

# Submission

to

Senate Employment, Workplace Relations and Education  
References Committee

## **Inquiry into Workplace Agreements**

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## Restaurant & Catering Australia

Restaurant & Catering Australia (R&CA) 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. There is an R&CA member restaurant and catering association in every State and the Australian Capital Territory.

## 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 Million<sup>1</sup> (see Figure 2).

Restaurant, cafe and catering turnover for the month of June 2005 was \$901.6 Million. This was lower than turnover in the same month in 2004. June 2005 was the eighth consecutive month of negative growth. Compared to the first half of 2004, the industry is 8.1% down in revenues across Australia.

A report released by the Australian Bureau of Statistics in July 2005 shows a slowing in restaurant profits (as forecast by the R&CA) with 63.4% of businesses (the businesses employing less than 10 people) generating less than 2% net profit.

Businesses reported an average net profit of 4%, down 16% on the previous survey period (1998-1999). Labour costs have risen an average of 17% from 29.4% of turnover to 34.3% of turnover, demonstrating the need for workplace reform. In the same period turnover increased by 7% among 7.1% more businesses. The slice of turnover is therefore the same on average as in 1998 / 99 but they face significantly higher wage bills. This is in part attributable to increases in non-wage labour costs.

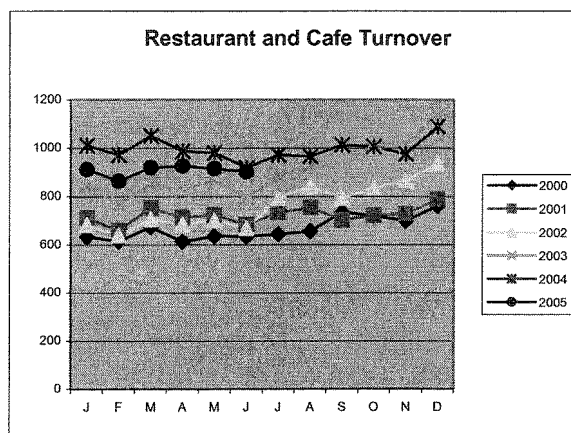


Figure 1- Restaurant Industry Turnover 2000 - 2004

<sup>1</sup> ABS Business Counts, March 2002, Restaurant & Catering Australia

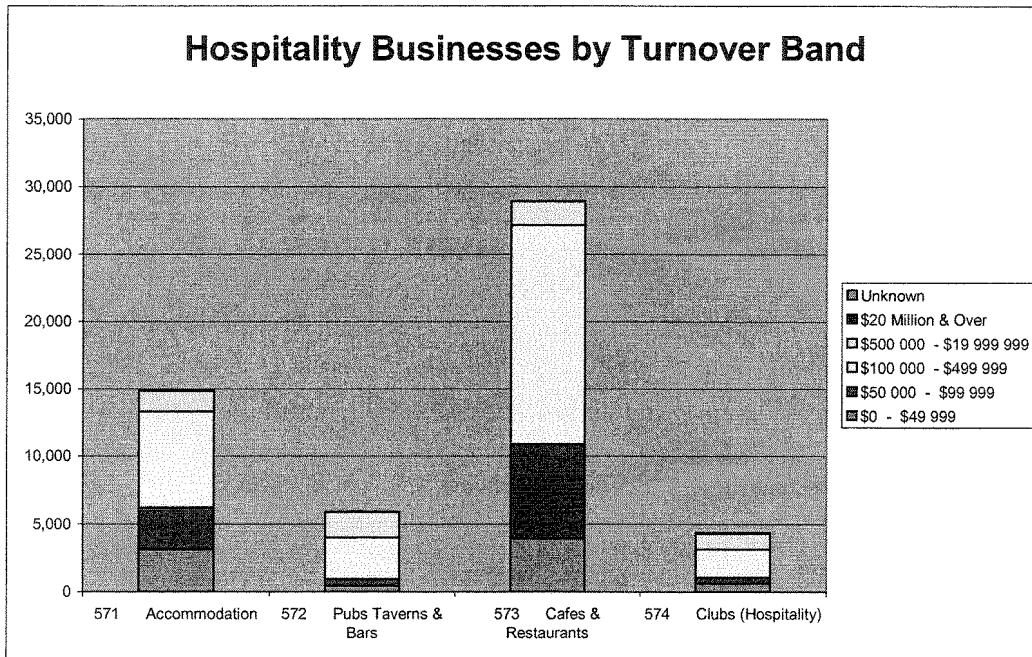


Figure 2 – Hospitality Businesses by Turnover Band, ABS Business Register

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.

