



# **SUBMISSION TO THE HOUSE INQUIRY INTO WORKFORCE CHALLENGES IN THE AUSTRALIAN TOURISM SECTOR**

Australian Tourism Export Council  
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Mr Phil Barresi, MP  
Chairman  
Standing Committee on Employment, Workplace Relations and Workforce Participation  
House of Representatives  
PO Box 6021  
Parliament House  
Canberra ACT 2600

Dear Mr Barresi,

Please find attached the submission of the Australian Tourism Export Council (ATEC) to the inquiry into workforce challenges in the Australian tourism sector. I look forward to giving evidence on behalf of ATEC.

Yours sincerely,



Matthew Hingerty  
Managing Director

*the voice of inbound tourism*

## EXECUTIVE SUMMARY

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ATEC has long argued for the Australian government to acknowledge and address the labour shortage issues being felt by regional Australia – particularly in relation to the tourism/hospitality sectors. One of the most significant impediments to the further growth of tourism in Australia is the access to labour, both skilled and otherwise. Tourism is a labour-intensive industry and will remain so as most of its functions cannot be replaced by technology. Being a highly seasonal and geographically dispersed industry largely consisting of small to medium enterprises, tourism requires a workforce relations environment that encourages enterprise and offers maximum flexibility for negotiation between employers and employees.

According to research conducted by AEC Group Limited for the Department of Industry, Tourism and Resources' *National Tourism Investment Strategy*, tourism is a "24 hour, seven day-a-week service industry characterised by a young, casual, low-skilled and restless workforce". As a result, growth in labour productivity over the past six years has averaged only 2% per annum, compared to an all-industry average of 4.4% per annum.<sup>1</sup> The desire to work in the tourism and hospitality sectors is at a minimum, and with other contributing issues such as an ageing population, the result is a severe skills and labour shortage with no foreseeable change on the horizon.

It is tempting to think that the solution to tourism's labour shortages is simply further skills training and other employment schemes for the sector in Australia. Much has and is being done in this area. Unfortunately (in one respect) Australia's tourism and hospitality industry is held in such high global regard that skilled Australian workers are eagerly sought by emerging tourism destinations which offer terms and conditions that the Australian industry struggles to match. Australia is thus burdened with a strong outflow of skilled labour.

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<sup>1</sup> National Tourism Investment Strategy, Department of Industry, Tourism & Resources, 2006

## BACKGROUND

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The Australian Tourism Export Council (ATEC) is the peak industry body which represents the interests of over 1100 companies throughout Australia that provide tourism services to foreign visitors. It is important to note that while those services are consumed within Australia, they are purchased by foreigners and are therefore exports.

ATEC was founded in 1972 as the Inbound Tour Operators Association. In 2000, it changed its name to ATEC to reflect the fact that its members contributed significantly to Australia's export earnings. Today, ATEC represents the majority of the licensed inbound tour operators and over 1000 product suppliers. More than 80% of ATEC's membership base comprises small to medium enterprises. 40% employ less than 20 people. ATEC has eight branches around Australia and counts among its membership over 40 regional tourism organisations.

ATEC is the only national tourism industry association representing the tourism export (inbound) sector. Our chief functions are to:

- Represent the collective views of our membership to governments and other external stakeholders;
- Provide business-to-business opportunities for our members;
- Provide business development advice to our members;
- Raise the profile of the tourism export sector to the broader community.

ATEC is a member of the National Tourism Alliance (NTA) and its Managing Director sits on the NTA Board. Through this alliance, ATEC works closely with a range of other industry bodies including Restaurant and Catering Australia, the Australian Hotels Association and the Tourism and Transport Forum. We acknowledge each of these organisations' submissions to this Inquiry and request that the ATEC submission be considered alongside these.

ATEC is also a member of a working group established by the Department of Industry, Tourism and Resources to consider the issue of labour shortages in the tourism industry from a whole of government perspective.

## INTRODUCTION

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The Australian Tourism Export Council (ATEC) welcomes the opportunity to present its views in relation to the Employment, Workplace Relations and Workforce Participation Committee's inquiry into the workforce challenges in the Australian tourism industry.

