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Restaurant & Catering Australia

Restaurant & Catering Australia is the peak national organisation representing the interests of restaurateurs and caterers.

The Association is a federation of State Associations that work together on matters of national importance. The State Associations have a combined membership of 5,800.

The Restaurant Industry in 2004

The Australian Bureau of Statistics reports some 28,900 restaurant, café and catering businesses that are registered for GST. Of these businesses 57% turn over between \$100,000 and \$499,000 and 94% turnover under \$500,000. There are eight businesses that turn in excess of \$20 Million¹ (see Figure 2).

The year 2004 was certainly a year of contrast for the restaurant industry. According to the ABS the industry went from the nine months of high turnover to three months (October through December) where turnover dropped below 2003 levels².

Strong turnover in October-November 2003 (due to the Rugby World Cup) contributed to artificially high revenues at that time. It is therefore not surprising that 2004 levels dipped below 2003. December 2004 was, however, lower than 2003, without this distortionary effect.

Despite the overall positive revenue growth, the large price increases in major inputs (food and labour) have further undermined profitability in this period. Profitability, for the predominant licensed restaurant category, was in 1998-99, cited by the ABS at 3.9%³. This is likely today to be 1.5% on turnover (before tax).

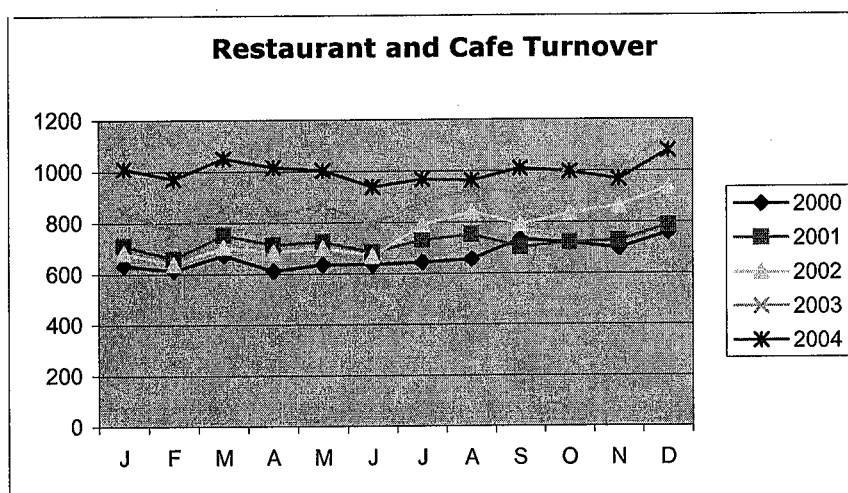


Figure 1- Restaurant Industry Turnover 2000 - 2004

¹ ABS Business Counts, March 2002, Restaurant & Catering Australia

² Australian Bureau of Statistics, Retail Trade Data, December 2004

³ ABS Café and Restaurant Series, 1998-99

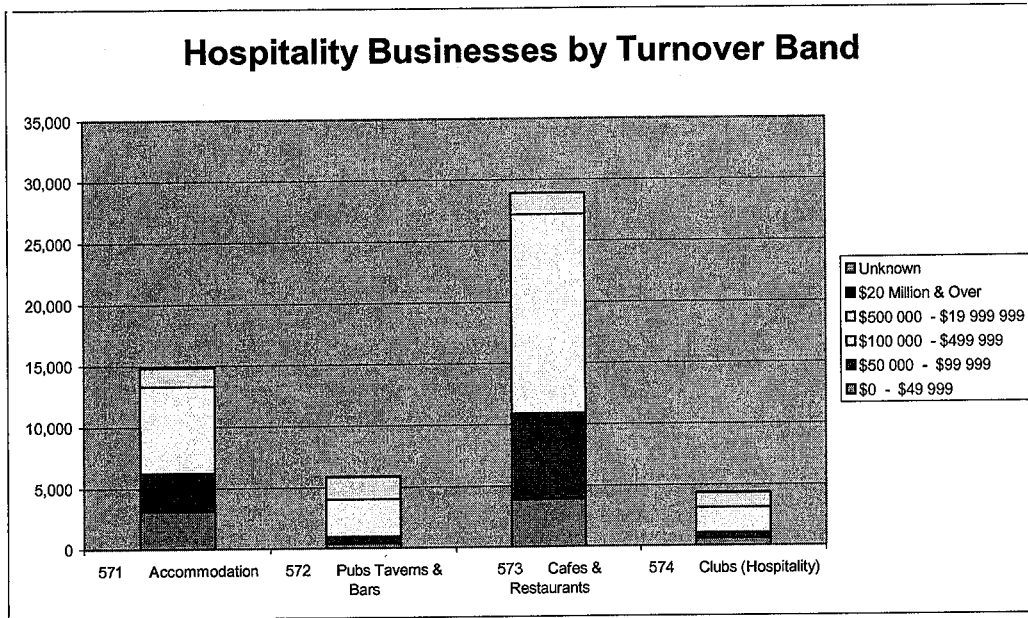


Figure 2 – Hospitality Businesses by Turnover Band, ABS Business Register

In addition to being small businesses, many restaurant and catering businesses are not corporations. As evidenced below nearly one third of restaurants are operated by sole-traders or partnerships.

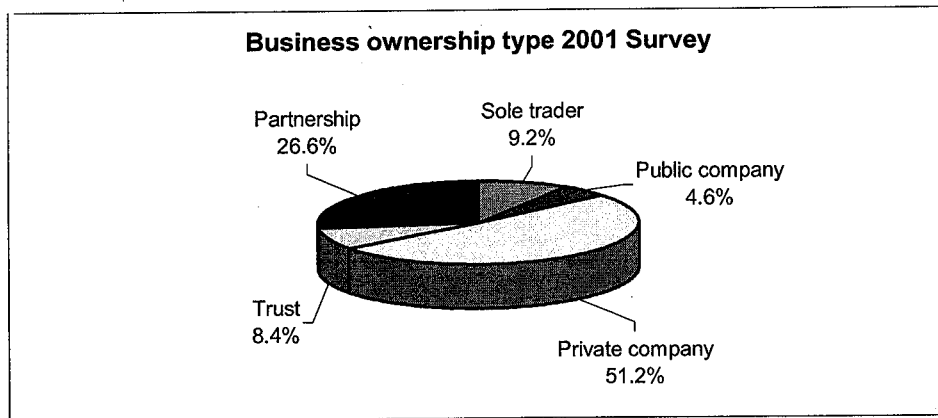


Figure 3 – Business Ownership Type, Restaurant & Catering Operations Report, 3rd Edition.

Restaurant Industry Employment

In the November quarter of 2003, 239,000 people were employed in restaurants and cafes in Australia. This represented an 8.1% increase on the number employed 12 months earlier (221,000). In this period the restaurant and café industry accounted for 2.5% of Australia's workforce and 4.7% of the part time workforce.

Casual workers now make up 53%⁴ of the restaurant industry. This is in contrast to the all industry average of approximately 26%. As a result there are more employees subject to loaded up rates than in other industries. The number of employees on penalty rates is compounded by the 'out of hours' nature of the work taken in conjunction with conditions such as in the Liquor And Accommodation Industry - Restaurants - Victoria - Award 1998, which requires the payment of a penalty for work undertaken outside 7.00am to 7.00pm.

