

TTF AUSTRALIA SUBMISSION TO THE HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON EMPLOYMENT, WORKPLACE RELATIONS AND WORKFORCE PARTICIPATION - INQUIRY INTO WORKFORCE CHALLENGES IN THE TOURISM SECTOR

4 September 2006

TTF Australia welcomes the opportunity to participate in this consultation process by responding to the inquiry issued by the House of Representatives Standing Committee and as outlined in the notice advertised in The Australian on the 8th July 2006.

TTF Australia recently provided a submission to the Standing Committee on Economics, Finance and Public Administration: Inquiry into Australia Service's Export Sector. In that submission, TTF identified that labour shortages could constitute a significant constraint for the tourism industry.

Background to TTF Australia

TTF Australia is a national Member-funded organisation representing the top 200 owners, operators and investors in Australia's tourism, transport, infrastructure and education sectors. It was formed in 1989 to help rebuild the industry following the pilots' dispute which saw the collapse of Australian tourism.

Membership comprises the most significant players in the tourism industry including all major domestic and international airlines, major airports, major hotels, attractions and major event venues, investment banks and service providers to these sectors.

TTF Australia's other key affiliations

TTF Australia is a founding member of the National Tourism Alliance (NTA) and Owen Johnstone-Donnet, TTF Australia Deputy CEO, is currently a board director of the NTA.

TTF Australia is a member of a number of Commonwealth Government organisations for tourism and transport. These include the:

- Tourism Minister's Advisory Council (TMAC) and the Industry Implementation Group of the Tourism White Paper (IIAG)
- Tourism Australia Tourism Forecasting Committee;
- Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) Tourism Visa Advisory Group;

- Department of Industry, Tourism and Resources (DITR) Tourism Labour Force Working Group;
- Tourism Australia /Parks Australia National Landscapes Committee;
- Passenger Facilitation and Aviation Committees of the Federal Government.

TTF Australia also participates in the following State Government initiatives:

- Victoria: Industry Reference Panel: 10 Year Plan for Tourism and Major Events, and;
- Queensland: Industry Reference Panel for the Queensland Tourism Strategy.

TTF Australia also represents Australia's tourism industry in peak global tourism organisations. TTF Australia CEO, Christopher Brown is President of the Business Council of the United Nations World Tourism Organisation and regional representative for the World Travel & Tourism Council.

Introduction

The tourism industry has acknowledged that workforce shortages are a growing challenge to delivering efficient and effective business operations.

The Tourism Forecasting Committee (TFC) has estimated that forecast average growth in visitor arrivals to Australia will be 4.9% a year for the next decade, meaning 8.5 million international visitors arriving into Australia in the year 2015. To successfully provide a quality visitor experience for our international tourists, Australia will need to ensure a workforce both of sufficient numbers and with acceptable skill levels.

Whilst TTF Australia recognises that the workforce challenges facing tourism are neither unique to our industry in Australia nor to tourism globally, we have no wish for it to be the reason why an \$88 billion per year industry declines in the future.

Current and Future Employment Trends

Tourism is a labour-intensive industry. The labour intensiveness of tourism is beneficial to employment levels in Australia. However, at times of high/full employment, tourism is particularly exposed to the increasing costs of employee wages and to the employment and retention of staff. At times when tourism demand is increasing and competition for labour is high, the tourism industry faces enormous risks.

Even with the adoption of innovation and new technology, employment trends for this industry will require a similar (or higher) number of personnel in the next decade(s). The current Tourism Forecasting Committee figure for international visitor arrivals in 2015 is for 8.5 million people – up from 5.4 million in 2005. If Australian tourism is to achieve this – and ensure that the experience of the visitor surpasses expectations – the industry will need significant growth in its “human capital”.

Australia has an ageing population. In 2006, the net growth in persons entering the workforce will be 170,000. Access Economics has estimated that over the decade from 2020 to 2030, it is expected that the workforce will grow by just 125,000 people. That averages out to a mere 12,500 per year.¹ Modelling (undertaken by Monash University) commissioned by DEWR shows that population ageing will impact on all major industries and occupations across most Australian regions. The report shows that Australia faces a potential shortfall of 195,000 workers in five years' time as a result of population ageing.