The tourism industry is an important economic driver and is largely made up of small to medium businesses. The combined direct and indirect contribution of tourism to the Australian economy was \$59 billion, or around 9% of GDP in 2000-2001. Tourism is a labour intensive industry employing proportionately more people per dollar of GDP than most other industries. In 2003-2004, tourism directly employed 536,600 people or 5.6% of total employment. Add to that the indirect employment and tourism accounts for more than 900,000 jobs, or 10.4% of total employment.<sup>2</sup>

The export (inbound) tourism industry has been a phenomenal success and the star performer of the export services sector. Tourism exports are larger than coal, wool and most other categories. In 1972, the year ATEC (then ITOA) was formed, 426,402 overseas visitors arrived in Australia. By 1987, this had grown to 1,785,000 and by 1997 to 4,318,000. Last year, Australia welcomed 5,497,000 visitors contributing \$18.2 billion in export revenue.<sup>3</sup>

Export tourism is also critically important to regional Australia. Around 30% of expenditure by international tourists is spent in regional Australia, having a positive impact on regional economies.

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<sup>2</sup> Tourism Satellite Account, Australian Bureau of Statistics cat no. 5249.0

<sup>3</sup> Tourism Satellite Account, Australian Bureau of Statistics cat no. 5249.0

## DISCUSSION

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The Australian tourism industry faces a conundrum. It is one of our fastest growing exports and the people continue to come from all over the world. Forecasts are telling us that by the year 2015, Australia will welcome more than nine million<sup>4</sup> international visitors to its shores and inbound tourism will be worth some \$34 billion<sup>5</sup>. These are attractive figures for investors and workers alike. Yet, as a service industry, tourism struggles to attract and retain a committed, regular workforce and businesses are crying out for a solution to what is fast becoming the industry's most serious problem.

If tourism is to grow at the rate that the Tourism Forecasting Committee is projecting, then businesses are going to need a rapid injection of workers from somewhere to sustain the growth - not to mention keep our 5.4 million visitors serviced, happy and satisfied with their Australian experience. Tourism of course is not alone. The challenges being felt by our industry are a symptom of significant labour market upheaval both in Australia and beyond. The changing dynamics of the global workforce have created skill and labour shortages that are not going to ease in the foreseeable future. It is well documented that labour force limitations lead to slower economic growth.

The tourism industry's labour market challenges are not limited to a shortage of workers. Other areas of difficulty include a high attrition rate, an outflow of skilled young workers to international destinations, training and development and an ageing Australian population.

### Current and future employment trends in the industry

In order to accurately and objectively present tourism's labour challenges, it is important to consider the characteristics of the industry in the context of pure labour market economics – supply and demand. Other important considerations<sup>6</sup> include:

- work behaviour and employment determination
- wages and labour costs
- productivity
- mobility, unemployment and participation rates
- gender, ethnicity, labour market segmentation
- population and demography

It should be noted that whilst general employment data for tourism is available, there exists a very real lack in quality labour economic analysis for Australia's tourism industry. ATEC asserts that commissioning research into tourism's labour market with a view to mapping the industry's forward needs is fundamental to the process of addressing the industry's labour market issues.

In 2003-2004, there were an estimated 536,600 persons directly employed in the Australian tourism industry<sup>7</sup>. The number of tourism employed persons grew 8.1% between 1997-98 and 2004-05, slower than the growth rate in total employed persons (13.6%) over that period. Consequently, the tourism share of total employed persons has fallen from 5.9% in 1997-98 to 5.6% in 2004-05.<sup>8</sup>

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<sup>4</sup> *Forecast*, April 2006 Tourism Forecasting Committee

