

Statement of John Hart, Chief Executive Officer, Restaurant and Catering Industry Association of Australia Inc. (*known as Restaurant & Catering Australia*)

to the Australian Industrial Relations Commission in Matter Number AM 2008/04

Financial and Economic Impacts of the Introduction of the proposed Hospitality Industry (General) Award 2010

- 1) Restaurant & Catering Australia submits that the proposed Hospitality Industry General Award would significantly increase costs and impact upon the economic sustainability of the restaurant, café and catering industry.
- 2) The most significant impacts will be felt by the following proposed changes:
 - a) The increase of the casual loading from 20% to 25% in South Australia and from 23% to 25% in South East Queensland;
 - b) Addition of an extra 25% in Sunday penalty in New South Wales, South East Queensland and Western Australia;
 - c) The addition of an evening penalty (of some 10%) for all hours worked after 7pm in New South Wales, Queensland and Western Australia and Tasmania;
 - d) The significant increases in the pay rates for apprentices at each of the level of apprenticeship rates, and;
 - e) The significant increase in the junior rates in most jurisdictions.
- 3) Restaurants make an average net profit of 3.8% and are heavily labour intensive (33.8% of revenues are expended on labour).
- 4) The introduction of the Hospitality Industry (General) Award 2010 would see many employers in the restaurant, café and catering industry in New South Wales, Queensland and South Australia rendered statistically unviable. Every one of these businesses would on average make no net profit or make a loss if they absorbed the increased wage costs brought about by HIGA.
- 5) Statistically the construct of the restaurant and catering industry is as follows:

- a) 26% of staff are full time, 16% part time and 58% casual.
- b) 36% of hours worked are worked after 7pm Monday to Friday, 22% were worked on Saturday and 17% on Sunday.
- c) 9.5% are trainees or apprentices and 8.3% juniors.

6) Examples of the implementation of the Hospitality Industry (General) Award 2010 are as follows:

- a) A NSW Restaurant with a \$2 Million per annum turnover that has an even spread of turnover over the 5 days of its operation. It opens both Saturday and Sunday with 20% of turnover on each day of the weekend - The proportion of staff that are casual is slightly higher than the average at 60% - This restaurant has a an average increase of 12.2% in its wage bill each year.
- b) A caterer in Queensland with a half a million dollar per annum turnover with 70% casual staff would have a 8.4% increase - This business does 70% of its business on the weekend (as most caterers would) and employs two apprentices.
- c) A restaurant in NSW that does half of its \$2.5 Million turnover on a weekend would be exposed to a 15.7% increase in wage cost - In this business 80% of staff are casual and they employ a large number of apprentices in their team of 50 staff. The increase translates to a \$150,000 increase in wage costs.
- d) A restaurant business in NSW with a turnover of \$2.5 Million with 50% casual staff and 30% of staff working on Saturday or Sunday would have an increase of 13.3%.
- e) A restaurant business in NSW with a turnover of \$800,000 with 60% of staff working on the weekend would have an increase of 11.6%.
- f) A restaurant business in NSW with a turnover of \$2 Million with 60% casual staff and 20% of staff working on the weekend would have an increase of 11%.
- g) A restaurant business in NSW with a turnover of \$500,000 with no casual staff and 80% of staff working on the weekend would have an increase of 32.2%.

- h) A restaurant business in NSW with a turnover of \$4.5 Million with 80% of staff working Saturday and 60% of staff working on Sunday would have an increase of 27.7%.
 - i) A restaurant business in NSW with a turnover of \$2 Million with 70% casual staff and 60% of staff working on the weekend would have an increase of 26.6%.
 - j) A restaurant business in NSW with a turnover of \$300,000 with 80% casual staff and 80% of staff working on Sunday would have an increase of 20.5%.
 - k) A restaurant business in South Australia with a turnover of \$750,000 with 83% casual staff would have an increase of 17.3%.
 - l) A restaurant business in South Australia with a turnover of \$340,000 with 100% casual staff and 40% of staff working on Saturday would have an increase of 22%.
 - m) A Monday to Friday restaurant business in South Australia with a turnover of \$500,000 with 50% casual staff would have an increase of 24%.
- 7) As a rule of thumb a wage cost increase of over 10% in the current environment will render a business, on average, in a loss situation.
- 8) These changes to the cost base of businesses must be considered in light of other cost and revenue impacts being experienced today and those on the horizon. This should include the impact of the current financial crisis which has already anecdotally lead to a 20% drop in revenues in restaurants.
- 9) Restaurant & Catering Australia estimates that the financial impact of the increase in wage cost for restaurants, cafes and caterers would cost many thousands of jobs.

