



Australian Government
Indigenous Business Australia

7 September 2006

Dr Anna Dacre
Secretary
Standing Committee on Employment, Workplace Relations and Workforce Participation
Parliament House
Canberra ACT 2600

Dear Anna

The Australian Tourism Sector

Thank you for your letter of 7 July 2006, requesting a submission to the House of Representatives Standing Committee on Employment, Workplace relations and Workforce Participation inquiry into workforce challenges in the Australian tourism sector.

Please find attached the submission of Indigenous Business Australia (IBA) to the inquiry. (The submission has also been submitted by e-mail).

IBA's submission relates in particular to:

- Labour shortages and strategies to meet seasonal fluctuations in workforce demands; and
- Strategies to ensure employment in regional and remote areas.

The views expressed in the submission are based on IBA's experience in managing seven tourism businesses in regional and remote Australia and in our view, the combination of measures proposed will help address the acute skills shortage the tourism and hospitality industry is facing in regional and remote Australia.

IBA would be pleased to appear at the Hearings if the Committee needs further expansion or clarification of the views expressed in the submission.

If you have any further inquiries on the submission, please contact Ms Kaely Woods on 02 6121 2610.

Yours sincerely

Ron Morony
General Manager
Indigenous Business Australia

SUBMISSION

TO

**THE HOUSE OF REPRESENTATIVE STANDING COMMITTEE ON
EMPLOYMENT, WORKPLACE RELATIONS AND WORKFORCE
PARTICIPATION**

INQUIRY INTO

**WORKFORCE CHALLENGES IN THE AUSTRALIAN TOURISM
SECTOR**

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EXECUTIVE SUMMARY

- IBA, as an organisation with tourism business interests in remote and regional Australia, has experienced severe labour shortages in common with other tourism business operators.
- The labour shortages in the sector reflect the current labour market situation in Australia, with mining industry being a strong competitor for the available skills in regional Australia.
- The Indigenous Australian communities in remote and regional centres constitute a largely untapped source of labour that could be utilised to address the labour shortages in the tourism sector.
- A combination of measures, however, is needed to remove the cultural barriers that prevent the use of this important resource. These include more flexible employment practices, introduction of programmes to develop tourism-related skills amongst Indigenous Australians and measures to improve the image of the tourism sector as an employer.
- IBA believes that the strategies designed to address future labour and skills shortages in the tourism sector in remote and regional Australia need to be part of a broader strategy that focuses on the tourism sector nationally.
- The national strategy should include measures to stimulate the growth of the regional tourism industry, fully amalgamated with the mainstream tourism industry.
- Developing a vibrant regional tourism industry will assist the advancement of the economic circumstances of Indigenous Australians, consistent with IBA's objectives.

Introduction

This submission addresses the following two areas of the House of Representatives Standing Committee on Employment, Workplace Relations and Workforce Participation (the Committee) inquiry into workforce challenges in the Australian tourism sector:

- Labour shortages and strategies to meet seasonal fluctuations in workforce demands; and
- Strategies to ensure employment in regional and remote areas.

The views expressed in the submissions are based on IBA's particular experience in managing tourism businesses in regional and remote regions of Australia and the proposed solutions are based on IBA's experience in this area.

Indigenous Business Australia

Indigenous Business Australia (IBA) was established by the *Aboriginal and Torres Strait Islander Commission Amendment Act 2001*. The legislative charter of IBA is to assist Indigenous Australians achieve self sufficiency, primarily by facilitating equity involvement of Indigenous Australians to actively participate in sound commercial ventures.

In order to achieve this objective, IBA delivers business assistance to Indigenous Australians through IBA Enterprises, IBA Investments, as well as home ownership assistance through its mainstream IBA Homes, and its new home ownership on Indigenous land programme, Community Homes.

IBA Enterprises aims to provide Indigenous people with skill development services and alternate funding products to achieve greater independence from Government and improve business management capabilities. The programme provides eligible Indigenous applicants with a range of funding products for the acquisition, establishment and/or development of commercially viable small to medium sized enterprises that have demonstrated, or have the potential, to achieve long-term commercial viability.

