

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

**INQUIRY INTO WORKFORCE CHALLENGES IN THE TOURISM SECTOR**

**SUBMISSION BY THE VICTORIAN GOVERNMENT**

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**Introduction**

The tourism industry is a significant contributor to the Victorian economy. For a number of years the Victorian Government has recognised the industry's significance through its support for industry marketing and major events, as well as through recognising tourism interests in infrastructure and education investment.

Victoria also faces strong competition for the tourism market from interstate competitors with internationally recognised natural assets, such as the Great Barrier Reef and the Sydney Harbour. Victoria must therefore leverage its own strengths, and particularly its urban infrastructure, and accessible and high quality regional attractions, to maximise its share of tourism growth.

On 17 October 2006 the Minister for Tourism, the Hon John Pandazopoulos MP, released the *10 Year Tourism and Events Industry Strategy*. The Strategy identifies the key issues affecting the Victorian tourism industry's potential and provides a strategic, whole of Government approach to facilitating industry growth. As part of this Strategy, one of the Victorian Government's key objectives is to increasingly target high yield tourists rather than focussing solely on tourism volume. This requires a suitably skilled and motivated workforce in order to deliver the standard of product that increasingly discerning travellers demand.

**Industry and Workforce Growth and Trends**

In 2003-04, tourism contributed \$10.9 billion or 5.3% of Gross State Product and employed 159,000 people or 6.6% of the State's workforce. In the same year, more than 1.3 million international visitors spent more than \$2.6 billion in Victoria.

Over the past decade, the Victorian tourism sector has consistently performed above the national average and has increased its share of Australian tourism by between 1-2 percentage points in key indicators such as total industry employment. If recent growth continues, by 2015 the Victorian tourism industry could employ up to 225,000 Victorians.

Much of this new employment will be in regional Victoria. Tourism is currently worth \$3.3 billion to the regional economy and employs 61,000 people, with employment increasing by 13% since 1997-98, and Government expects regional Victoria to continue to share in tourism employment growth in the future.

In some areas, future growth will require a workforce with a broader skills base and higher service standards than is currently the case. By 2014-15, overseas tourists are likely to account for 70% of overall tourism growth and almost 40% of tourism expenditure. A significant proportion of this expenditure is expected to come from new international markets such as China and India.

As the industry shifts to a greater proportion of international visitors, it will need to progressively develop a standard of product which is competitive with international best practice, and which relies upon on a new pool of multilingual and culturally aware employees. In the longer term it is therefore expected that there will be increased demand for a more multi-skilled, business oriented workforce. This is will translate into a need for training in areas such as foreign languages, retail, consumer service, compliance requirements, finance, business management and, particularly, small business management.

### **Workforce Characteristics and Challenges**

The main characteristics of the tourism industry workforce have been discussed extensively elsewhere, including in the federal Department of Industry, Tourism and Resources' February 2002 *Research Report Number 4 : Tourism Workforce and Training*, the Department of Education, Science and Training's June 2006 *Industry Skills Report: Service Industries* and from a Victorian perspective in Tourism Training Victoria's March 2003 *Victorian Tourism and Hospitality Industry (2003) Employment, Skills and Training Survey Report* and Service Skills Victoria's *Industry Change Drivers – 2005 Service Industry Qualitative Data*. In summary, it is characterised by i) comparatively high levels of casual and part time employment, ii) hours worked outside of normal business hours and iii) staff turnover. The industry workforce is also relatively young and is characterised by relatively low levels of formal qualifications. In addition, the industry has a high proportion of owner-operator businesses, who themselves form part of the workforce and have training and development needs.

It is widely recognised that workforce attraction and retention, particularly of suitably skilled staff, has for some time been an issue for the tourism industry. The industry is experiencing skills shortages in a number of specific areas, particularly with regard to chefs and cooks, and front of house staff. Regional tourism businesses can also face particular difficulties in attracting staff, although the Victorian industry suffers less from seasonal changes in demand than states such as Queensland.

