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

Inquiry into Workforce Challenges in the Australian Tourism Sector

Terms of Reference:

The House of Representatives Standing Committee on Employment, Workplace Relations and Workforce Participation is to inquire into and report on issues pertaining to the workforce challenges in the Australian tourism sector with specific reference to the following:

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

Response to Terms of Reference

The Australian Regional Tourism Research Centre and staff from the School of Tourism and Hospitality, Southern Cross University, Northern New South Wales are making this submission. The Centre are partners in a current Sustainable Tourism Cooperative Research Centre (STCRC) project with Victoria University and Griffith University examining skills shortages and education and training issues in the Tourism and Hospitality industries. Given Southern Cross University's long standing involvement in tourism and hospitality education and research and the Centre's commitment to undertaking research projects that aim to provide outcomes that can be applied in a practical manner, we believe that our contribution may provide a valuable input to the discussions of the Committee. Our responses are structured around each of the terms of reference as delineated above.

Current and Future Employment Trends in the Industry.

Workforce casualisation
The tourism hospitality industry has been one of the fastest growing employers of casual labour (Morehead *et al.*, 1997) with 53.4 per cent on average of workers in the Cafes and Restaurants section of ABS industry classification 'Accommodation, cafes, and restaurants' employed as casuals in 2003-04 for example (Australian Bureau of Statistics, 2005). This is an increase from a figure of 51.7 per cent in 1998-99 (Australian Bureau of Statistics, 2000). A high percentage of these casual employees are young people and women working to subsidise their education or to get a second family income (Buultjens & Cairncross, 2004; Timo & Davidson, 1999; Timo & Davidson, 2005).

The increasing casualisation of employment in the tourism and hospitality industry, increasingly combined with a rising use of working visa tourists, has the potential for a detrimental effect on the perceived quality of service. A recurring theme in the literature relating to casual employees in the hospitality industry is the possible reduction of organisational commitment on the part of casual employees. Studies in the NSW registered club industry by Lowry (1998) and Buultjens (2001) both revealed a possible reduction of commitment of casual employees. One of the disadvantages of employing casual workers identified by managers of NSW registered clubs was lack of commitment and reliability (Buultjens, 2001). Lowry, Simon and Kimberley (2002) found that whether or not a casual preferred full-time permanent employment and their level of satisfaction with management practices influenced levels of casual employee commitment. Furthermore, Walsh and Deery (1999) carried out a study of the characteristics, attitudes and perceptions of 'non-standard' employees (including casual employees) across three service sector industries, including two sites of a five-star hotel chain. These 'non-standard' hotel employees had lower levels of job satisfaction and were less organisationally committed than non-standard employees in the other service sector industries (retail and banking) surveyed in the study. The unsociability of the working hours and lack of attention by management to individual work preferences were found to be the main sources of non-standard employee dissatisfaction. Although there is evidence that a number of tourism and hospitality organisations, particularly larger ones, have been far more strategic in regard to their human resource and employment relations (Buultjens & Cairncross, 2004; Lafferty, 1998; Timo & Davidson, 2005) it is still the case that a large proportion of the industry views using a numerical flexibility strategy as one of the only ways to remain competitive and to deal with seasonal fluctuations. Given the labour supply constraints that are now apparent this strategy may be increasingly problematic at best.

Skills development and training
New technology in the tourism and hospitality industry relating to supply chain management, customer service and e-commerce generally means that there is a need for greater skills and training programmes that recognise this and give national portability and recognition to such skills. One other area that requires attention is the need to lift frontline personal service skills (front of house – office, waiting etc). A number of managers and owners of tourism organisations interviewed by the STCRC team in focus groups in May, June and July of 2006 highlighted, for example, that there is little in the way of accredited, portable training qualifications for waiters. Waiting is not seen as a craft in Australia; it is treated as a job suitable for itinerant or temporary workers. This contrasts with most European countries and the United States where waiting in higher-end establishments is a highly valued and rewarded profession. The tourism and hospitality industry in Australia may well be able to learn from this experience.