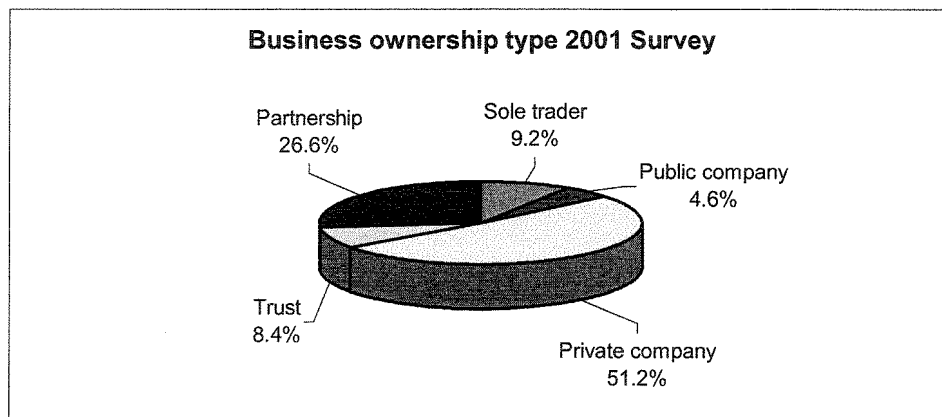


Figure 3 – Business Ownership Type, Restaurant & Catering Operations Report, 3<sup>rd</sup> Edition.

25% of Australian restaurants are located in Victoria, 3% in the ACT and 1% in the Northern Territory.

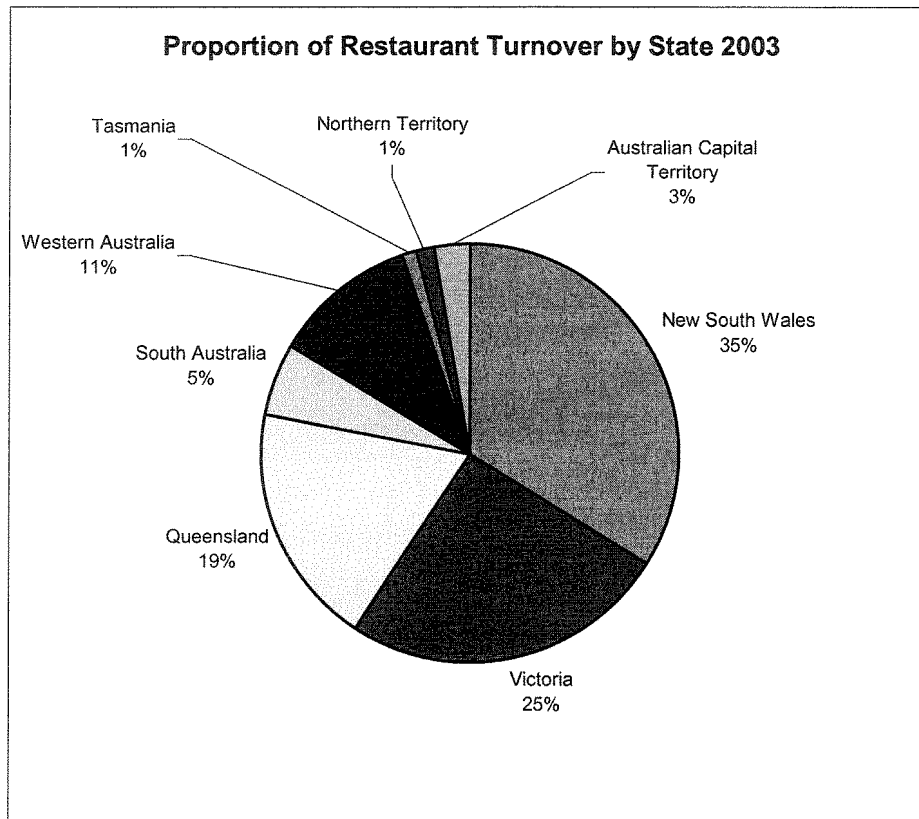


Figure 4 - Proportion of Restaurants by State

## 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%<sup>2</sup> 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.