Difficulties in recruiting and retaining staff are affected by a range of factors which are prevalent across the economy, such as the tight labour market in general, an ageing workforce and migration of young people to cities. Beyond these factors, however, are a number of issues specific to the tourism industry, including:

- perceptions that the industry is a source of temporary employment rather than a longer term career option;
- comparatively less pay and worse working hours than other industries;
- lack of recognition of transferable and generic skills within the tourism industry and in relation to other industries;
- difficulty in accessing the diversity of employment opportunities within the tourism and hospitality industries; and

- a lack of industry investment in professional development and training.

In addition, National Centre for Vocational Education and Research student enrolment statistics for 2005 indicate there are significant attrition rates for students undertaking studies in tourism-related courses and training. The fall-out of these students while studying, and the inability to retain these students in the industry after graduating, significantly impact the supply of skilled labour to the industry. For example, attrition rates in commercial cookery courses typically average 50% based on industry consultation and analysis of apprenticeship completion rates.

The same research indicated that only around 30% of tourism employers agree the VET sector is providing graduates with skills appropriate to employer needs and that more than 80% of the tourism industry believe there should be more work experience and work placements as part of training.

### **Facilitating Employment and Skills Development**

The Victorian Government has invested heavily in education and training to help meet industry skills needs. Since 1999, Victoria has increased spending in these areas by \$5.44 billion. The Victorian Government's February 2006 Skills Statement allocated an additional \$241 million to address industry skill shortages while the *Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest* strategy, released in December 2005, allocated an additional \$43 million to improve skill levels in regional Victoria.

Most recently, the *10 Year Tourism and Events Industry Strategy* identifies skills and service standards as crucial to the delivery of quality tourism experiences, and to the sustainability and growth of individual tourism businesses. In responding to these challenges, the Victorian Government has committed to develop a Workforce Development Plan for the tourism industry, and improve communications between the industry and skills and training agencies.

#### Tourism Excellence Program

The 10 Year Strategy also notes that the Tourism Excellence Program will help develop new career paths for employees. The Program was launched in April 2006 to help tourism businesses and destinations get the best from their workforce, deliver the best possible visitor experience, grow tourism by working together, and ensure a sustainable industry. Twenty-one peak tourism industry organisations and 26 businesses, regions and destinations have committed to support and become involved in the program.

The program is an attempt to integrate professionalism and an expectation for excellence across all facets of the tourism experience, from the perspective of the individual, the business, the destination, and industry networks, as well as those suppliers and agencies that influence tourism business outputs. The strategy has been grouped into seven key themes, with goals, strategies and measures for these themes currently being developed. The seven key areas are:

- understanding visitor needs and expectations;

- people excellence – valuing your people;
- business excellence – maximising business performance;
- growing destinations – highlighting the complementary nature of products and services within a destination;
- industry participation – working together, contribution to the seamless integration between various tourism products;
- fostering innovation – the adoption of innovative practices; and
- sustainability in tourism – consideration of financial, environmental, social and cultural impact of the business.

The program's seven segments will be rolled out over the next 12 months and revisited annually through to 2011.

The program recognises that business and industry development is critical to their longer term ability to attract and retain staff. While the Government can invest in education and training for potential employees, they will only commit to the industry if it provides suitable longer term employment opportunities. The program further recognises that business operators themselves require skills development and training, and may need such training delivered through avenues other than formal classes.

### Business Development

In this respect, the Victorian Government is also facilitating business development through encouraging the uptake of accreditation within the industry. Tourism Victoria has a policy of encouraging individual businesses to take up accreditation through preferential treatment in Tourism Victoria marketing activities, including:

- accredited operators are eligible for discounted entry into specified Tourism Victoria marketing programs and other benefits;
- it is mandatory for operator to be a member of a recognised local, regional or peak sector tourism organisation to access Tourism Victoria subsidised programs; and
- Tourism Victoria reserves the right to offer priority participation in marketing programs to accredited operators (eg on-line priority listing).

As this policy involves potential inconsistencies with federal fair trading laws, Tourism Victoria has sought and been granted immunity from prosecution through the Trade Practices Act by the Australian Consumer and Competition Commission. This immunity, called Notification, was granted on the basis that tourism business accreditation provides a net public benefit.

Tourism Victoria believes there is potential to increase the profile at a business and consumer level of the value of accreditation.

Other Victorian initiatives to facilitate business development include, for example:

- supporting State and national tourism awards, which can play a significant role in improving tourism business standards; and
- providing a Small Business Counselling Service through the Victorian Office of Small Business.