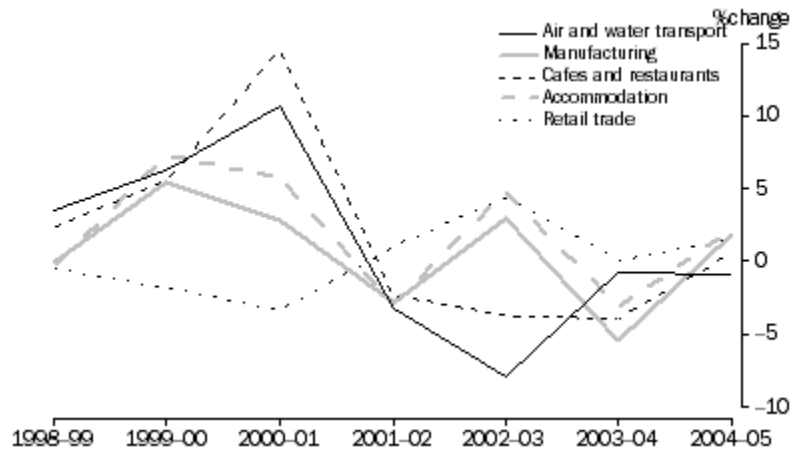
<sup>5</sup> *Forecast*, April 2006 Tourism Forecasting Committee

<sup>6</sup> Australian Journal of Labour Economics, Curtin University of Technology

<sup>7</sup> Tourism Satellite Account, ABS cat. No. 5249.0

<sup>8</sup> National Tourism Investment Strategy, DITR 2006 (ABS 2002b)

**Figure 1: Growth in tourism employed persons, by selected industries**



Source: *Tourism Satellite Account, ABS cat. No: 5249.0*

Figure 1 above shows the downward trend in tourism employment growth from 1998-1999 to 2004-2005. This data supports the notion that not only is there a *shortage* of available workers for the tourism industry, but there is also *leakage*. The gap between supply and demand continues to widen with tourism's share of total employment falling from nearly 6% in 1997-1998 to only 5.6% in 2004-2005.<sup>9</sup> Whilst there is a net gain in physical *people* working in the tourism industry (27,800 persons) the percentage change figures illustrate the fact that labour growth does not match the industry's overall economic growth. The National Tourism Investment Strategy report (2006) also notes that continued low productivity growth will discourage potential investors from looking at tourism as an industry of interest.

The tourism workforce is characterised by young, predominantly casual and/or part time workers that are comparatively less skilled and qualified than other occupations and that demonstrates a high turnover in staff. Average weekly earnings in the tourism industry are between 13% and 46% below the all-industry average at \$660-\$810 per week for full-time staff.<sup>10</sup> Tourism is labour-intensive and cannot keep up with other industries in relation to efficiency through technology in terms of lowering labour costs. In fact, it could be argued that any change in consumer expectations in relation to service standards and quality *increases* the demand for labour for a service-based industry like tourism.

Not only is tourism faced with the demographic trend of an ageing population, but also with that of the work and leisure characteristics of *Generation Y* – who outsource, expect high standards of service and are increasingly mobile when it comes to labour. According to *Employment Review* (Dec 2002/Jan 2003), *Generation Yers* do not “view work as an investment in their future with an organisation – they want immediate pay-offs from the workplace. They live to work.”<sup>11</sup> With an already high staff turnover being experienced by the tourism industry (ABS research suggests that just 68% of tourism employees had worked in the same job for more than one year, compared with

<sup>9</sup> Tourism Satellite Account, ABS cat. No. 5249.0

<sup>10</sup> National Tourism Investment Strategy, DITR 2006 (ABS 2002b)

<sup>11</sup> Employment Review, Dec 2002-Jan 2003

the all-industry average of 80%<sup>12</sup>) the changing demographic and mobility of today's worker can only add to the problem.

More than two-thirds of retired [men] aged 50 to 64 would like to work<sup>13</sup>. Encouraging a higher level of mature age participation in the labour force for fiscal sustainability is one key consideration for tourism employers – shifting the focus from tourism as a *youth* industry to tourism as a *people* industry.