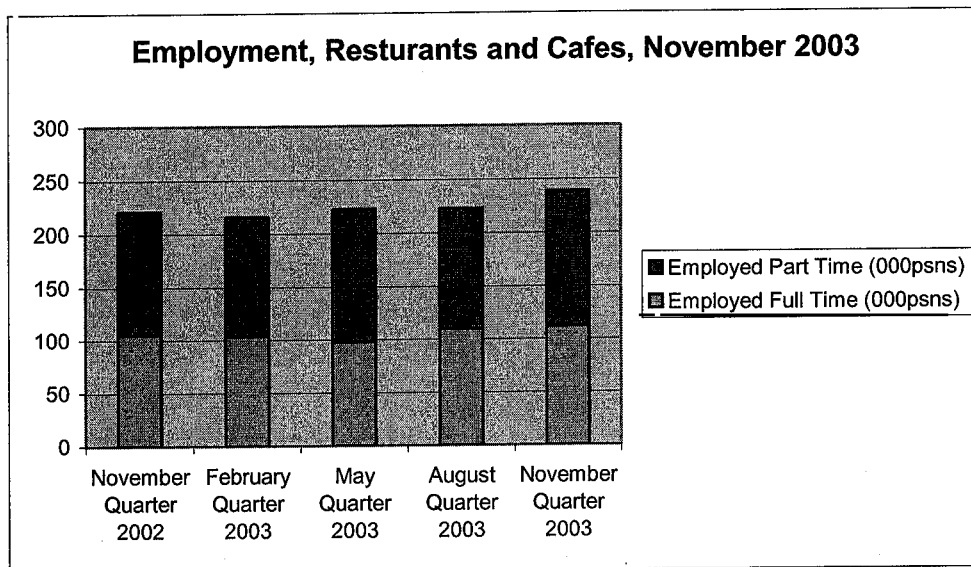


Figure 4 - Full Time and Part Time Employment, Accommodation, Cafes and Restaurants 2002 - 2003

The number of casual employees has been steadily growing by an average of 1% per annum. This casualisation of the industry has been evident over the past ten years. The largest proportion of the restaurant, cafes and catering workforce is casual females.

⁴ ABS Employed Persons, Café and Restaurant Industry, Unpublished Data, August Quarter, 2001

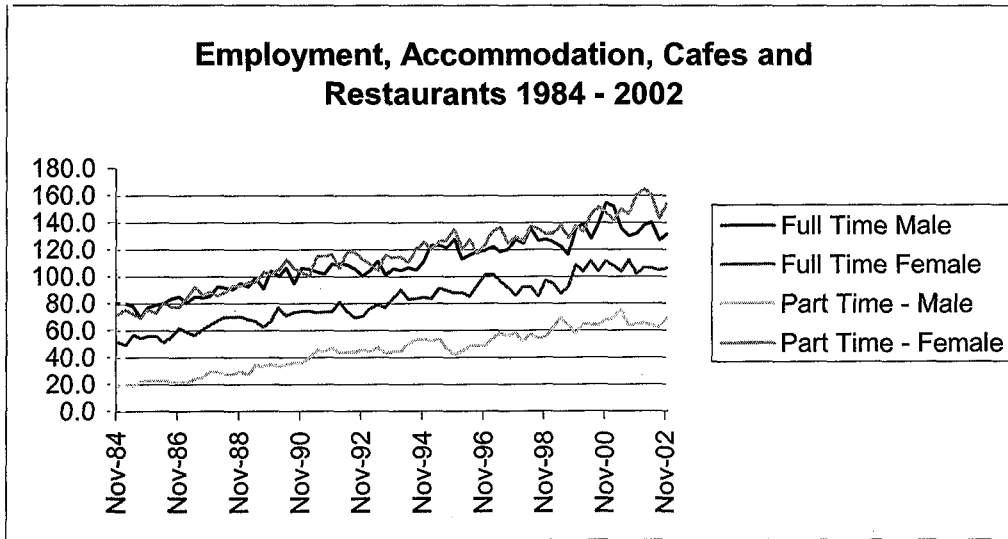


Figure 5 - Employment, Accommodation, Cafes and Restaurants 1984 - 2002

The predominant employment type in the Accommodation, Café and Restaurant industry is 'Self-Identified Casuals'. This type of employment accounts for 49.9% of all employment (including owners and managers)⁵.