<sup>2</sup> ABS Employed Persons, Café and Restaurant Industry, Unpublished Data, August Quarter, 2001

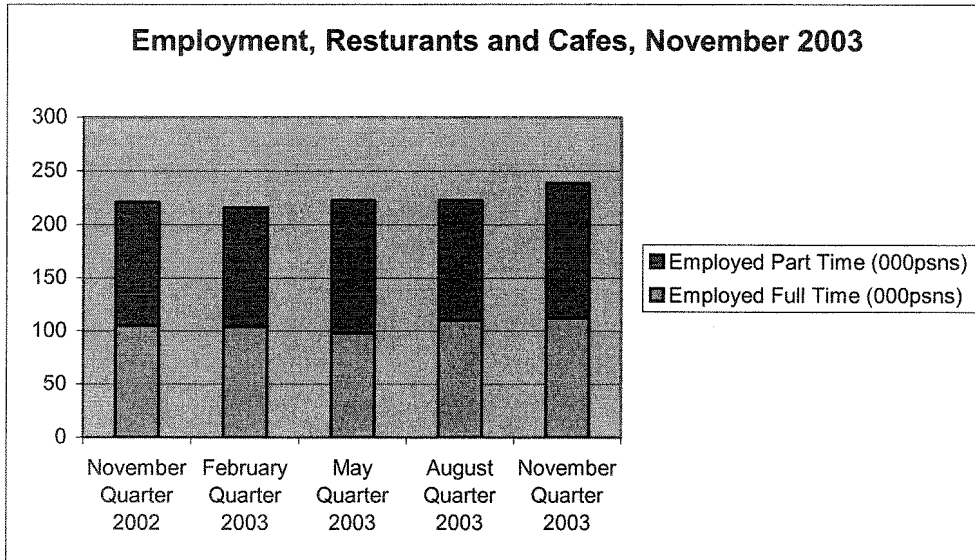


Figure 5 – Full Time and Part Time Employment, Accommodation, Cafes and Restaurants 2002 - 2003

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 part-time females.

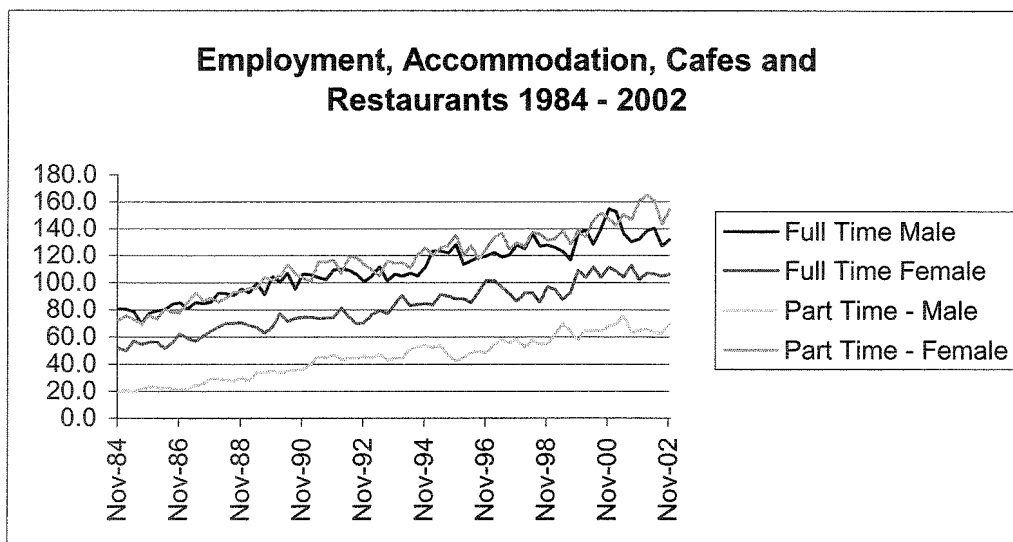


Figure 6 - Employment, Accommodation, Cafes and Restaurants 1984 - 2002

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)<sup>3</sup>.

