous claims on unfair dismissal and so on.

Those sorts of legislative impediments serve as a real deterrent for people taking on permanent career staff. I think that will lessen in the future, but there are also economic factors that drive this. The general state of the economy will impact on people’s willingness to offer people permanent full-time work.

Mr SAWFORD—What about the careers adviser? Can you make a comment on that?

Mr Mulcahy—At the school level?

Mr SAWFORD—At the secondary school level. Also can you make a comment about what sorts of

things you think you ought to be doing in the secondary schools. It is all very well to be tied up with tertiary institutions, but it is a bit late.

Mr Mulcahy—I think there is a resource issue, quite frankly. Although we as an organisation run offices in every capital city in the country and are probably the largest staffed employers group in Australia, even our resources are finite. I would certainly anticipate that of our own volition trying to run programs at the secondary school level to promote career entry would not be an easy call. It may be achievable by seeking more resources from the people we represent, but we are pretty mindful of the difficulties facing a lot of the members we have within our ranks.

We have not chosen at this point to apply resources to the secondary area. There are simply only so many bases which we as an employers group feel we can cover. We have relied somewhat on the tertiary people who tend to run the careers days in the schools and so on. I believe individual hotel groups do participate in career days, particularly the larger groups. I think the Southern Pacific Hotels Corporation is one that has. It is certainly an area that we may need to look at more closely in the future.

Mr SAWFORD—I would have thought you could have a video and even some written publications showing possible career options, remuneration, conditions and wages. You have got a central organisation so that can be sent out to every school. All right there is a resource problem with that, but the government may help you with that.

Mr Mulcahy—That is possible. We certainly may well consider having discussions with DEET, which I guess would be the possible vehicle for schools, vocational education and training.

Mrs GASH—Richard, in relation to headhunting, which is very high within all the hospitality industry and which increases the wage structure and makes it attractive, how are you addressing that problem?

Mr Mulcahy—What level did you have in mind?

Mrs GASH—Any level, even the unskilled level.

Mr Mulcahy—The wage structure need not necessarily be impacted as a result of headhunting at the lower levels. Often people will change employment because a friend moves to another hotel and they hear there are vacancies so they want to move on. It is not necessarily wage level driven. We think that some degree of mobility in the industry is actually a good thing. People broaden their skills. This is particularly critical in the chef area, where the broader the skills they can bring to the equation, even overseas experience, the better off we are ultimately as an industry.

At the higher levels, I guess there is some measure of impact in terms of increased costs with managers. Although, I think that, with the environment we have operated in in recent years, there has been such a pressing down on costs and overheads that I am not sure the headhunting is a significant factor in wage costs or salary costs in the industry.

Mrs GASH—In the chef area, you do not think it is?

Mr Mulcahy—In the chef area, it is a supply and demand situation. We simply need more than we have available. We get an increasing number of young people who are leaving Australia at the end of their apprenticeships for a host of different reasons. The first reason I would suggest would be that it is to gain overseas experience, which is considered, as you would know, part of the sort of culture of chefs. You try to work in the Caribbean, on a cruise ship or do a bit of time in London, Paris or wherever. That is considered a normal part of their career evolution.

Australians are embracing that. It has just been difficult for it to work in reverse with chefs coming into Australia until recently. We entered into an agreement with the previous federal government just prior to the last election which enabled us to bring in about 1,000 chefs over the next three years. So that has helped us. But it is very much a supply and demand situation in that case that is inflating the cost of executive chefs.

Mr BARRESI—I just wanted to support what Rod was saying about the perception that is out in the community about your industry. I worked in the hospitality area for a period of time when I was at uni. There was always the perception that you are getting paid peanuts and you are worked like a dog. That is obviously not the case.

You have got a great story to tell in terms of the employment growth and the industry growth that are potentially there, yet no-one is hearing about it except through advertisements in your own internal magazines. So all you are doing is poaching staff from one hotel to go to another hotel and employing people from the university level. There seems to be a major gap.