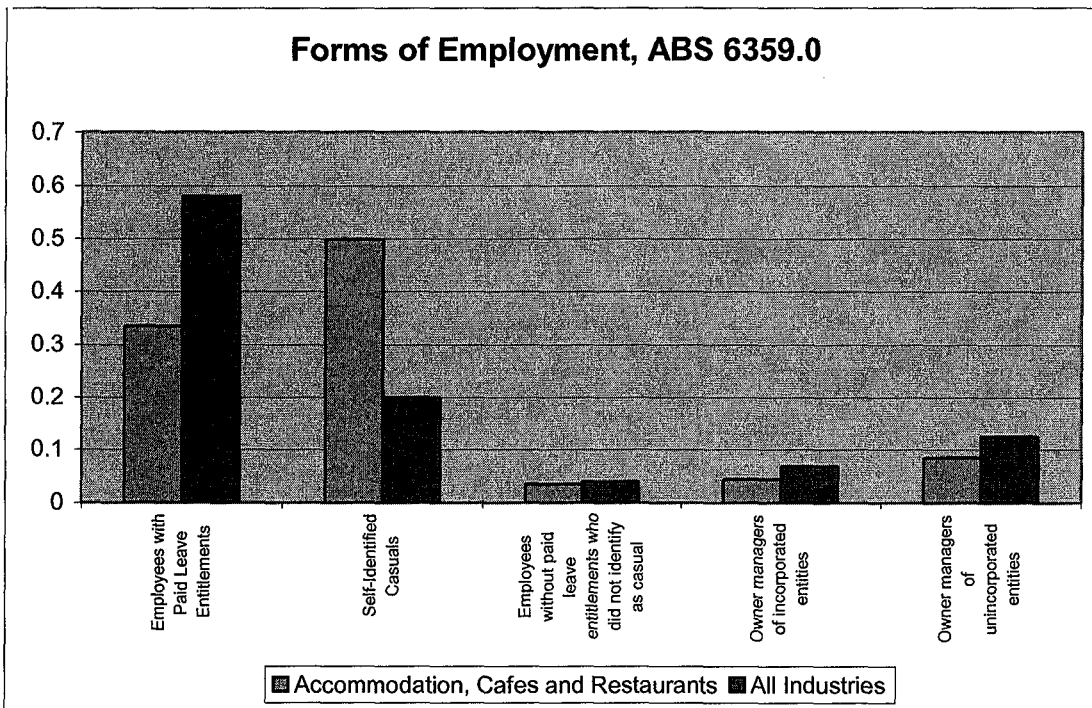


Figure 6 - Forms of Employment, ABS 2001

The labour intensive nature of the hospitality industry also manifests itself in a lower proportion of working operators of overall employees (11.3% in contrast to the all industry average of 21%).

⁵ ABS Forms of Employment, November 2001, ABS 6359.0

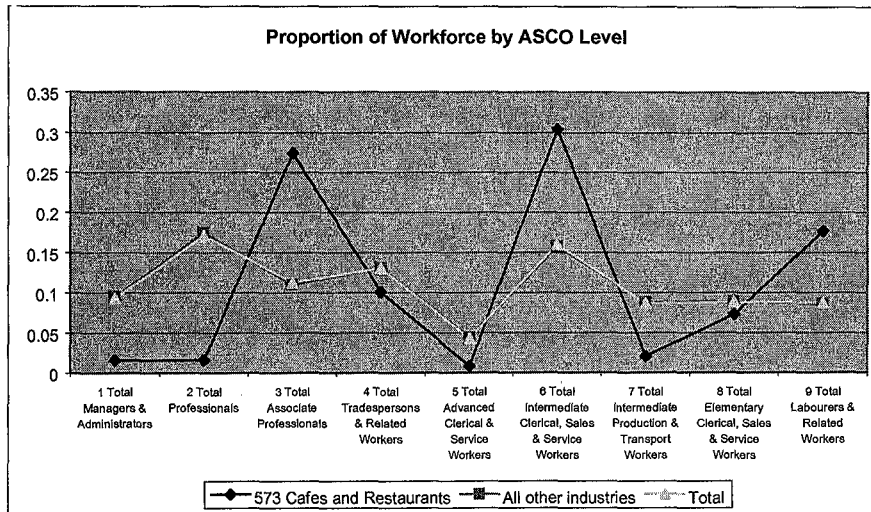


Figure 7 - Proportion of Workforce by ASCO level

Alongside the differences in forms of employment, the café and restaurant industry also has a very different mix in levels of occupation compared to other industries. Café and restaurant employees are far more likely than the average employee to work at operative and trade levels and far less frequently work at the professional and para-professional level.

Employees in the accommodation, café and restaurant industry are three times as likely to be award only employees as those in other industries (60.2% versus 19.9%)⁶. Collective agreements have been under utilized in the industry and individual agreements have had a take-up equitable with other industries. Working operators are again recognised as a being under-represented in the hospitality labour market.