IBA Investments make business investments directly, often through joint venture arrangements with expert industry partners and Indigenous Australians. The Investments Programme has successfully drawn together Indigenous Australians and the private sector into sustainable business relationships that enable profit sharing and asset accumulation, and generate employment opportunities, while building capacity and skills of its Indigenous partners.

IBA in the Tourism Sector

IBA has an interest in ensuring the development of a viable and sustainable regional tourism industry due to the potential of the sector to contribute significantly to the economic development of regional Australia (where nearly 30 per cent of Indigenous Australians live) and the business opportunities it provides to Indigenous Australians.

In order to achieve its objectives, IBA invests in the tourism sector with a view to facilitate active and direct involvement of Indigenous Australians as business operators and employees.

IBA currently holds tourism sector investments totalling \$20.7 million, with our Indigenous partners holding a further \$14.4 million equity in these businesses. IBA owned tourism businesses employ 470 Australians including 115 Indigenous Australians. It is estimated that IBA tourism businesses will generate a gross profit of \$6.6 million in 2005-2006.

The Tourism businesses jointly owned by IBA and indigenous partners are:

1. Kings Canyon Resort – Central Australia, NT
2. Gagudju Crocodile Holiday Inn – Kakadu, NT
3. Gagudju Lodge Cooina – Kakadu, NT
4. Monkey Mia Dolphin Resort – Coral Coast, WA
5. Fitzroy River Lodge – Kimberly Region, WA
6. The Crossing Inn – Kimberly Region, WA
7. Tjapukai Aboriginal Cultural Park – Cairns, QLD
8. Mungo Lodge, Burronga, NSW

Labour Shortages in IBA Tourism Businesses

All IBA tourism investments except the Tjapukai Aboriginal Cultural Park in Cairns are located in regional and remote Australia. These locations in the Northern Territory, northern Western Australia and Tropical North Queensland have been identified in independent surveys as the most difficult locations in which to recruit. The labour needs of these businesses are seasonal by nature of their respective locations.

IBA tourism businesses are currently experiencing labour shortages in all areas of operation and in skilled and unskilled categories, mirroring the acute labour shortage in the tourism sector in general and the regional tourism industry in particular.

The IBA tourism operations have current vacancies in the following skilled, semi-skilled and unskilled labour categories:

- Chefs (de Cuisine, Commis, Demi and Apprentice)
- Food and beverage supervisor, attendant
- Housekeeping supervisor
- Room attendant
- Front office staff
- Maintenance supervisor
- Electrician
- Plumber
- Gardener
- Cleaner

Overall, the labour shortages assume critical proportions in the peak season of tourism, increasing the reliance on immigrant seasonal workers. Labour shortages and the issues relating to staff recruitment and retention including those imposed by fast turnover and the increasing levels of remuneration and other benefits demanded by the available employees have added significantly to business costs. The cost increases attributable to the labour shortage are negatively affecting the profitability of IBA tourism ventures and prevent them achieving the full business potential.

In the experience of IBA, the difficulty in recruiting and retaining staff is a direct result of the significant unmet demand, and intense competition for labour, in the remote and regional areas. Mining industry, the other major employer in the regions, competes with tourism operators for available skills, in the trades in particular, reducing the availability of labour for tourism businesses.

Current labour shortages in the tourism sector affect the full-time, permanent, core worker component with skills that cut across traditional skill boundaries as well as in the seasonal employee component with little or no-skills. The 'reserve' group of short-term, part-time, and on-call workers including students who have traditionally fulfilled the additional needs of seasonal demand also appears to have depleted.

Businesses encounter difficulties in filling the available vacancies due to lack of mobility between the low-skilled and skilled labour market segments and between the metropolitan and regional and remote area segments. This limits tourism business operators' capacity to match available skill levels and experience with job requirements. Also, there is a lack willingness of potential employees to relocate temporarily to regional locations for employment reasons.

Labour shortages in the tourism industry can be attributed, at least partly, to the inefficiencies in tourism-related education and on-the-job training.