You say that you want to participate in employment with those aged between 15 and 24. Senior secondary college students will be prime candidates for that, particularly as some of them these days are also learning a second language, which would be very useful in a hotel environment. It is a slight criticism, but at the same time you have a story but no-one is hearing about it.

Mr Mulcahy—I accept that some criticism is probably warranted, but let us keep in mind that we have had a 27 per cent growth in employment in the last 10 years. So I guess some people out there are hearing about it. We have got somewhere between 200,000 and 250,000 people now employed and it is going up fast. What we are saying is that the rate of growth is exceeding our ability to get well-trained people in, particularly in certain areas. Financial controllers is one area where I know at one point we had about 50 vacancies in Queensland. This applies to some of the less skilled positions that I mentioned earlier. Chefs in particular are probably our biggest cause of grief. It is difficult.

Following this hearing I certainly will be taking some of these issues back to my executives to see if we can do a little bit more. Possibly with some help from the Commonwealth, we may be able to do some more extensive programs through the schools, but it is a resource issue.

Mr SAWFORD—What does a senior financial controller in a medium-sized hotel establishment earn? What would be their maximum rate?

Mr Mulcahy—It would be around \$100,000 or \$120,000. That would be my estimate.

Mr SAWFORD—I bet there are not too many young people who know that.

Mr NEVILLE—I want to come at this from another angle. I accept that a lot of young people who are highly skilled or come out of basic TAFE courses are poached and do go ahead in the industry. But I wonder if the expectation for young people with degrees is fulfilled in the hospitality industry as well as it might be. I will give you a small story. I had cause to sit next to the Australian managing director of a multinational company. He was a very highly paid guy who lives in a suite in a hotel and has most of his meals in the dining rooms of that hotel. His comment to me was that he has never seen as many highly trained, degreed people doing such menial and poorly paid tasks in all his business career. That was his comment.

I wonder if the reason you have not got a lot of people in some of those fields such as financial planning is that a lot of kids who come out of the universities that are teaching hospitality and hospitality management and who go into the tourist industry do not see their skills rewarded—they are generally paid less than \$30,000 a year—and they then move on to the periphery of the tourist industry or go into something else. I would like to hear your comment on it.

Also I hear from young people because I spent years in the tourist industry myself that, when they have a degree, they are immediately made part of management and are then paid on a flat rate with the never-ending carrot in front of them that they will go on to bigger and brighter things in the industry. The reason so many young degreed people drop out of tourism is that the opportunities for degreed people are better elsewhere.

My anecdotal evidence of that and having the experience of sitting next to this executive from England make me wonder if the tourist industry really appreciates the number of years that young people put into those degrees and whether they are truly rewarded with career paths and salary in the industry.

Mr Mulcahy—I think that the drop-out rate of people with the degrees is not—and again I will need to provide some statistical evidence on this—a cause of concern in my observation, and I have had a lot to do with the colleges in recent years in Australia. If it were, we would be moving pretty quickly on it.

Mr Neville's question is correct in the sense that there are people well qualified doing what might be perceived to be menial jobs. It certainly has been the practice in the industry to ensure that, when you achieve the levels of management, you have a very good understanding of the finer operations of the hotel.

I guess my observation as the chief executive of the organisation is that those general managers who have had that fairly broad exposure to different functions have tended to be the better performers when they achieve general manager status. They understand the difficulties in housekeeping and understand the problems that confront people in room service. It is not necessarily terribly exciting changing beds, cleaning rooms and mopping bathrooms, but, in terms of industrial relations management, one needs to understand the sorts of difficulties you encounter at that level.

The observation would be correct that generally people brought into a hotel even with a degree are not necessarily exempt from going through the pain and torture, if you like, of some of the less exciting jobs. In terms of a high departure rate as a consequence, it is not an observation that I have made. Most of the

properties that I observe that we work closely with tend to identify those people as people with good career prospects. I am sure they do tell them that there is a great future ahead, just as accounting firms tell every recruit that they have the potential to be a partner.