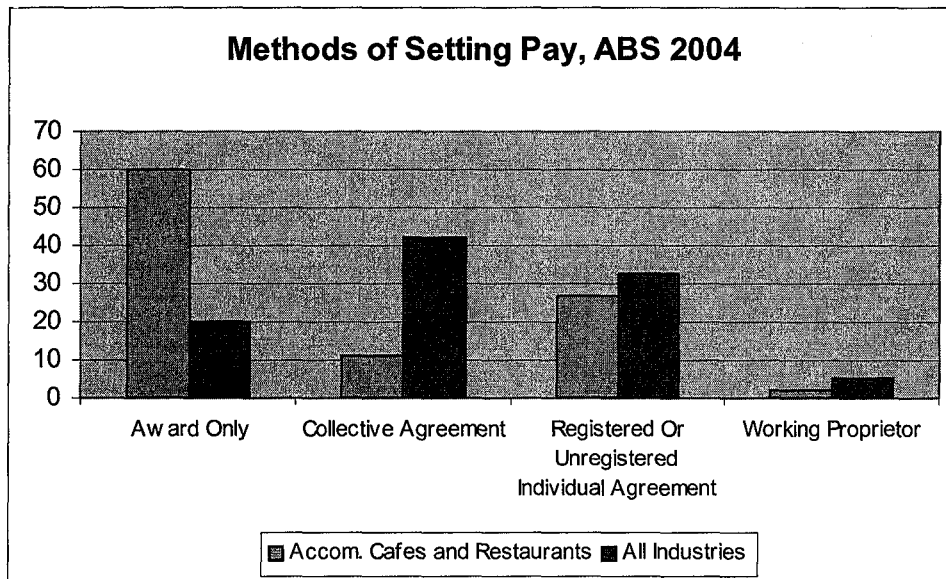


Figure 8 - Methods of Setting Pay, ABS Employee Earning and Hours, May 2004

⁶ Employee Earnings and Hours, ABS 6305.0.55.01, May 2004

Projections for the Restaurant and Café Industry

Accommodation, cafes and restaurants (of which cafes and restaurants are one sector) is projected to be the third fastest growth industry to 2010-2011⁷. The hospitality industry is projected to grow by 2.4% per annum between now and 2011. This growth will require an additional 12,700 employees per annum.

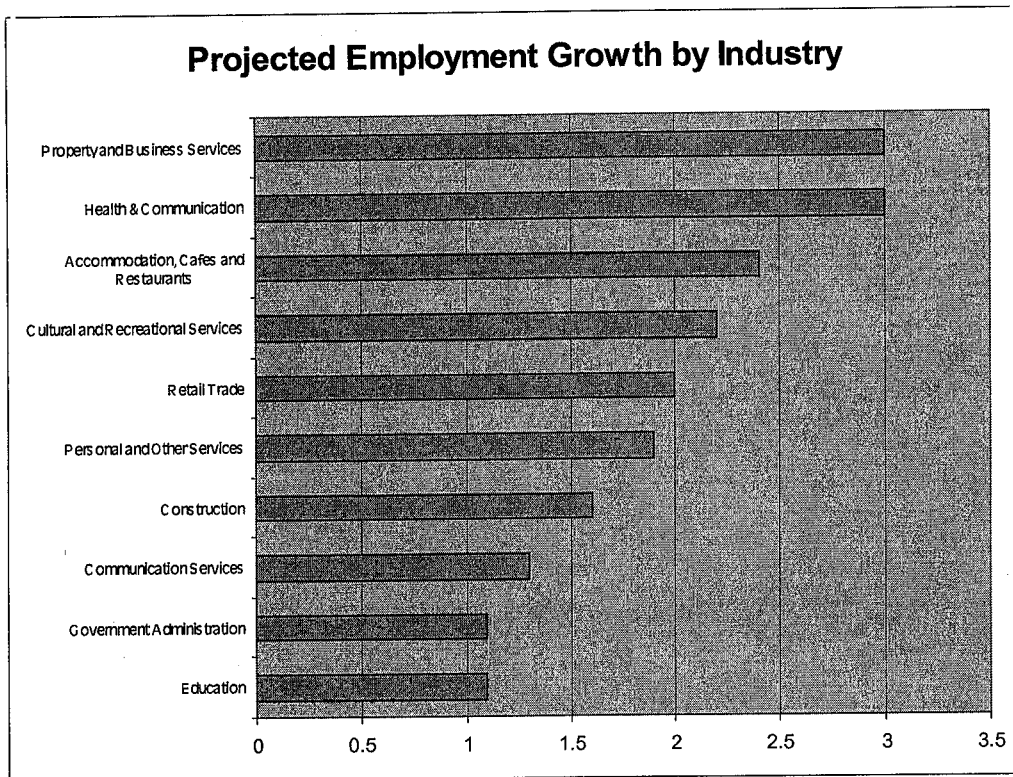


Figure 9 – Projected Employment Growth by Industry, DEWR, June 2004

⁷ DEWR Job Outlook, June 2004

The Inquiry

The terms of reference for the inquiry require that:

"The Committee shall inquire into and report on how the Australian Government can better help families balance their work and family responsibilities. The Committee is particularly interested in:

1. the financial, career and social disincentives to starting families;
2. making it easier for parents who so wish to return to the paid workforce; and
3. the impact of taxation and other matters on families in the choices they make in balancing work and family life."

Restaurant & Catering Australia seeks to comment only on the areas of the inquiry that have a work component (ie. points two and three).

Restaurants, cafes and catering businesses offer a very significant amount of part-time and casual work to Australians (some 131,970 jobs⁸).

Casual and part-time jobs are integral for achieving work and family life balance for parents wishing to return to the paid workforce.

Restaurants, cafes and catering businesses also offer many 'out of hours' opportunities which can be advantageous to parents returning to the paid workforce and balancing work and family life, where the family is of school age. Troughs in activity in the restaurant industry are prior to 11am weekdays and 3pm to 5pm Monday to Friday (times when school drop-offs and pick-ups occur).

The projected growth in the restaurant industry will continue to enhance opportunities for parents to work in this industry into the future.

Barriers to casual and part-time employment are barriers to parents wishing to return to the paid workforce and the achievement of balance in work and family life.

In order to facilitate the work and family balance, for parents, Government should endeavor to remove barriers to part-time and casual employment.

Barriers to part-time and casual employment include :

- Penalty rates and loadings required to be paid to part-time and casual employees, beyond those required to compensate casuals for sick and holiday pay;
- Tax system disincentives applied through the 'second job tax' regime that withholds tax 'until the end of the financial year' where an employee has more than one job;
- The exclusion of most casual jobs as being eligible for a payment to Government employment services providers;
- The exclusion of casual employees under traineeship arrangements.

⁸ ABS Employed Persons, November 2003

Penalty rates and loadings required to be paid to part-time and casual employees, beyond those required to compensate casuals for sick and holiday pay

Restaurant & Catering Australia acknowledges the need for penalty rates and loadings that compensate casual employees for their sick and annual leave entitlements, however, additional loadings and penalties provide little more than a barrier to casual employment.

Tax system disincentives applied through the 'second job tax' regime that withholds tax 'until the end of the financial year' where an employee has more than one job.

The taxation system also presents a barrier to parents returning to the paid workforce on a casual / part-time basis. Many casual or part-time employees work two or more such positions in order to achieve the number of hours they require. This is a necessary and standard practice due to restaurant businesses (for example) having peaks in demand that they need to fill.

The system of 'second job tax' where an employee is only able to claim the general exemption for one of the jobs roles, which they occupy, provides a disincentive to occupying two casual positions.

The exclusion of most casual jobs as being eligible for a payment to Government employment services providers

Increasingly hospitality industry employees are turning to agencies (including the Job Network) to assist in filling vacancies⁹. There are a number of vacancies, however, that are unable to be registered with the Job Network as they are under the minimum 24 hours per fortnight average.

This acts as a disincentive to these positions being broadly advertised, particularly to previous welfare recipients.

The exclusion of casual employees under traineeship arrangements.

As detailed above, many parents returning to the workforce may be seeking as a matter of preference, a casual position. This enables parents to continue to meet obligations to children of school age. Many parents have also been out of the workforce for six to seven years or longer by the time they are seeking to return to work. In this time the nature of the skills required may have changed or the nature of previous work is such that part-time opportunities do not exist. As a result, many parents returning to the workforce may require retraining.

Many traditional training pathways may not be available to parents returning to the workforce. Traineeships and apprenticeships are generally not available to casual employees. Whilst training provision may be able to occur both on and off the job, either Australian or State Government provisions preclude the signing of a training agreement for a casual employee. This is a barrier to parents wishing to return to paid work, who require additional or different skills in order to do so.

⁹ National Skill Shortage Strategy Food & Hospitality Report, R&CA, not yet released