<sup>3</sup> ABS Forms f Employment, November 2001, ABS 6359.0

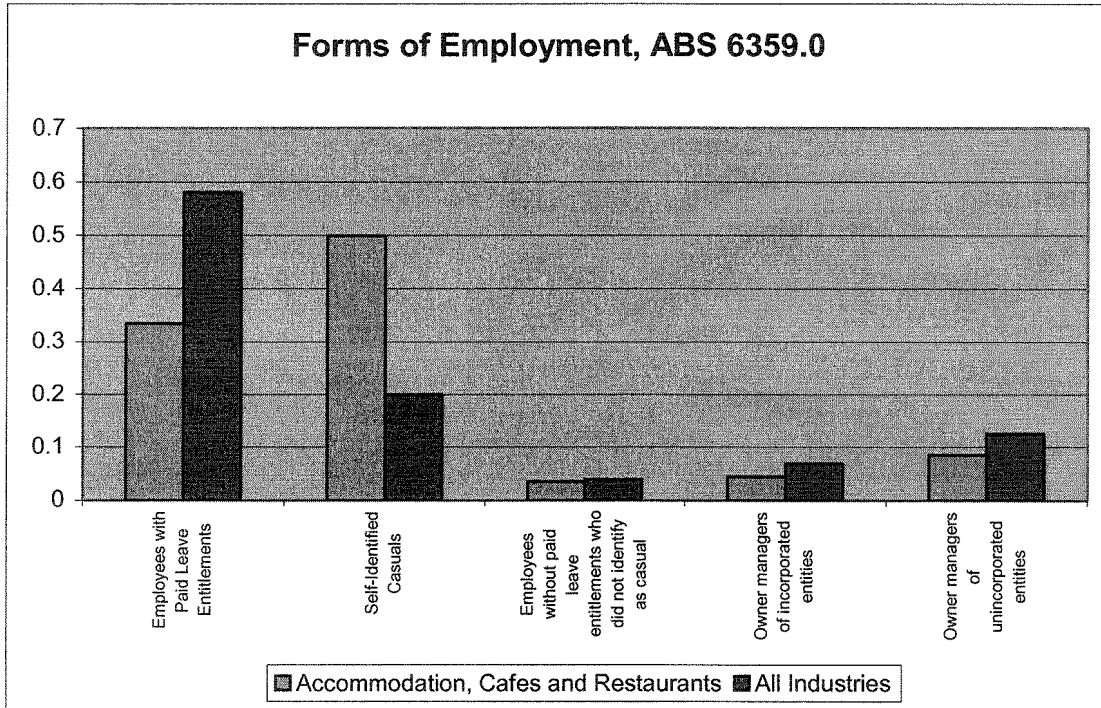


Figure 7 – Forms of Employment, ABS 2001

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%).