I see people with talent rapidly move within the groups. Groups such as the Hyatt frequently will move one of these younger graduates from Australia, give them a stint in Japan for 12 months, bring them back into another Australian city and ensure that they get a good level of exposure. So I do think the hotels try quite strenuously to ensure that they get a well-rounded development and every effort is made to retain them. They do not take a casual view of the fact that those people might leave because they are making a significant investment. We are looking for managers of the future.

We are Australianising our industry, which I think is a good thing. With no disrespect to many of the people I represent, there was a tendency in the past that, unless you had a very strong European accent and were trained in Switzerland, then there really was no place for you as a general manager. That is not the case in Australia anymore. We have an increasing and without doubt overwhelming number of general managers who are from Australia or who have been overseas and come back to Australia.

You can always do better, but I believe that we are getting a better profile, better career committed person. Our biggest problem is the rate of growth. We have got this casino sector that has grown enormously over the past couple of years, the general social change of people eating out more and more and the growth in restaurants and communities putting pressure on us. People can maybe leave the more controlled environment of a hotel and work under less controlled circumstances in a restaurant where they might have a small partnership in the business or whatever. So there are lots of factors like that that are adding to our pressures at the moment.

Mr DARGAVEL—In relation to the casualisation rate of your industry, do you have any numbers to tell us about that?

Miss Harris—The problem we have with the numbers of casuals in the industry is unassisted, unfortunately, by the ABS because the ABS figures do not differentiate between full time, part time and casual in our industry; they only look at full time and part time. That is one of the things we would like to see changed.

Mr DARGAVEL—So you do not collate those yourself?

Miss Harris—The ballpark figure has always been about 60 per cent. However, that will change quite dramatically between an accommodation hotel and a corner pub.

Mr DARGAVEL—Yes, my question just went to the trend within the numbers—whether that was increasing or decreasing.

Miss Harris—I would say it would be decreasing because of more career orientation towards the industry.

Mr DARGAVEL—Are there any numbers to support that proposition?

Mr Mulcahy—No, but we could anecdotally respond. The data just simply is not available.

Mr DARGAVEL—No, that is okay. What are the average weekly earnings for a junior in your industry?

Miss Harris—Any junior would come through the usual percentages of any level of classification structure.

Mr DARGAVEL—So what would be the average weekly earnings of a 17-year-old unapprenticed?

Miss Harris—A 17-year-old is 70 per cent, so you are looking at 70 per cent of the average.

Mr DARGAVEL—There all sorts of things like overtime, shifts, loading and so on. I was after the average weekly earnings of a young person in your industry just to get an idea apart from the anecdotes.

Miss Harris—I would prefer to answer that question by providing further information because it would depend on the level of classification they are working under. Certainly we could provide that information.

Mr DARGAVEL—How was Christmas trading last Christmas?

Mr Mulcahy—Disastrous. I was doing a lot of travel just prior to Christmas and many of our members said to me that the days leading up to Christmas were like a normal trading week—traditionally the week ahead of Christmas is pretty good for our industry. It has been very difficult for the hotels across Australia. It has been a lot worse in this territory and our national chairman is going to be commenting on that at 11 o'clock this morning to a media conference. It has not been good.

Mr DARGAVEL—I have a question in relation to the hospitality-specific training at the tertiary level. I know overseas it is quite a big deal to do a degree level course or even post-tertiary qualification in hospitality management and so forth. What is the state of play in Australia on that score? Is there such a degree?

Mr Mulcahy—We have it here in Canberra at the International Hotel School, which is attached to the Hotel Kurrajong. There are 32 institutions last time we totalled them that offered those sorts of programs.

Mr DARGAVEL—Is that degree level training?

Mr Mulcahy—The degree level training has been offered here in Canberra and is in the process of being offered at the Regency Park school in South Australia. There are other courses at the diploma level being offered in Queensland and in Sydney at the Manly school.

Mr MOSSFIELD—How do the group training companies operate in your industry? How effective are they, particularly when considered against the background of those 4,000 unfilled positions? Just what is the

role of the group training companies in your industry?