Essentially this will (and has already) lead to competition amongst industries for scarce labour and will drive up costs. It has significant impacts for labour-intensive industries such as tourism.

Given the statistics in regard to ageing population, TTF Australia notes:

- We can make the current labour force more productive, but we need more people entering it;
- The "baby boomers" (older demographic for next 15 years) will be more interested in undertaking tourism than working in tourism;
- That whilst unemployment rates of below 5% are good for the economy this makes competitiveness amongst Australian industries intense. It will be increasingly difficult for tourism businesses to keep professional staff eg. accountants, sales and marketing executives from choosing other industries where overall terms and conditions are better;
- "Generation Y" (the new demographic entering the labour market) are less interested in careers for life. They are becoming more casual and more mobile in regard to their approach to work.

TTF Australia notes the Australian Financial Review article of 23rd August 2006, where OECD data states Australia lags behind other industrialised nations in regard to education levels. It behoves both Federal and State Governments to work together and act quickly to resolve school leaving rates and the quality of our education. The Productivity Commission has previously noted that if secondary education attainment levels were improved, the rate of productivity once young people join the workforce would grow significantly. The Commission has also noted that vocational education and training (VET) requires significant reform. TTF Australia agrees with the general points raised by the Commission, but also reflects that tourism businesses must ascertain an approach to make VET achievers "want" to work in our industry.

Australia currently has a low birth rate; it will be necessary to ensure all young people achieve a satisfactory level of secondary and/or tertiary education to assist business in its quest for sufficient and appropriately skilled employees.

Recommendations:

1. The Commonwealth and State Governments work together to improve numeracy and literacy levels at primary and secondary education in all schools and all areas of the country.
2. The industry examines ways of "capturing" the working style of Generation Y, to benefit businesses, particularly those sectors which utilise casual labour.

¹ Extract from speech given by the Hon. Kevin Andrews MP, Minister for Employment and Workplace Relations, Menzies Research Centre, May 2005

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

TTF Australia has recently completed its second Member Survey on "Labour Shortages, Skills and Training". The first survey was undertaken in April 2005 and the second in early August of this year, allowing TTF Australia to commence trend analysis of key HR issues for all tourism and infrastructure sectors.

Headline Results from "Labour Shortages, Skills and Training" Surveys				
	August 2006		April 2005	
Does your company currently have difficulty filling vacant positions?	Yes – 73%	No – 27%	Yes – 75%	No – 25%
Is it similar, harder or easier to fill positions now than 12 months ago?	50% - more difficult	44% - same difficulty		
Which particular positions or occupations are difficult to fill? (Listed in order of priority/highest number of responses)	<ul style="list-style-type: none"> • Engineering • Sales/Marketing • Finance/Accounting • Trades • Chefs • Managers 		<ul style="list-style-type: none"> • Chefs/Food & Beverage • Sales • Call Centre • Front of House • Trades • Senior Positions including finance, engineers and electricians 	
Are there particular geographical areas which are difficult to fill? (Listed in order of highest number of responses)	<ul style="list-style-type: none"> • WA • Sydney • Regional areas • Qld 		<ul style="list-style-type: none"> • Sydney • Regional areas • Darwin, Perth, • Tasmania, Far North Qld & NW WA 	
What priority skills and training areas do you believe the Government could invest in to assist your business?	<ul style="list-style-type: none"> • Return to work courses for those (re)entering the workforce. • Apprenticeship and trade skills to be given more focus. • Government support of courses allowing work experience and allowing breaks in education. • Tax rebate encouragement for corporates to commit to development of specific skills for the industry. • Quality education at school level, including maths and aptitude. 		<ul style="list-style-type: none"> • Customer service skills ranked as the highest priority for Government to assist with skills and training. • Apprenticeship trades such as electricians, mechanics, and chefs to be given priority. • Government support of traineeships & other on-the-job training are priorities. • General language, communication & computer skills need to be highlighted at school and tertiary level. • Training schemes targeting mature-aged workers for re-entry to the workforce is a priority need. 	