Labour conditions such as seasonality of labour needs, high proportions of part-time workers, high labour turnover and poor prospects of career development have traditionally discouraged employers from investing in training and education. Industry training is largely confined to teaching staff how to do their current job better rather than to develop the knowledge, experience, motivation and social skills essential to quality in services.

Retention of staff in regional and remote locations imposes additional challenges due to issues related to inadequate standards of staff accommodation and recreational facilities on offer and the lack of opportunities for an active social life outside the work place.

IBA believes that the issues discussed above are common to most tourism businesses in the regional and remote Australia.

Strategies to Ensure Employment in Regional and Remote Areas

The tourism industry is likely to face increasing pressure from other sectors even to maintain its current share of workers. A comprehensive policy and program package designed to improve access of the sector to a wider demographic base in order to meet its future labour needs is urgently needed.

Developing specific strategies aimed at improving the labour market situation in regional and remote areas needs to be undertaken as part of an overall, national strategy to address labour shortages in the tourism sector, based on diversified training and skills development as well as measures to improve the attractiveness of the tourism sector as an employer.

Appropriate measures need to be undertaken to improve the current image of tourism as a sector that offers poor labour conditions (low pay, low skills and long, irregular working hours) which leads to high labour turnover and instability in the labour force.

IBA is of the opinion that the overall strategy to rectify labour market situation in regional and remote areas need to be based on measures designed to build skilled workforce locally in regional and remote Australia. This approach is necessitated by the inability, due to life style and cultural factors, to attract skilled tradespeople and other workers to regional and remote areas of Australia.

The Indigenous Australian populations in regional and remote areas constitute an untapped resource that can be utilised to address the human resource problems in the tourism sector.

The current rate of unemployment of around 15 per cent amongst Indigenous persons aged 15 years and over (National Aboriginal and Torres Strait Islander Health Survey, 2004-05), despite the acute shortages of labour in the areas they live, supports such assessments.

Indigenous employment could offer solutions to the problem of current skill and labour shortages and staff turnover in rural and remote areas, and enable the regional tourism industry build a local and dedicated workforce.

The significant numbers of unemployed Indigenous people in remote and regional Australia could help address the problem of labour shortage by facilitating better partnerships with tourism industry and through intervention programmes aimed at supporting Indigenous jobseekers develop the specific skills that create pathways to employment opportunities in the tourism industry. Tourism industry managers and staff believe that there are many opportunities for greater Indigenous involvement in the sector beyond their traditional roles as cultural tour guides and interpreters, to be involved in business management and ownership.

A number of factors including the generally low tourism-related skills base among the Indigenous populations and cultural issues act as disincentives to Indigenous involvement in the tourism industry, preventing the mutually beneficial utilisation of this source of labour.

- *Addressing cultural factors*

Utilising the Indigenous labour pool also requires removing the barriers imposed by some mainstream tourism operators against employing Indigenous people in tourism ventures. The strategy could include measures (consistent with the whole of government approach), aimed at informing and educating tourism business operators about the benefits to be gained by utilising this untapped resource.

Other cultural barriers include the conflict between the cultural obligations of Indigenous employees and the need for 365 day service in the industry. Such issues can be addressed through more flexible and culturally sensitive employment conditions such as the hub and spoke model of delivery of cultural tourism product that enable time out for cultural obligations.

Employers also need to develop a higher level of awareness and sensitivity to cultural obligations of Indigenous employees, such as ceremonies, which could involve the entire community. For example, an Aboriginal funeral ceremony may last for weeks according to the status of the deceased person.

An employee's obligation to participate in such community events might, on occasion, have an impact on work commitments. Developing suitable strategies, based on respect and clear communication, to deal with such situations can contribute significantly to increased Indigenous employment in the tourism industry.

Tourism enterprises also need to be encouraged to develop strong connections with local communities and Indigenous support structures, such as families and elders. Such an approach will help increase the economic participation levels of Indigenous Australians in the tourism sector, including through their capacity to build and own tourism businesses, consistent with the objectives of IBA.