Miss Harris—The group training companies are very important to our industry. They are of particular importance to our smaller members who are concerned about their taking on of an apprentice for the full four years and would prefer to use group training. I know that group training has been particularly successful in Queensland, through our Queensland branch assisting members to use it. Certainly, group training was the avenue to which the Industry Commission inquiry suggested that more funding should be given to increase the number of apprentice chefs actually going through group training because it has proven very successful.

Mr MOSSFIELD—Do you think group training should have made some inroads, nevertheless, into those unfilled positions? Does it play a role in placing people in various positions?

Miss Harris—Yes, it does. The industry works quite well between, say, group training and tourism training Australia. The recent numbers of apprentice chefs I have seen have increased over the last six months. However, the issue is not just the number of apprentices in the initial intake—and it is increasing—but it is ensuring that they stay in the industry.

Mr MAREK—In your executive summary you have a statement about providing an environment, whether it be in taxation, small business, industry assistance or industrial relations, to an employee to pursue employment. I would like to look at it from a different angle again. Where I have seen a lot of people, particularly trained people, leaving the hotel and pub area is with the taxation between clubs and pubs in connection with the poker machines.

If you look at clubs, they can do special deals with subsidised meals, free transport, subsidised accommodation, and all those sorts of things. A lot of the elderly, as I see it, are going to these places that have had huge facelifts because these places can get a better deal with their taxation, of course, and their funds from the poker machines. However, the pubs are on a totally different deal, and they are going backwards.

This is what I am hearing from a lot of the publicans I talk to. Would you agree with that? That is probably also a reason why they are not employing so many people. Is that a fair comment?

Mr Mulcahy—Absolutely. That comment is central to probably the largest single issue facing our industry in Australia at the present time. The Commonwealth does have a critical role to play in this regard.

The concern we have, at a Commonwealth level, is that these clubs are not paying income tax. Last year in New South Wales there was in the order of \$22 billion put through poker machines in clubs. This is now a significant part of the Australian economy. It is escaping the tax net. The growth of these clubs has been at the expense of small businesses. It used to be just hotels; it is now becoming cafes and restaurants in small towns right across New South Wales, Queensland, and certainly in the ACT.

Last week I participated in a tour of government electorates, starting from Tweed Heads and finishing in Dubbo. We stopped at every significant town along the way. Basically, we saw a trail of destruction through all those communities resulting from the growth of the club industry. This is hurting not just the people I represent. As I said, in places as small as even Gunnedah, restaurants and cafes in the main street are no

longer able to trade profitably, because one large club in that community is virtually giving away meals and destroying all the small business people in the area. For these clubs to be free of income tax while generating millions and millions of dollars profit is, in our view, a national scandal.

Mr DARGAVEL—Do you represent clubs? Do you have a significant proportion throughout—

Mr Mulcahy—We represent clubs in the Northern Territory, but not on a national—

Mr DARGAVEL—Who represents clubs?

Mr Mulcahy—The Registered Clubs Association of New South Wales. I will give one final example. In the area of Tweed Heads alone, over the last two years the clubs there have generated \$200 million in revenue, and the total of the taxes paid by the four clubs there was \$7,000.

Mr MAREK—I have seen this in particular in Rockhampton, in my electorate of Capricornia. The new facelifts of the clubs are just incredible. Some of the surf-lifesaving clubs are now looking at doing huge developments along the Capricorn coast at Yeppoon. They are going to build a plethora of subsidised accommodation there which will destroy those motels on the coastline. I think we have a real problem. It is one area that I commend the committee to look into.

Mr Mulcahy—It is certainly impacting on our ability to take on young people. I was in Dubbo last week where one of the clubs has set up a motel which is discounting rooms; it has set up a cinema complex which is discounting cinema access; it has set up a gymnasium which is discounting gymnasium fees. Basically, if you do not have to pay tax and you are generating the sorts of revenues they are generating through privileged access to poker machines, you can put anybody in your environment out of business. That is hurting our people—and it is hurting them to an extent that I do not think has been fully recognised.