In the past, skill shortages and suggested training solutions have often focussed on chefs and restaurant workers. However, the results from TTF Australia's research would indicate that skills shortages, training and retention, matter equally across the entire tourism industry. This includes accommodation, transport, attractions, guiding, wineries, distribution & marketing, adventure and eco-tourism, retailing, business tourism and major events.

Many of our Members have identified staff already working for their companies in another country that are skilled and willing to relocate. However, they do not currently meet the DIMIA criteria of "skilled" migrants. For example, whilst chefs and hairdressers are currently awarded 60 points for their trade, hotel supervisors/managers only achieve 40 for diploma qualifications or 50 for a degree qualification. Historically, these positions were not identified as "trained" because diplomas or degrees were unavailable, so the vocation has not been valued as a skilled migrant occupation.

In addition, DEWR has the responsibility for advising the Federal Government on labour market and skills demand issues. Its research focuses on occupations rather than industries. Not all tourism- related occupations are covered in the surveys undertaken by DEWR.

TTF Australia, in conjunction with STCRC, has also recently completed A Report on Employee Turnover in Hotels. Data was received from 64 hotels, representing a labour force of 10,500 people. 78% of respondents reported labour shortages.

Headline Results from "A Report on Employee Turnover in Hotels"			
	Managerial Staff	Operational Staff	Total
Turnover in 12 months (2005 calendar year)	39.19%	50.74%	39.19%
Turnover in metropolitan areas (by number)	294	1606	1900
Turnover in regional and remote areas (by number)	458	2772	3230
Turnover costs	\$109,909 per hotel	\$9,591 per employee	
Annual cost of replacing employees			\$49million (20% of annual payroll costs)

Many employees (both skilled and unskilled) leave the industry to seek a different career. These results further confirm the need for changes to how our industry approaches its human resource strategies. With unemployment rates as low as they are, migration of persons outside of the existing "points" or specified "profession/trade" lists is required, together with the industry identifying new concepts to engage and retain workers.

Some tourism employment positions require aptitude, rather than specific skill sets or qualifications. A prerequisite is customer service qualities, not educational attainment. The current immigration system does not offer opportunities for non-skilled workers to enter Australia, even for a limited time period. However, with labour shortages increasing over the next 15 years in Australia, and labour demand exceeding job supply in neighbouring countries, there is an opportunity for a "labour market transfer".

Recommendations:

- It is critical that the tourism industry establish new retention policies.
- To alleviate immediate skill shortages, the Federal Government should modify the criteria for overseas sponsorship to include shortages identified by industry.
- The industry in the medium-term should resolve appropriate changes to the DIMIA points criteria by identifying an appropriate examining body for tourism associated skills and qualifications.

- Since the Migration Occupations in Demand List is based, to an extent, on the DEWR Skills in Demand research, the tourism industry needs to work with DEWR to refine this.
- The Federal Government to explore the feasibility of introducing short-term temporary work visas for workers in neighbouring Pacific Island communities. This option could help to alleviate unemployment in these communities, foster regional peace and international relations while at the same time, provide a source of temporary labour for Australian tourism.

Labour shortages and strategies to meet seasonal fluctuations in workforce demands

Many tourism experiences – e.g. diving, skiing, white-water rafting, surfing and beach activities that attract tourists to travel in Australia are seasonal offerings. This necessitates a labour force which will accept positions that do not necessarily offer long-term stability. Given the current and future labour shortages throughout the country, few permanent residents will need to seek seasonal work to retain a place in the workforce.

There continues to be a high number of young people who come to Australia on Working Holiday Maker (WHM) Visas. These visitors have a desire (and the time) to visit regional and remote areas, many of which require seasonal workers. They also wish to work in “short bursts” to save sufficient funds for onward travel around the country. To better facilitate prospective WHM visa holders with tourism businesses requiring a seasonal labour supply, a website offering job advertisements is essential. This has been proposed by TTF Australia at the June 2006 meeting of IAG, and followed up at the September 2006 Meeting of the TMAC.

However, as one five–star hotelier noted in their response to TTF’s labour survey “with our room rates, it is just not possible to tell guests that we cannot find the staff to clean or turn down your room” and a requirement for constancy in staff is essential. If action is not taken urgently, the tourism industry faces the consequences of a decline in demand for our product and an inability to deliver a “platinum” experience for visitors that the government and industry endorsed as integral to the Tourism White Paper.

