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Official Committee Hansard

HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON EMPLOYMENT, WORKPLACE
RELATIONS AND WORKFORCE PARTICIPATION

Reference: Workforce challenges facing the Australian tourism sector

THURSDAY, 29 MARCH 2007

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HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON EMPLOYMENT, WORKPLACE RELATIONS AND WORKFORCE

PARTICIPATION

Thursday, 29 March 2007

Members: Mr Hardgrave (*Chair*), Mr Brendan O'Connor (*Deputy Chair*), Mr Baker, Ms Hall, Mr Hayes, Mr Henry, Mrs May, Mr Price, Mr Randall and Mr Vasta

Members in attendance: Mr Baker, Ms Hall, Mr Hardgrave, Mr Hayes, Mr Henry, Mrs May, Mr Brendan O'Connor and Mr Vasta

Terms of reference for the inquiry:

To inquire into and report on:

Workforce challenges in the Australian tourism sector, with particular reference to the following:

- Current and future employment trends in the industry;
- Current and emerging skill shortages and appropriate recruitment, coordinated training and retention strategies;
- Labour shortages and strategies to meet seasonal fluctuations in workforce demands;
- Strategies to ensure employment in regional and remote areas; and
- Innovative workplace measures to support further employment opportunities and business growth in the tourism sector.

WITNESSES

**TUCKER, Dr Peter, General Manager, Industry Sustainability Group, Tourism Division,
Department of Industry, Tourism and Resources..... 1**

**VAN RENS, Mr Peter, Manager, Industry Liaison Team, Industry Sustainability Group,
Tourism Division, Department of Industry, Tourism and Resources 1**

Committee met at 11.16 am

TUCKER, Dr Peter, General Manager, Industry Sustainability Group, Tourism Division, Department of Industry, Tourism and Resources

VAN RENS, Mr Peter, Manager, Industry Liaison Team, Industry Sustainability Group, Tourism Division, Department of Industry, Tourism and Resources

CHAIR (Mr Hardgrave)—I declare open this hearing of the House of Representatives Committee on Employment, Workplace Relations and Workplace Participation in its inquiry into the workforce challenges facing the Australian tourism sector. The inquiry arises from requests to this committee by the Minister for Employment and Workplace Relations, and to date 69 submissions have been received. I welcome representatives today from the Department of Industry, Tourism and Resources. Although the committee does not require you to give evidence under oath, I should advise you that these hearings are formal proceedings of the parliament and consequently they warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that giving false or misleading evidence is a serious matter and may be regarded as contempt of parliament. Would you like to make some introductory remarks?

Dr Tucker—Thank you. I will start out by saying that the Department of Industry, Tourism and Resources has undertaken some extensive research and consultation with the tourism and hospitality industry principally to try to understand the dimensions of labour and skills shortages in the industry, to determine whether the tourism industry is more affected by skill shortages than other industry sectors, for instance, and to determine the scale of that problem particularly in regional areas. When the industry initially flagged its growing concern about the issue of labour force and skill shortages the Australian government convened an industry-government seminar to discuss the issue and explore it further. The government was represented by a number of agencies with an interest in this, for example, DEWR, DEST and the now Department of Immigration and Citizenship. The key outcome of that seminar was the establishment of an industry-government working group on the tourism and hospitality industry labour market. This led to the initiation of some further research to inform the initial meetings of that working group. In addition to the establishment of that working group the department supported a session at the Tourism Futures Conference in December last year, the purpose of which was to raise people's awareness about these issues and to explore with them possible ways of dealing with them. I mentioned the industry-government working group. The role of that working group is to look more closely at labour supply and demand issues especially in regional areas and this has led to the commissioning of a number of pilot surveys—and I will go into the reasons for that shortly.

The research that I alluded to earlier has shown that there is not a comprehensive understanding of labour and skill shortages particularly in regional areas and there are a number of reasons for that. One is that there are limitations in the existing data at local and regional levels. This is because the so-called 'tourism satellite account' is an aggregation of national-level statistics and it is not possible to analyse that Australian Bureau of Statistics labour force data at the local and regional level, or indeed at the specific tourism related industry level.

Secondly, the purpose of the skills in demand list which is operated by DEWR is to provide information on occupations that have been identified as being in persistent demand. It is not designed to be a comprehensive collection of detailed information about particular occupations,

however. DEWR also produces other publications that provide forecasting associated with the outlook for jobs such as the annual publication, *Australian Jobs 2006*. Because of the data limitations and the use of some econometric modelling, it cannot actually be used to identify demand in regional areas, and it is in regional areas where we found the major deficiency in terms of statistical information to be. We also understand that it is in regional areas that tourism labour and skill shortages seem to bite the hardest.