Mr MOSSFIELD—It is a cultural move, isn't it, more than an economic one? People are going to clubs more than to other forms of entertainment. Football clubs, surf clubs and others are just developing—

Mr Mulcahy—What they are becoming is casinos. I do not think people go to clubs in Canberra, New South Wales or Queensland because they feel some affinity to the club, as they would have in the past. We do not have a quarrel with the small suburban cricket club or bowls club. But what we are talking about here is the operation of mini-casinos; multimillion dollar businesses; no tax being paid; no real accountability, as one would expect of business; and an absence of disclosure in relation to third party transactions and other activities.

We have certainly been pressing the Treasurer and the Prime Minister, and we pressed the previous Treasurer, to have a full and open investigation into what is going on. I believe that, once the whole picture is understood, the impact it is having on the Australian economy and also on our capacity to create more jobs for people will be recognised.

Mrs ELSON—I have a son who is a chef. He worked in a hotel for 70 hours a week and did not take home very much money. A club offered him a lot more money to work there—and, as you say, they are not paying tax. He can make something like \$6,000 in 21 days in a club. That is just to give you a bit of an idea. He had never seen that type of money in a hotel working as a chef.

Mr Mulcahy—Well, it is a great business when you do not to have pay taxes.

Mrs ELSON—That is right. To keep him there, the club actually gives him double the price he is charging for the meals he sells. But, anyway, that is just to look into why you are losing them out of the hotel industry.

Mr Mulcahy—Of course, and they are offering cheap meals. As I say, with my example of Gunnedah, the RSL club there—which is long distant from the original RSL—is offering meals at \$3 a piece. People are simply walking through the malls, going past all the local cafes and restaurants, going past the six hotels in the town and being dragged in there so that they can play poker machines.

Mrs ELSON—And if they get a good meal, it brings them back. They pay the big money for the good chefs, because they know that people also like good food if they can get it cheaply. That is one side of the story of why your industry is suffering. Also, you said earlier that there are 3,800 unfilled positions in your industry. We know that the youth unemployment figure is very high. Why haven't you tapped into that market through the CES, or are you only willing to take on people who are skilled in the area because you do not wish to train them? Is it because of a lack of money in the industry that they are not training?

Mr Mulcahy—I think the history of the industry is pretty good in terms of training people. We need skilled people and semiskilled people. We are taking a lot of unskilled people and are willing to train them.

In many cases, we hire for personality. People have to have the right attitude and a willingness to work. We have all heard the anecdotal stories about people fronting up and not really wanting a job, and so on. There is no easy way to measure that. Whilst I say we are short of people, we are not so short that we will just hire people for the sake of it. I do not think it would be in the interests of the tourism industry for us to be too cavalier in terms of our processes of recruitment. I am sure that there are 3,800 people out there to fill those jobs, but we need to be sure that we have got people who have the right attitude, the right skills and who feel comfortable in a customer service situation. It is not for everybody.

I daresay that different hotels would have approached the CES in the past, but we have offered recruitment services. Our Queensland office, in particular, has been quite successful in offering recruitment services. I think we handled all the staffing for the Brisbane convention centre recently. It was done by the AHA Queensland branch. We work quite pro-actively ourselves in terms of providing those services.

There is a combination of impediments there. I still believe that one of the biggest problems we have is simply the rate of growth we are up against. When a casino opens, as the one did in Sydney, I think they needed about 100 chefs and took 57 out of local hotels. That created an immediate problem for us. Somebody opening up and taking them from the current pool means that they simply have to find them from elsewhere. The growth we are getting with the style of living in Australia with all this eating out, and that sort of thing, is just growing at such a great rate it is compounding the difficulties.

CHAIR—In your submission you talked about some factors in the small business deregulation task force report as inhibiting employment growth. Can you tell us specifically what they are, and how they impact on hiring young people?