Staff turnover
Turnover is a particularly relevant issue for the Standing Committee to deliberate since labour turnover in the tourism and hospitality industry is generally considered to be high, especially in comparison with other industries. Turnover rates in Australian hotels for example vary from 20 per cent in CBD hotels to over 300 per cent in remote resort hotels (Deery, 2002). The Australian Workplace Industrial Relations Survey (AWIRS) in 1995 found that the Accommodation, Cafes and Restaurants

industry sector had the highest level of industry turnover of 35 per cent compared with an all industry average of 19 per cent (De Cieri & Kramar, 2003) The inclusion of cafes and restaurants in the sector makes detailed analysis difficult but does indicate that the hospitality industry generally has high levels of turnover, something which anecdotal evidence also confirms for the tourism sector too. A close second is the retail sector with 34 per cent. In Australia, the highest turnover rates in hotels are for front-line and service employees where the rate averages 43 per cent; turnover is lower in larger hotels (Cheng & Brown, 1998).

For many hospitality organisations, high turnover rates are routinely accepted (Cannon, 2002) and this acceptance has been described as 'turnover culture' (Deery & Shaw, 1999). Although research has indicated that the high turnover rates are generally considered to be a problem, there are different views as to the implications of turnover for tourism and hospitality industries. Deery (2002) suggests that the hotel industry, for example, perceives advantages and disadvantages with high turnover rates. Advantages relate to the promotion of mobility to facilitate skill acquisition by employees, and that high labour turnover is not necessarily dysfunctional to hotels (Deery, 2002). However, Hinkin and Tracey (2000) note that high turnover rates can not only affect service quality and damage employee morale, but also affect hotels' profits – it is reasonable to argue that this analysis would apply not just to the hotel sector but to the tourism and hospitality industries as a whole. The direct costs of high levels of turnover have been recognised as increased recruitment, selection and training costs, as well as lost productivity (Simons & Hinkin, 2001). Manley (1996) refers to 'subliminal' effects of high turnover: regular guests who are not recognised by new staff and guests and customers who follow favourite staff to another organisation.

One of the main reasons for the high turnover in the industry is the generally low wages and salaries paid relative to other sectors of the economy. Interestingly, by 2004, against all trends elsewhere in the economy, the average weekly income in Accommodation, Cafes and Restaurants had fallen to $459.90; just ahead of the Retail trade on $449.00 (Australian Bureau of Statistics, 2005a). It is probable that the low, and apparently decreasing, pay in this sector is related to what are sometimes erroneously perceived as 'the low skills' required in many, but not all, tourism and hospitality positions. Average pay is also driven down by the high and growing levels of casualisation in the industry.

Although wages in the industry are in general lower than most other industry groups there are some occupations, for example managers, executive chefs and cocktail waiters and experienced bartenders and waiters who have been able to negotiate relatively high wages and salaries for some time now (Department of Industry, 2002). Employees from these generally more highly skilled hospitality occupations are usually in short supply. The overall relatively low remuneration in the sector can be partially explained by the fact that industry awards are frequently breached and cash payments to employees are prevalent in this industry (Department of Industry, 2002).

Additionally, turnover rates may be affected by the generally flatter management structures many tourism and hospitality organisations have adopted and the limited attention paid to human resource development wherein advancement in ones career is often only achieved through a change in geographical and organisational

circumstances. Eventually, employees decide to opt out of the industry because they do not wish to constantly upset their family living arrangements and work-life balance. This results in the loss of their knowledge and skills to the industry. Often, highly trained university graduates do not remain long in the industry for the very reasons outlined above. Additionally, there is some anecdotal evidence to suggest that the industry is not always overwhelmingly supportive of staff trying to improve their qualifications.

Current impacts on employment

The tourism and hospitality industry is often seen as an accurate customer barometer of economic, social and political forces. For example, Australian's are taking less annual leave and shorter holidays than they did 10 years ago because of changes to their working arrangements or because of increasing financial commitments that affect their discretionary expenditure, particularly in relation to holidays, attraction visitations and, in some cases, dining out. We know that domestic tourism is 'in the doldrums' and that "the number of domestic trips per capita fell from five per year in 1998 to 4.3 in 2005 and the number of nights spent away from home fell 7.1 per cent last year alone" (Burke, 2006). This may help explain in part the lethargic growth in domestic tourism.

Tourism has also suffered negatively because of media coverage of international events such as 9/11 and other subsequent terrorist attacks, a potential bird flu pandemic, a number of wars in the Middle East and elsewhere and SARS. The net result of this negative coverage is that the industry is seen by some as inherently unstable, or even in decline, in some sectors and regions. This may be one reason why there has been a drop in University Tourism student numbers in recent years.