Employers prefer to employ full-time staff who have a level of training/understanding of the tourism industry. A strategy that would assist this, and at the same time meet seasonal fluctuations, would be to encourage academic institutions to have “internships/work experience” for students occurring during the peak tourism season. Such work experience should be of a suitable length of time to assist the employer and also the student to gain practical tourism and business skills.

An Occupational Trainee Visa (OTV) has permitted people from outside Australia to undertake a training program within Australia. The changes to the OTV will allow overseas students to apply, on completion of their studies in Australia, for an OTV to undertake up to 12 months of supervised on-the-job training and then apply on-shore for permanent migration.

Recommendations:

- The industry should work more collaboratively on “sector pooling” labour supply for seasonal clusters e.g. Ski slopes for six months, island resorts for six months.

- The industry in collaboration with the Commonwealth Government should create a portal on the DIMIA website for WHM visa holders searching for jobs. This would be marketed to potential Working Holiday Makers travellers before they left home, thereby adding further encouragement to visit Australia.
- A short-term solution for seasonal fluctuations would be to have industry utilise our TAFE and university students through work experience placements.
- Academic institutions to work with the industry to ensure a high take-up of the Occupational Trainee Visa.

Strategies to ensure employment in regional and remote areas

In November 2005, DIMIA amended the requirements pertaining to Working Holiday Maker visas. One of the changes was to allow a Working Holiday Makers visa holder to work up to six months for the same employer (previously the limit had been 3 months).

Despite the new arrangements for Working Holiday Makers visas only being in place for a few months TTF Australia Members in response to our survey question on this topic have indicated that they already have, or intend to take up, the option of employing a Working Holiday Makers for 6 months. It was indicated that will be particularly beneficial for businesses that operate in regional and remote areas. One respondent noted "We employ a number of backpackers under the working holiday scheme. The changes have been very positive, as we are located in remote regional areas. This allows us to utilise those people for longer periods".

Recommendations:

- The Federal Government to give consideration to extending the Working Holiday Makers visa extension to 12 months for remote and regional locations.
- Employers to undertake training for Working Holiday Makers personnel where employed for longer than 3 months.

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

1. Welfare to Work

There may be scope for the tourism industry to access this source of labour, however significant retraining may be required. Federal Government support for this area is required.

2. Foreign Student Graduates

230,000 international students are currently studying in Australia. For those who are engaged in 3-4 year graduate level diploma or degree courses, this means they are paying 70-100K for their studies. They also must have existing core English competency before being able to register for these graduate-level courses.

Allowing graduates of tourism and hospitality programs to remain in Australia and work for a period provides a possible solution to the tourism industry's skills and labour shortage. It will also encourage Visiting Friends and Relatives tourism.

It is understood that in the 2006-07 Commonwealth Budget, funding was allocated towards new work and holiday visa arrangements. Advice from the Minister for Immigration and Multicultural and Indigenous Affairs' office indicates that new visa arrangements currently under consideration by Cabinet would allow foreign graduates in Australia to apply for an 18-month work visa on completion of their studies. Whilst this is a step in the right direction these new arrangements if approved will not come into effect until July 2007 at the earliest.

3. General Migration

A general migration program is going to continue to be necessary because:

- Australia's natural birth rate is too low for population replacement;
- Re-skilling is not possible for everyone;
- Older workers will not join the industry.

Recommendations:

- The Federal Government consider an option for some grant assistance for tourism businesses which wish to employ welfare to work applicants and provide on-the-job training for appropriate candidates with relevant fit for roles in tourism.
- The Federal Government fast-track the new "18-month work visa" to allow graduates completing their studies in 2006 to apply and commence work within the tourism industry in Australia. The visa should also be extended to two years.
- The Federal Government to increase the skill stream within the Australian Government's Migration (non-Humanitarian) Program.
- The tourism industry utilise the Business (long-stay) visa which enables periods of stay of up to 4 years where employers are prepared to sponsor an employee.

Conclusion

It is clear that the industry has a basic labour shortage eg. Tourism cannot get enough people to make beds. However, we don't really know the extent of the shortage – TTF Australia's recent surveys have assisted but more detailed research is required.