Mr Mulcahy—There are some currently before the industry that we are pursuing. Certainly, for example, proposed national food hygiene regulations that are being vigorously proposed at the present time by the National Food Authority will create an horrendous level of bureaucracy on every take-away, restaurant, hotel and club facility in the country for questionable community gain. It will impose a regulatory and compliance regime on hotels and food outlets that will be virtually impossible to comply with. I believe that legislation went through the House yesterday to also give them almost unchecked powers to charge industry for the services that they believe industry will require of the Food Authority. So we have some real concerns about the enthusiasm with which the National Food Authority is seeking to strengthen and expand its national role.

We are also concerned, for instance, by measures being proposed to expand the role of the Commonwealth in terms of weights and measures responsibility. Although the Commonwealth has that right under the constitution, consideration is currently being given to extend national trade measurement legislation across the country. In states such as Western Australia and Tasmania, where we are not operating under that regime, if those laws are applied nationally, there will be a huge cost to businesses that we represent; that is around about over 1,000 hotels in those two states.

Certainly, the tax issue has been identified already as having a big impact on our industry. I think, just generally, some demands of the regulators in government make it difficult for small businesses to survive and cope. Certainly, we are arguing strongly to the Commonwealth government at the present time that the philosophical view of reducing the burden on business has to be embraced by the Public Service as well as the parliament. Certainly, we are pleased with the pronouncements that there will be less red tape for business and that FBT compliance costs will be reduced. But it is also critical that the Public Service adhere to that approach because, if those sorts of changes are resisted, none of us will advance our situation.

CHAIR—Earlier you talked about the unfair dismissal rules as having a negative impact on employment. You have mentioned, of course, that the rules have changed. Have they changed enough?

Mr Mulcahy—The legislation obviously required some degree of compromise. But we have gone on the public record as saying that we are very pleased with the final outcome. We have seen significant improvements already in terms of the reduction in the number of unfair dismissal claims lodged in our industry. We do a lot of the advocacy hearings in Canberra, particularly for the ACT hotels, and sometimes for the Northern Territory and some of our other states, if there are difficulties. We have seen a fall off in a number of cases, particularly the frivolous cases that we were dealing with in the past.

I know these are anecdotal examples, but I was personally aware of many cases of people who directly told the hotel that they were seeking to be sacked and would create circumstances that would provoke their sacking, and would then bring a case. For peace, many hotels simply paid money over rather than endure the involved process of going into unfair dismissal actions. We have seen that largely evaporate. I do not think we have had any cases filed since January.

Miss Harris—One.

Mr Mulcahy—Certainly, the rate has fallen quite significantly.

Mr SAWFORD—Isn't the reality though that things have not really much changed for a very long period of time? There was a certain perception out there about unfair dismissal. And maybe various associations, including yours, became a little smarter in terms of the people they employed in the first place; they probably employed, in terms of human and personnel management, some greater skills, instead of employing in a slapdash way.

Mr Mulcahy—I think people try to employ the best they can anyway. But I think sections of the legal profession were fuelling this sort of litigation. And, in some ways, I think a lot of our employees were being utilised and told, 'Look, we'll act for you and get you some money and bludgeon somebody into submission.' I think some of those opportunities now have been reduced for the legal profession and, hopefully, they will look somewhere else to generate an income.

We certainly did not make a philosophy of talking the problem up. We took very much a view of helping our members, but we would have had to have been blind not to have heard of some of the cases. Some of them were quite horrific. I think, by any measure of justice, some of the damages, including reinstatement, being claimed by or awarded to people who, whilst under observation, had stolen money from hotels was quite unfair.

Mr DARGAVEL—What proportion of your cases did you lose?

Mr Mulcahy—At the national level, I do not think we lost too many at all.

Mr DARGAVEL—And in terms of your win-loss ratio?

Mr Mulcahy—What would happen though is that people would settle them. Where they would come to us and ask us to take the case, we had a fairly high level of success—and I give some congratulation to my colleague here for her advocacy and persistence on these. But what frequently happened was that we would hear afterwards about how somebody would simply make a cash settlement for peace, even though it was not justified in connection with the claim against the operator.