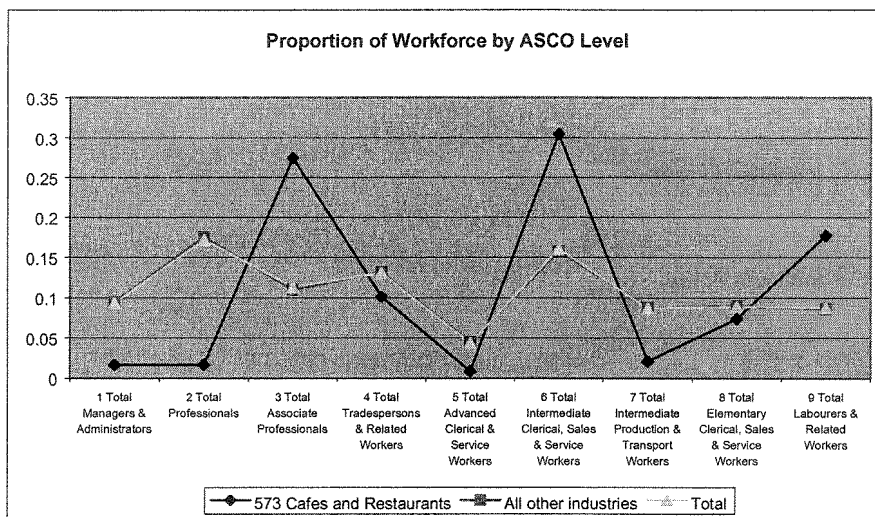


Figure 8 – Proportion of Workforce by ASCO level

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 employees 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%)<sup>4</sup>. Collective agreements have been under utilised in the industry and individual agreements have had a take-up equitable with other industries. Working operators are again recognised as being under-represented in the hospitality labour market.

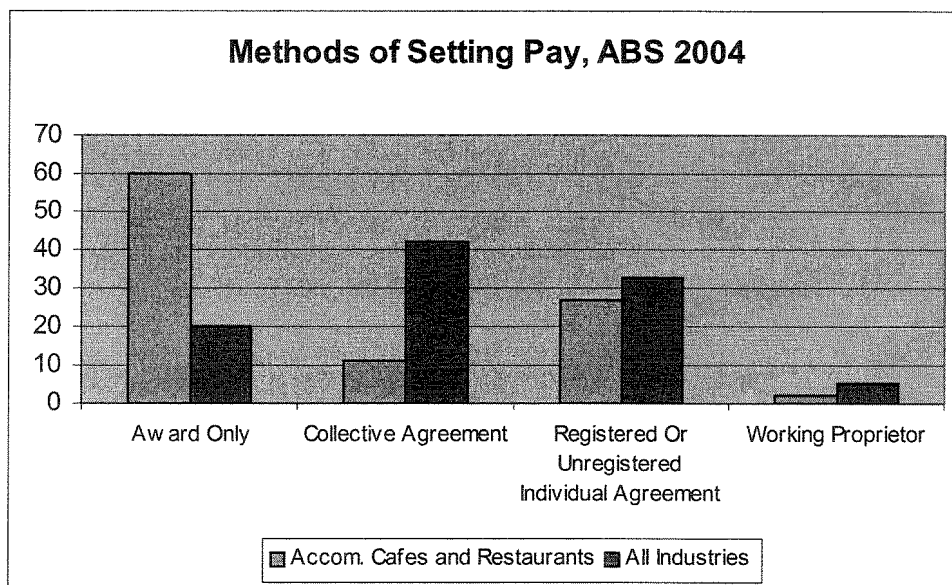


Figure 9 – Methods of Setting Pay, ABS Employee Earning and Hours, May 2004

<sup>4</sup> 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 2010-2011<sup>5</sup>. 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.