STATEMENT TO THE AUSTRALIAN INDUSTRIAL RELATIONS COMMISSION
BY JOHN HART, CHIEF EXECUTIVE OFFICER
RESTAURANT & CATERING AUSTRALIA

30TH OCTOBER 2008

1. I am the Chief Executive Officer of Restaurant & Catering Australia¹.
2. I have tendered a statement as part of the R&CA submissions that details my background and includes my previous position as Executive Officer of Tourism Training NSW between 1996 and 1999.
3. I have been working in the hospitality industry since 1981 when I was engaged as a Trainee Waiter / Busboy at the Sydney Hilton.
4. In 1986 I was engaged as a Training Coordinator for Southern Pacific Hotels Corporation and was involved in the first survey of job roles for training standards that were the forerunners to Competency Standards that we have today. I have been involved in the industry training arrangements ever since.
5. The classifications in the proposed Hospitality Industry (General) Award 2010 (HIGA) are totally inappropriate for the restaurant and catering industry.
6. The 7 level system proposed in the restaurant and catering proposed modern award, sourced from the NSW Restaurant Award works for restaurants and the selected classifications from the 61 in the HIGA Exposure Draft do not.
7. This mismatch can be demonstrated by the Competency Standards from the Tourism, Hospitality and Events Training Package as they recognise the nature of the restaurant industry work.
8. The LHMU, in it further submissions suggested that there should be an alignment between qualifications in the Training Package and classifications within the hospitality award. This concept is totally unworkable, incorrect in principle and of itself demonstrates that a hospitality sector wide award will not work for restaurants, cafes and caterers.
9. To explain the basis of the proposition I put - Level 1 on the R&CA proposed modern award for restaurants - the first of 7 classifications describes three months on the job training where an employee is learning a job. This compares to two of the 61 classifications in the HIGA that require structured training to take place at level one. Restaurants do not have structured training yet there is a lot to learn that is enterprise specific in restaurant businesses.

¹ CV attached to previous submission

10. The Competency Standards demonstrate this when they talk about to enterprise standards. It has long been acknowledged that there is a good amount of enterprise specific standards in the restaurant INDUSTRY; every business has a different menu, a different table setting, AND A different way of explaining specials etc.
11. The break between levels two and three in the restaurant award proposal is the provision of detailed knowledge and taking of orders. This describes industry practice and is reflected in the relevant competency standards as the standards do reflect industry practice. In contrast the HIGA has the break between food and beverage classifications on whether a waiter provides table service.
12. In the old days, when I was a busboy, we were not permitted to serve tables. I carried plates from a waiters station to the kitchen. This was the European way. This changed about 20 years ago in restaurants as these old structures became unworkable (and financially unsustainable) and the basic waiters job became a 'food runner'. This is someone who delivers food to tables from the kitchen but does not take orders or provide advice on food or beverage.
13. This clearly demonstrates that the HIGA structure of classifications does not work for restaurants.
14. In a similar fashion the HIGA structure for cooks and chefs refers to Commis Chefs, Demis Chefs etc. These antiquated titles went out of restaurant structures years ago. They are based on the European brigade system. They are totally alien to the restaurant working structures and whilst they may be relevant in the HIGA with its 61 classifications for hotels, it is not relevant for restaurants.
15. The references in my previous written statement to the competency standards was to demonstrate that the training system recognises these differences in working arrangements not to establish a nexus between qualifications and classifications. This nexus is fundamentally flawed as I will explain.
16. By way of explanation as to my understanding of the current training system, I am the Co-Chair of the Tourism and Hospitality Industry Advisory Committee of the Industry Skills Council, I sit on the Skills Council Board, I sit on the Board of the National Centre of Vocational Education Research and the Employment, Education and Training Committee of the ACCI.
17. I was the industry representative on the National Quality Council when the Tourism, Hospitality and Event Training Package was endorsed and have met with every State and Territory Government representative on the National Quality Council in relation to the Tourism and Hospitality Training Package.
18. By way of explanation of the current training system, I refer to the cornerstone of the Training System for the Tourism and Hospitality Sectors, the Tourism Hospitality and Event Training Package.
19. The Training Package describes a Unit of Competency as 'discrete workplace requirement and includes the knowledge and skills that underpin competency'. The qualifications that are made up of the Units of