While the Victorian Government is undertaking these actions, the industry itself will also need to take further action. Employers need to proactively identify and meet the training needs for their staff. Industry associations can also play a role in promoting career paths within the industry, promoting transferable and generic skill sets within and in related industries, and developing relationships with training organisations in order to promote future development and skills needs.

### **Innovation and WorkChoices**

A profitable and strong tourism industry will be an important element in providing attractive long term opportunities for prospective employees. A key element of developing such an industry is the move towards a higher yielding market supported by suitably skilled staff, rather than focussing on low profit volume.

There are questions regarding whether the federal Government's industrial relations legislation (WorkChoices) will assist in this objective. In particular, policies and regulations which encourage innovation and workplace partnerships between employees and employers are required to foster competitive and innovative products. The Victorian Government believes that WorkChoices does not encourage either of these objectives.

Throughout the 1990s the Victorian labour market was largely deregulated. Entitlements such as penalties, overtime and allowances were removed and employees were expected to bargain with their employer over these conditions. The effect of these industrial arrangements has been described in a number of submissions by the Victorian government to Commonwealth parliamentary inquiries, the Award review taskforce and the Australian Fair Pay Commission. In short, a disproportionately large low wage sector, concentrated in small workplaces and in provincial Victoria was created. The tourism and hospitality sector, traditionally a low paying sector, was also affected by this trend.

According to the *Victorian Workplace Industrial Relations Survey 2006*, low wage workplaces are the least likely to increase employment (see Attachment 1 - Table 1). Furthermore 38.7 per cent of workplaces where the average wage is less than \$400 per week operate in the hospitality sector. Low wage workplaces are also the least likely to expand operations (see Attachment 1 -Table 2).

In contrast, the *Victorian Workplace Industrial Relations Survey* series indicates that since 2002 the main obstacle to employment growth in Victorian workplaces has been the availability of skilled or suitable staff. There therefore appears to be tension between the industry's need to focus on attracting skilled staff, and the focus of WorkChoices on limiting or removing employment standards which may be required to attract those staff.

### **Summary**

The Victorian Government recognises that the tourism industry is a significant and growing contributor to the State economy. Accordingly the Government is currently developing a long term strategy to facilitate the industry's growth into the future.

In developing this strategy, the Victorian Government has undertaken extensive consultations with industry stakeholders. These consultations have reflected the already widespread recognition that the tight labour market, and particularly shortages of suitably skilled staff, is threatening the longer term potential of the industry.

The Victorian Government is helping to address these issues through investment in training and education which:

- is tailored to the specific skills needs of the industry;
- recognises the need for training delivery which is suited to business types and practices in the industry; and
- also recognises the need for training and development of business owners and operators.

These initiatives underpin the Government's focus on attracting high yield tourists to Victoria, with the attendant need for high standard products.

The tourism industry itself will also need to consider ways in which it can attract and retain staff. This is particularly relevant to the tourism industry, which has historically been disadvantaged in attracting longer term employee commitment through a mix of factors such as comparatively low pay and limited career options.

## ATTACHMENT 1

**Table 1: Workplaces that plan to increase staff (percentage)**

<b>Increase recruitment</b>	<b>Average weekly wage at workplace</b>					<b>Total</b>
	<b>Under \$400</b>	<b>\$400 to 600</b>	<b>\$600 to 800</b>	<b>\$800 to 1000</b>	<b>\$1000 and over</b>	
No	27.1	15.3	18.8	20.1	13.4	16.8
Yes	72.9	84.7	81.2	80.0	86.7	83.2
<b>Total</b>						

Source: *Victorian Workplace Industrial Relations Survey 2006*

**Table 2: Workplaces that to expand operations (percentage)**

<b>Recruitment</b>	<b>Average weekly wage at workplace</b>					<b>Total</b>
	<b>Under \$400</b>	<b>\$400 to 600</b>	<b>\$600 to 800</b>	<b>\$800 to 1000</b>	<b>\$1000 and over</b>	
Yes	20.8	42.2	51.9	44.5	63.8	52.5
No	79.3	57.8	48.1	55.5	36.2	47.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>		<b>100.0</b>	

Source: *Victorian Workplace Industrial Relations Survey 2006*