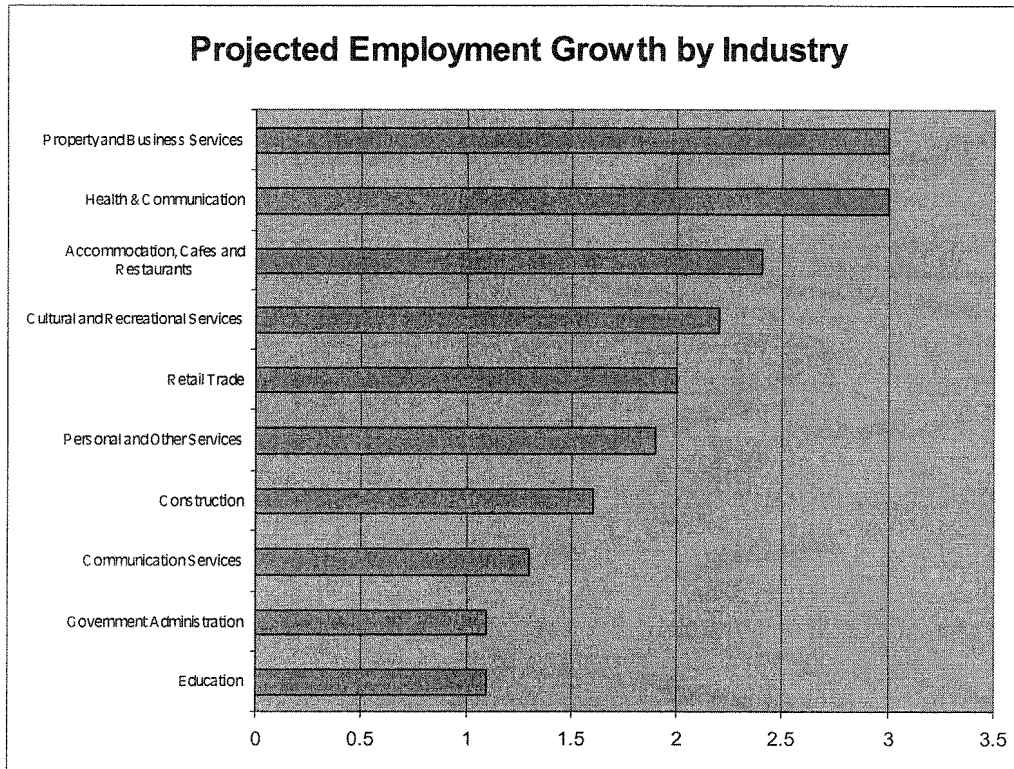


Figure 10 – Projected Employment Growth by Industry, DEWR, June 2004

<sup>5</sup> DEWR Job Outlook, June 2004



## The Inquiry

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### *Terms of Reference*

This submission acknowledges the terms of reference of the inquiry as whether the objectives of various forms of industrial agreement-making, including Australian Workplace Agreements, are being met and whether the agreement-making system, including proposed federal government changes, meet the social and economic needs of all Australians, with particular reference to:

- the scope and coverage of agreements, including the extent to which employees are covered by non-comprehensive agreements;
- the capacity for employers and employees to choose the form of agreement-making which best suits their needs;
- the parties' ability to genuinely bargain, focusing on groups such as women, youth and casual employees;
- the social objectives, including addressing the gender pay gap and enabling employees to better balance their work and family responsibilities;
- the capacity of the agreement to contribute to productivity improvements, efficiency, competitiveness, flexibility, fairness and growing living standards; and
- Australia's international obligations.

### Usage of Agreements

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Australia's restaurant and catering industry is still more award reliant than the average industry. In its report 'Methods of Pay Setting, May 2004, the Australian Bureau of Statistics cited 60% of the workforce in the accommodation, café and restaurant industry, was reliant on the award for setting wage rates compared to 20% for all industries.

In contrast, only 38% were covered by agreements (either registered or unregistered). This compared to 74% across all industries.

The usage of Australian Workplace Agreements is to some extent hampered, in their spread across the restaurant industry by the relatively fewer number of corporations in this sector. Of the 28,900 restaurants, cafes and caterers, 35.8% are sole traders or partnerships. 25% of those are in Victoria and 4% in the territories.

Whilst this is the case, the Office of the Employment Advocate reports<sup>6</sup> that 16.1% (the largest proportion) of AWAs signed in the three months to June 2005 were in the accommodation, cafes and restaurants industry<sup>7</sup>. This compares to 11.7% in the last three years and 9.9% to date.

The OEA data also shows that 76.4% of agreements in the accommodation, café and restaurants industry are AWAs and only 23.6% certified agreements. This is the mirror opposite to the all industry picture. It is likely this is due

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<sup>6</sup> OEA – AWA employee data, to 30 June 2005

<sup>7</sup> ANZSIC classifications covering restaurants, cafes and caterers

predominantly to the size of businesses in the industry and the low level of unionisation.

In the broader accommodation café and restaurant industry (ANZSIC Division H, 571 – 574), 88% of businesses turnover less than \$500,000 per annum. In the restaurant sector this number increases to 94%.