Competency are 'packages' that are assembled predominantly for delivery purposes.

20. It is the units of competency rather than the qualifications that align with the skills that are necessary to undertake job roles in each industry. Qualifications are very broad and in an industry such as the restaurant and catering industry must be so because they are covering job roles across this and other industries (such as hotels, motels and clubs). The skills that are required for each job role (even at the same level) vary quite dramatically.
21. The qualification framework itself shows up the impracticality of drawing these industry sectors together. There is no consistent description of the skills and tasks at each level of operation across the tourism, hospitality and events industry.
22. For example the Qualification descriptor for a Certificate III in Hospitality requires 6 core and 6 elective units. The core units are generic and practically of little benefit to actual job roles. The Certificate II could just as well contain skills such as operating a cellar, making ice-cream, making beds and operating a keno machine all of which are totally alien to a core restaurant and catering role such as a waiter.
23. Under the LHMU proposal a restaurateur would be required to pay a waiter at level three if they have undertaken a course in, making ice-cream, making beds or operating a keno machine when they have no skills in waiting. Qualifications are not packaged to form the basis of classification levels, they are packaged to provide a platform for the delivery of courses that reach the qualification outcomes.
24. Under the proposed restaurant and catering proposed modern award there are clear distinctions between the classifications that are based on restaurant and catering job roles. As stated earlier, these focus on skills that are used in the industry every day and centre around those of a waiter and a cook. The skills that are the most critical to the classifications are those on the margin between the classification levels.
25. My Statement in this matter described the Units of Competency SITHFAB003A Serve Food and Beverage to Customers and SITHFAB004A Provide Food and Beverage Service as the critical units in the divide between the skills required at a basic and more advanced food and beverage service role.
26. It is the units of competency that describe the skills required for specific job roles in the restaurant and catering industry not qualifications. Neither HIGA nor the proposal in the LHMU submission address this matter for restaurants, cafes and catering businesses.
27. As another example, the LHMU further submission suggests that their proposal for qualifications to be linked some of the 61 classifications in the HIGA overcomes the issues raised in the statement from the Sommeliers Association – It does not because the Qualifications themselves do not frame a delivery package for Wine Waiters or Sommeliers. The Service Industry Skills Council is currently working with Restaurant & Catering Australia on aligning units of competence into a skills set for sommeliers qualifications will never be able to achieve this.
28. It is impossible; as the LHMU attempts to do, to draw a parallel between

either the metals or the Child Care industry with the restaurant and catering industry. Not only are there vastly more people employed in the restaurant and catering industry than these other two industries (Child Care is about 40% of the workforce in restaurants and metals less than 65%), the job roles in the restaurant and catering industry are more diverse and less structured than those in other sectors.

29. The attempts by the LHMU to draw these parallels and the attempt to draw qualifications into the classification levels demonstrates the need for a separate and distinct modern award for restaurants, cafes and caterers.
30. The LHMU submission refers to an 'independent skills assessment' being allowed for under their proposal. We suggest that this is not practical and cite as an example of this the establishment of ACCESS in the late 1980's which failed dismally yet was established for this precise purpose.
31. This exercise proved that a system of skills assessment is unsustainable in an industry that is as labour intensive and unstructured as the restaurant industry. It has been established that a skills assessment for a cook to Certificate III level, let alone trade level, would cost in the order of \$3,500.