- *Skills development*

Improving the tourism-related skills base of the Indigenous youth population in remote and regional areas is an essential prerequisite to improving their job-readiness in the industry. Many of the current post-school training programs available to Indigenous individuals focus at the development of skills suitable for entry level hospitality industry positions, limiting their suitability for many of the employment categories experiencing an acute labour shortage. Furthermore, many of the tourism training and education courses are not targeted at the groups that are seriously interested in entering and remaining in the tourism industry.

This situation could be rectified by introducing better programmed and targeted school-to-tourism employment programmes with a focus on developing effective tourism enterprise development skills, made available to Indigenous people in remote communities with an interest in tourism business.

Further Development of Indigenous tourism sub sector

IBA propose that strategies to ensure tourism industry employment in regional and remote areas center around the primary strategy of facilitating the further expansion of the regional Indigenous tourism sector, with a strong component of Indigenous owned and operated businesses.

Indigenous people have, for decades, engaged in the tourism industry as investors and as providers of cultural experiences. In more recent times, the potential of Indigenous tourism as a pathway to economic independence of Indigenous communities has begun to be more fully recognised. Unfortunately, the economic potential of tourism to advance the economic circumstances of Indigenous peoples has not been fully realised.

Investment in tourism accommodation and attractions has had mixed financial results. Tourism businesses around Indigenous cultural icons such as Uluru and Kakadu have generated limited income opportunities for Indigenous people relative to the amount of benefits gained by non-Indigenous people and businesses.

Even the financially successful businesses have not been able to achieve significant results in engaging local Aboriginal people in the businesses through direct employment or through other ways.

- *Barriers to entry*

Future government policy aimed at stimulating the growth of Indigenous tourism businesses will need to be directed at addressing the 'barriers to entry' of Indigenous Australians into the tourism industry, including 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.

- *Capital availability*

The other major factor that limits Indigenous participation in the tourism sector relates to problems associated with securing the finances needed for business development (capital and operational funding). Many Indigenous people and communities with entrepreneurial skills and access to natural and cultural tourism assets are unable to launch businesses due to difficulties in securing finances through normal commercial arrangements.

A number of factors including the way Indigenous land assets are valued and the emphasis in many Indigenous businesses on community benefit rather than profit seem to contribute to these difficulties.

Government funding support for Indigenous tourism development in the past has been almost exclusively directed towards community enterprises, with very little resources or support provided to family units or sole operators engaged in tourism. Despite such support, community-based enterprises have shown a lower rate of success due to issues surrounding decision making, accountability, and the tendency for community enterprises to be driven by social as well as economic objectives.

Future funding support needs to be directed at individually or family owned businesses with management structures and policies that ensure the demands of the industry such as guaranteed reliability in the delivery and content of the tours. Eligibility for support needs to be based on having Indigenous control of the strategic direction of the company as well as employment of Indigenous staff with relevant commercial experience.

Recent changes to land tenure arrangements, particularly in the Northern Territory may improve the ability of Indigenous individuals to raise asset based finance for business purposes. But it is likely that significant tangible impacts of these measures are some years away.

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.

Availability of such funding, supplemented with proponents' own risk-capital, will be likely to enable attracting additional funding from traditional financial sources.

Integration of regional tourism with mainstream tourism

The lack of engagement of the wider tourism industry with Indigenous tourism businesses is affecting the development of a vibrant regional tourism industry. Without integration with mainstream tour operators, and access to broader markets afforded by such integration, the sector risks being marginalised.

Mainstream tourism needs to be informed about dealing with the Aboriginal community (particularly on cultural matters) in advancing, collaborating and working jointly on Indigenous tourism initiatives. Increasingly, Aboriginal-owned art centres based in and around major tourism attractions are becoming regional sales centres, linking art products of remote communities directly with international tourists.

Such community based art centres and cultural attractions could benefit significantly from increased on-site visitations that may result from associations with mainstream tourist operators. Increased interest of mainstream tour operators in including such centres in their itineraries could enhance these opportunities.