Another issue impacting on the labour market for the industry may be the increasing cost of living in what are seen to be highly desirable tourist destinations. Our recent focus groups identified that in destinations such as Port Douglas in Far North Queensland for example high local house and flat rents make it extremely difficult for tourism and hospitality employees to live within close range of tourism and hospitality employers. The changes driven by 'Seachangers' may have a number of interesting impacts on the industry, many potentially positive, but an unforseen effect on the tourism and hospitality industry is that higher house prices and rents in desirable regional areas. This rise in housing costs is likely to make it increasingly difficult for tourism and hospitality employees to afford working and living in such places.

Current and Emerging Skills Shortages and Appropriate Recruitment, Coordinated Training and Retention Strategies

Our recent focus groups identified a shortage of the following specific positions;

- Experienced middle and line managers,
- Chefs and cooks,
- Maintenance specialists who are often required to have a trade, and
- Industry Marketing and Human Resource specialists.

More broadly there seemed to be a shortage of people with genuine people service skills and enthusiasm and with recognised manual skills – particularly in relation to waiters for example.

The sorts of attributes employers are looking for in potential tourism and hospitality employees mirrors the findings of the Department of Education, Science and Training (2005) when they analysed the skills shortage in the hospitality industry. The attributes were:

- loyalty
- commitment
- honesty and integrity
- enthusiasm
- reliability
- personal presentation
- commonsense
- positive self-esteem
- sense of humour
- balanced attitude to work and home life
- ability to deal with pressure
- motivation
- adaptability

(Department of Education, 2005)

Unfortunately, in such a tight labour market as Australia is experiencing generally at the moment it could be argued that employers in all industries would probably come up with an almost identical list which suggests it may be increasingly easier to wish for these personal attributes than to obtain them.

In regard to recruitment and training and retention strategies, the Australian Government and Restaurant and Catering Australia have made a start in addressing the need to coordinate training and retention strategies with the *Action Agenda* initiative which aims "to identify and implement strategies to overcome the impediments to the growth of the industry. One such impediment being addressed by the Action Agenda is the skills shortages the industry is currently experiencing" (Department of Education, 2005: 11-12). However, it is hard to establish the extent to which the initiative has been utilised within the industry, particularly SMEs.

It would appear there is a distinct lack similar strategies available for the rest of the tourism and hospitality industries.

Labour Shortages and Strategies to Meet Seasonal Fluctuations in Workforce Demand

Although industry level collaboration and cooperation is absolutely essential and should be considered within the Committee's deliberations it has been noted by a number of commentators that tourism and hospitality industry organisations have been slow to adopt strategies such as job rotation across and between departments, organisations, brands and geographical regions in spite of calls for more vision in this

regard going back at least some 13 years or more (Nankervis, 1993; Timo & Davidson, 2005). The industry needs to be more innovative in this regard, and devise strategies that allow them to have a committed, permanent workforce while also offering the flexibility of hours which are sometimes needed.   For example, employers could consider how to operate an 'hours bank' so that overtime could be accrued in high season but paid out in the low season thus stabilising earnings and also helping to retain staff.

Additionally there may be some value in investigating the introduction of a portable national skills assessment scheme with a recognition of prior learning (RPL) ability so that employees who move about to obtain work in different seasons will have their skills and competencies recognised.   A tourism and hospitality skills certification system similar to the National OH&S based Certificate of Competency scheme, which is used widely in construction and other industries where there is also high employee mobility, could help keep people in the industry and allow them to build a competency based career structure.

Strategies to Ensure Employment in Regional and Remote Areas

Employment in regional and remote tourism and hospitality industries is concentrated in SMEs. It is essential that more support is provided to these businesses through the provision of information and assistance in regard business planning, availability of start-up finance, and legal and compliance information. This would possibly require a coordinated approach between all levels of Federal, State and Territory Governments, national industry associations and RTOs to assure success and viability.

A scheme that offers recognition for the special skills acquired by an employee who works in regional and remote tourism and hospitality areas and organisations may be a possible way of attracting potential employees.

Innovative Workplace Measures

Some strategies include:

- The Mature Age Industry Strategy and its Employer Champions.
- Accor Australia's Corporate Leaders for Indigenous Employment Project.

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