But many people in business are under that much pressure they do not need to go through protracted proceedings and the paying of lawyers, and so on. I did hear of more than the occasional instance of that. I think the processes were being abused by employees and in many cases lawyers.

Mr SAWFORD—Isn't it also the case that some in the legal profession who—and I agree with you—fuelled a lot of that suddenly found out that it was not terribly worthwhile after all, and they have dropped off?

Mr Mulcahy—I think that is what has happened, yes. I think it is now no longer such a minefield for some of them.

Mr MOSSFIELD—I think that basically the problem was that people did not go through their respective employer or employee organisations. As you said, settlements were made early in the piece. If there had been a structured approach to these problems, I do not think you would have got those earlier settlements,

or I do not think the problem would have been anywhere near as great as some people were saying it was.

Mr Mulcahy—Yes. We have about 140 people working full time for the AHA in Australia, and we do our best to educate our businesses and the people we represent. But you get a turnover even from the employer side. A lot of people feel that they can solve these things themselves and then come to us when they are in difficulties, whether it is in that area or in the area of health or some other matter. I think, if they all went through their appropriate employer organisation, they probably would have encountered less difficulty.

Mr BARRESI—I have two brief questions. You may have already answered these in my absence, and I apologise for that. Do you have any figures on the retention rate of these young kids in your hotels, particularly those up in Far North Queensland? It just seems to me that a lot of people tend to island hop, resort hop up there. Secondly, related to that, do you have national competencies in place, so that they can take those skills and competencies and have them accredited as part of some broader qualification when they move back down south or wherever else they may go?

Mr Mulcahy—I will answer the first part, and I might refer the issue about national competencies to Miss Harris. I do not have data with me in terms of the retention rate amongst young people across Australia, although I think we did some research for the Industry Commission and I will look back at that. I am aware from our Queensland office that the average retention rate in the islands tends to be around 12 weeks in Queensland. Your observation is perfectly correct. I am not sure that that is entirely the fault of the industry.

I think what happens is that people go up there and say, ‘Yes, I would like employment, and I’m here for the long haul.’ They pick up 12 weeks pay—and they are off. They know that there is an acute shortage of people there. It is a quick way of getting some money in and paying for the next part of their journey to either South-East Asia or some other part of Australia. We do have a real problem in the Queensland resort islands in keeping people. I guess that after you are on an island for a few months, there are a few factors which would influence people into wanting to get out.

Mr PYNE—Stir crazy.

Mr Mulcahy—Some of them might like being on a Gilligan’s Island environment, but I am sure not all of them. It is a problem and it has been with us for quite a while. We would like to see that improved, but I am not sure what the solution is for that.

Miss Harris—On the question of competencies, there is an Australian hospitality review panel, which establishes national competency standards in terms of the classification structure through the award process. That classification structure is basically based on the federal hotels award, which covers Queensland, New South Wales, Victoria and Tasmania. That now is being implemented also to the majority of other hospitality awards, either at a state or territory level. So they are virtually identical throughout the hotel industry in terms of the classification structure. It is very easy to move, for example, from Queensland down to Tasmania and you will stay at the same level because it is covered under the same award.

Mr DARGAVEL—I take it that your organisation supports national competencies and portability.

Miss Harris—Very much so, yes.

CHAIR—Thank you very much for coming and talking to us today, and for your submission. We will look forward to that information that you have promised us. It is our intention to try to bring down a report in June; we will certainly send you a copy. We hope to make a few very strong recommendations that will have some real impact, and not a lot of recommendations that somebody inquire into something else again. Thank you, and keep up the good job; keep hiring young people.

Mr Mulcahy—Thank you for the opportunity to appear before the committee.

Resolved (on motion by Mr Sawford):

That this committee authorises publication, including publication on the parliamentary database, of the proof transcript of the evidence given before it at public hearing this day and on 6 March 1997.

Committee adjourned at 10.07 a.m