What do we mean by skill shortages? The tourism industry needs to ensure that there are clear definitions of where problems lie and recognise different degrees of shortages – by work-type and work location. It would be an appropriate starting point for the industry and government to prepare an in-depth Workforce and Skill Projection Report – something similar to that done in New Zealand, disaggregated to skills, e.g. the industry should be able to marry the needs of the tourism businesses with a plan to ensure the labour supply has the necessary attributes. It may be worthwhile considering the development of a "labour" equivalent to the Tourism Satellite Accounts data. This would enable the industry and government to take an ongoing and holistic view of labour issues in Australia.

TTF Australia will be positioning “skills and labour supply” as a major policy issue in advocacy work related to post-Tourism White Paper. In particular, TTF Australia will be looking to ensure that the labour supply needs of city, rural and regional areas are factored in to any supply-related programs that may be instituted by the Commonwealth.

The industry must take responsibility, in conjunction with government, to identify possible solutions to the workforce challenges facing it. The full set of TTF Australia’s recommendations is re-listed below.

Recommendations for Industry:

1. The industry to examine ways of “capturing” the working style of Generation Y, to benefit businesses, particularly those sectors which utilise casual labour.
2. It is critical that the tourism industry establish new retention policies.
3. The industry in the medium term should resolve appropriate changes to the DIMIA points criteria by identifying an appropriate examining body for tourism associated skills and qualifications.
4. Since the Migration Occupations in Demand List is based, to an extent, on the DEWR Skills in Demand research, the industry needs to work with DEWR to refine this.
5. The industry should work more collaboratively on “sector pooling” labour supply for seasonal clusters e.g. Ski slopes for six months, island resorts for six months.
6. The industry in collaboration with the Commonwealth Government should create a portal on the DIMIA website for Working Holiday Makers searching for jobs. This would be marketed to potential Working Holiday Makers travellers before they left home, thereby adding further encouragement to visit Australia.
7. A short-term solution for seasonal fluctuations would be to have industry utilise our TAFE and university students through work experience placements.
8. Academic institutions to work with the industry to ensure a high take-up of the Occupational Trainee Visa.
9. Employers to undertake training for Working Holiday Makers personnel where employed for longer than 3 months.
10. Industry to utilise the Business (long stay) visa which enables periods of stay up to 4 years where employers are prepared to sponsor an employee

Recommendations for Government:

1. Federal and State Governments to work together to improve numeracy and literacy levels at primary and secondary education in all schools and all areas of the country.
2. To alleviate immediate skill shortages, the government should modify the criteria for overseas sponsorship to include shortages identified by industry.
3. The Federal Government to explore the feasibility of introducing short-term temporary work visas for workers in neighbouring Pacific Island communities. This option could help to alleviate unemployment in these communities, foster regional peace and international relations while at the same time, providing a source of temporary labour for Australian tourism.

4. The industry in collaboration with the Federal Government should create a portal on the DIMIA website for Working Holiday Makers searching for jobs. This would be marketed to potential Working Holiday Makers travellers before they left home, thereby adding further encouragement to visit Australia.
5. The Federal Government to give consideration to extending the Working Holiday Makers visa extension to 12 months for remote and regional locations.
6. The Federal Government to consider an option for some grant assistance for tourism businesses who wish to employ welfare to work applicants and provide on the job training.
7. The Federal Government to fast-track the new "18-month work visa" to allow graduates completing their studies in 2006 to apply and commence work within the tourism industry in Australia. The visa should also be extended to two years.
8. Government to increase the skill stream within the Australian Government's Migration (non-Humanitarian) Program.

As noted in our submission to the Export Services Inquiry, a long-term strategy for skills and training is necessary to sustainably meet predicted demand. Short-term, immediate measures such as working holiday visa liberalisation or visa extension for Australian trained overseas students might be sustained to increase the utility of such measures.

The two committees might share perspectives on these issues, particularly upon labour strategies which may assist in the growth and attractiveness of the Australian tourism sector. TTF Australia encourages these recommendations to be provided to Cabinet Ministers as well as relevant government departments.

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