These businesses on average employ 8.5 people and have limited formal human resource management infrastructure. The process of making a collective agreement is thereby likely to be beyond the scope of these businesses.

Between 8% and 9% of employees in the accommodation, café and restaurant industry are Union members<sup>8</sup>. This proportion is lower than most other industries with the all industry average some 22%. In accommodation, cafes and restaurants the 2003 proportion is two-thirds of the number of trade union members in this industry in 1998.

The OEA reports 53,600 active AWAs in the accommodation café and restaurant industry. This is approximately 10.4%<sup>9</sup> of total employment in this industry. It is likely, however, that due to the recent promotional efforts by the OEA and the R&CA, that the majority of these new agreements are in the restaurant, café and catering sectors. As a proportion of restaurant, café and catering industry employment, the number of agreements would represent some 20%.

There has been a very significant increase in the take up of Australian Workplace Agreements in the restaurant, café and catering industry over the past six months. In the five months to July 2005, the OEA reports 11,612 AWAs<sup>10</sup> made in the restaurant and catering industry. This is an additional 4.6% of the workforce in this five months alone!

## Employer and Employee Choice

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The recent growth in numbers of AWAs signed, in the restaurant and catering industry, is a direct result of greater acceptance of the concept of agreement making by restaurateurs and caterers.

The Office of the Employment Advocate is supporting the promotion of AWAs in the restaurant industry, with their partner<sup>11</sup> restaurant and catering associations. This effort has involved actively promoting the benefits of agreements to these small businesses.

The capacity of both employers and employees to chose *'agreement-making which best suits their needs'* is a direct result of the information on agreement making that these businesses have at hand. The recent efforts by the OEA and partner associations has greatly improved the flow of relevant information to both employers and their employees.

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<sup>8</sup> Employee Earnings, Benefits and Trade Union Membership, Australia (6310.0), 2003

<sup>9</sup> ABS 6291.0.55.001 Labour Force, Australia, Detailed - Electronic Delivery

<sup>10</sup> OEA AWA Statistics, to July 2005

<sup>11</sup> Each of the State restaurant and catering associations are OEA Partner organisations

The state restaurant and catering associations (that are members of the R&CA) in conjunction with the OEA have developed template agreements that assist restaurateurs and caterers to understand AWAs. These templates include industry standard conditions and enable greater flexibility of working hours.

In addition to template agreements there have been a number of support materials, seminars and one on one visits that have been undertaken to increase the knowledge and understanding of restaurateurs, in the joint initiative (between the R&CA and the OEA) undertaken since March 2005.

## The Restaurant Workforce

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Employees in the restaurant and catering industry fit the following profile:

- Very little wage gap between males and females (accommodation, cafes and restaurants have the smallest wage gap of any industry<sup>12</sup>);
- Mostly female (in November 2003, 56.5% of employees were female);
- Younger than average;
- 53% less than full time<sup>13</sup>;
- Fewer supervisors and managers as a proportion of the workforce (flatter management structures)<sup>14</sup>, and;
- Lower than average wages<sup>15</sup>.

The restaurant and catering industry fills an important role in the labour market, engaging a large number of part-time and casual workers. These individuals often work on this basis because of their commitments to the families, education or other vocations.

The industry has a huge demand for labour and requires significant flexibility in the labour force that meets this demand.

The promotion of AWAs, throughout 2005, has met with such a positive reception because industry operators see an alternative cumbersome awards in defining the working relationships they have with their staff. Further, AWAs enable a business to reflect the particular circumstances of their businesses and the individual needs of their employees.

Employers and employees, in the restaurant and catering industry initiative, are overwhelmingly satisfied with the process surrounding the negotiation of and agreement to conditions within Australian Workplace Agreements.

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<sup>12</sup> Average Weekly Earnings, February 2004 (ABS 6302.0)

<sup>13</sup> See data above on the casualisation of the industry

<sup>14</sup> See figure 8 and the explanation above.

<sup>15</sup> Average Weekly Earnings, February 2004 (ABS 6302.0)