### **Current and emerging skill shortages and appropriate recruitment, coordinated training and retention strategies**

ATEC has conducted two recent member surveys relating specifically to the issue of labour. 74% of respondents either strongly agreed or agreed that it is difficult to find adequate labour. 67% of respondents either strongly agreed or agreed that this difficulty is resulting in reduced levels of customer service and therefore satisfaction. These two pieces of data alone are enough to demonstrate indisputably that a very real and concerning economic problem exists for Australia's tourism businesses. Qualitative research has returned a number of case studies from Australian businesses and these comments are attached in the Appendix for reference.

A major concern for the tourism industry is that many skilled workers are leaving Australia in search of a career off-shore. A particular example is that of casino workers heading to Macau or the Middle East where the prospect of work is strong, the conditions are favourable and the surroundings desirable.

Reports including the National Skills Shortages strategy – food & hospitality project, *The Waiting is Over* and the DITR *National Tourism Investment Strategy* outline in detail the impacts of the shortages being felt and also offer a number of recommendations. ATEC suggests that the Committee consider both these reports during their deliberations.

Strategies to attract, recruit, train and retain could include:

- Commission an industry-wide economic analysis of tourism's labour market with a view to mapping the industry's labour needs moving forward
- Develop training programs and training incentives to reflect changing workforce demographics
  - Invest in e-learning that is fast and accessible for all, regardless of geographic location. E-learning is also suited to the body of employable people known as Generation Y – fast, interactive, technologically driven and portable.
  - Continue to target the older population by retaining and extending training incentives and 'bridging' vocational training to narrow the gap between older and younger workers, thereby making the workplace more attractive to the senior workforce and in turn extending the employable pool of people. Shift-splitting and other strategies to make a tourism role more attractive could be advantageous in attracting older workers.
  - Invest in an industry-wide tourism employment and training portal to encourage co-ordination among operators and create a national tourism jobs clearing house to promote efficiency in the tourism labour market.

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<sup>12</sup> National Tourism Investment Strategy, DITR 2006 (ABS 2004b)

<sup>13</sup> Ageing and Older Workers: a VET challenge, National Centre for Vocational Education Research



- Welfare to work

- ATEC supports the government initiatives focused on encouraging people currently on welfare to return (or enter) the workforce. Again, the tourism and hospitality sector can suit this group of potential workers given the flexibility achievable via shift-splitting and a negotiable number of weekly shifts etc.

## Labour shortages and strategies to meet seasonal fluctuations in workforce demands

- Incentives

- Offer tax incentives and/or bonuses to Australian workers who agree to temporary relocation in remote and regional parts of Australia to fill seasonal job vacancies.
- ATEC strongly supported the federal government's \$5000 relocation bonus aimed at unemployed persons moving to remote Australia for work. ATEC understands that the pilot program will be rolled out before Christmas and commends the federal government on initiatives such as this. ATEC recommends that similar programs aimed at regional areas with hospitality and tourism labour challenges be included in the pilot program.

- Working holiday maker reforms

- The working holiday maker program is a good source of workers during seasonal peaks. It is important to note that the primary purpose of visit for working holiday makers is for a **holiday**, not **work** and therefore they cannot be relied on as the panacea for regional Australia's labour challenges. Moreover, working holiday makers' reliability and service delivery standards vary widely making it difficult for employers to view them as a viable sole option. However, working holiday makers can ease some of the strain and ATEC welcomed the recent reforms made by the Australian government to the scheme, making it easier for employers to invest in a competent and valuable candidate. Further reforms will assist regional operators more. ATEC asserts that two further amendments to the working holiday maker scheme will go a long way to providing employers with an important labour option and a bigger pool of prospective workers.
- Firstly, extend the period with one employer to twelve months. This will give employers an even more realistic timeframe in which they can invest in an individual and cross-train when seasonal peaks subside. Furthermore, longer periods of stay by working holiday makers are good news for regional communities as they spend their earnings on leisure pursuits and entertainment in that region and its environs.
- Secondly, include hospitality and/or tourism as an approved industry in which working holiday makers can find employment when they are in regional Australia to qualify for the second year visa. This will not detract from the objective of the criteria – to improve regional dispersal of tourists – rather it will strengthen it by making more work options available to those backpackers that would consider travelling beyond the metropolitan centres.

- Visa options extended to allow for greater flow of semi-skilled and unskilled workers into Australia.
  - Australia's current visa policy does little to assist employers struggling to fill vacant positions – seasonal or not. There are limitations with both the long stay business visa (sub-class 457) and the skilled migration program (sub-classes 495 and 496) in that they do not allow unskilled workers to access the visa. Furthermore, the minimum salary/wage requirement of the 457 visa is too high at \$41,850 for some hospitality jobs such as room attendants or bar staff.
  - ATEC recommends that the Australian government consider a visa sub-class that allows for the temporary entry of semi-skilled and unskilled workers. The points system and other measures to protect visa policy integrity should be retained.
  
- Seasonal labour from off-shore
  - ATEC supports the roll-out of a controlled guest worker program such that sectors including tourism and hospitality have access to labour to fill the ever-increasing vacant positions. ATEC recently gave evidence at the current Senate inquiry into using seasonal labour from Pacific Rim countries and argued that agriculture is not the only sector of the Australian economy suffering acute labour shortages. The evidence from the coal face suggests that the problem is now so severe that we cannot wilfully discard imported seasonal labour as a viable option simply because it is a little controversial. It is ATEC's view that the most sensible, viable and constructive approach is to consider imported seasonal labour as one option in a suite of several that, once combined and rolled out, will achieve the best possible outcome for industry.
  - A pilot program to test and fine-tune imported seasonal labour is recommended. ATEC suggests that the federal government consider rolling out a program initially in a limited region where labour shortages are being acutely felt to ensure all issues, practicalities and problems are addressed. The program must work from an employer perspective – the right type of workers for the right jobs, a border integrity perspective – zero threat to Australia's immigration policy, and the worker perspective – good conditions and opportunities to grow their skill base.
  
- Work experience placement incentive for overseas students
  - There are some opportunities for overseas students to work whilst they are studying in Australia. ATEC applauds the federal government on its recent initiatives including the trade skills training visa and the occupational trainee visa which offer opportunities for students to enter the Australian workforce, based on their studies. Unfortunately, yet again these programs focus on skilled labour and do not offer realistic solutions for employers that need semi-skilled and unskilled roles filled.
  - Students can access a work permit which currently allows them to work for up to twenty hours per week, provided the course in which they are enrolled is not in session. There exists an opportunity here for students who wish to remain in Australia once their studies are complete to accrue points by undertaking roles in regional Australia in the tourism and hospitality sector. Most tertiary institutions are out of session during peak holiday periods (excluding some international visitor peaks) and the fit is sensible and practical. Students

have the opportunity to develop more skills and gain an exposure to another industry – or a different part of the industry in which they are studying.

### **Strategies to ensure employment in regional and remote areas**

Many of these are discussed or addressed in the above sections, however some additional strategies are nominated below:

- Access to e-learning programs and courses
- Incentives to companies who invest in career development training in regional areas
- Recognition and profile for excellence in regional tourism delivery and service.
  - For example, regional tourism awards to include individual contribution – winners of each regional award proceed to a state final, state winners proceed to a national final and a regional tourism award is granted to the national winner.
- Continued and expanded visa incentives to migrant workers who settle in remote and regional areas
- Extension of the regional requirement of the second year working holiday maker visa to include tourism and hospitality rather than just agriculture

### **Innovative workplace measures to support further employment opportunities and business growth in the tourism sector**

The discussion above incorporates innovation in the context of employment and business growth.

## **CONCLUSION**

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There is no single, stand alone solution for tourism's labour shortage crisis. Trends in demographics, labour mobility, population, wages and skills, not to mention a leakage from Australia's available tourism labour market are all contributing to a worsening labour crisis for the industry's businesses.

ATEC believes that a combination of fostering a knowledge-based nation through improved public and private sector investment in training, coupled with a realistic strategy to address tourism's seasonality issues and a co-ordinated approach to addressing changing labour market demographics is the preferred approach.

## APPENDIX

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