The Australian Bureau of Statistics does of course collect population census data but it has very limited use in terms of the issues we are looking at here. It reports on employment and unemployment figures rather than labour shortages in particular industry sectors. The result of this research and consultation and our observations about the information that is available to us is that the industry-government working group decided that its initial focus should be on collecting some information from regional areas about labour and skill shortages. They decided that we should undertake three regional pilot studies in cooperation with DEWR and to collect tourism labour force data at the regional level.

The first two surveys were conducted in November 2006 in Far North Queensland, the second in late January in the Victorian goldfields region, and a third survey is underway in an area east of Perth. The purpose of the surveys is to give us a better understanding of the extent of labour and skill shortages in those three areas and, depending on the outcomes of these surveys, we may wish to extend them to other areas. But the main purpose is to give us a better understanding of the issue so that we can then work with our stakeholders on taking some action.

To summarise my initial comments, the department is working with a number of agencies and hospitality and tourism industry stakeholders to ensure that the labour and skill shortages are well understood, that the industry is aware of programs that it can utilise to deal with those shortages and that any issues about those government measures are also appropriately considered. Thank you.

ACTING CHAIR (Mr Hayes)—Thank you for those comments. The chair has had to leave as he is speaking in the chamber. He will be back in about 20 minutes. One of the things that has struck us during the course of our inquiry is that, while we refer to the ‘industry’, the industry seems, quite frankly, very disparate. A number of parts of your submission deal with the level of training and yet a lot of the information we are getting is that the various enterprises that go to making up some of the downstream aspects of this industry are not investing in training. It is not so much that they do not see the value in it but that they are seeing issues with staff turnover and basically they are indicating that they are still looking at taking care of the here and now as opposed to investing into the development of the industry. One of the things that comes through pretty clearly throughout the course of this inquiry is that, whilst the department and industry bodies do refer to the industry, at an enterprise level they are looking at what is good for the enterprise and not necessarily what is good for retaining people in the industry per se. Is that the sort of stuff that you are finding throughout the work that you are doing as well?

Dr Tucker—Mr Hayes, my comment on that would be to agree with your view that it is a disparate industry. It has a number of characteristics that make labour and skills shortages more acute. It is characterised by a 24-hour, seven-day-a-week service and the workforce is generally young, casual, part time and often low skilled. Generally speaking, it is a seasonal industry and there is a public perception that occupations in tourism and hospitality are not that desirable. To

some extent, these are issues that the industry needs to grapple with in order to make the industry an attractive place for people to work so there are things that the industry can be doing to attract employees and retain them.

To get to your point about the perspective of the individual firm, yes, they are competing with other companies within Australia and elsewhere around the world because it is an international industry. They are competing for resources and, in this case, labour and skills. As a generalisation, they often take a short-term view about what their particular needs are rather than a longer term view. Having said that, there are some very good examples of industry associations that work with their members to assist them to attract employees and train those employees so that they have appropriate levels of skills. The Restaurant and Catering Australia is one of them. They work with us and other government agencies, their state chapters and with their industry to make sure that people understand what is available to them in terms of skills development programs and labour services available from the government sector.

ACTING CHAIR—Could more be done about informing the individual organisations that make up the various industry components? For instance, we are being told that a huge rise is expected in the level of tourism from China. That sort of thing should be planned for in terms of having Mandarin-speaking staff et cetera. Are those things not filtering down to the components of the industry generally at this stage?

Dr Tucker—My comments on that are going to be fairly limited because the government is attempting to make sure that we are forecasting likely tourism demands. As you rightly point out, there is growing demand from China and India. We have done forecasts that will tell us how many tourists we can expect to receive from those markets. That information is publicly available. It is made available to industry associations and individual firms can obtain that data. At the federal and state levels, people are well aware of what the trends are because the forecasting has been done and it is available.

The industry associations have a role in educating their members about the likely development of the tourism industry and how they should be gearing themselves up for those developments. One of the things that we have observed is that some firms in the marketplace are not forward-looking; they are not doing the market research that they should be doing to ensure the long-term sustainability of their business. In terms of their day-to-day operations and the short-term horizons, they are probably operating effectively enough. In terms of the long-term view about the development of their business and in the light of the forecasts that are available to them, we think that they are underperforming in that area.

ACTING CHAIR—Does that also follow through in terms of perception to the lack of careers for staff? For instance, if there is lack of training and lack of career development, I would imagine there is a lack of ability to retain people working within an enterprise, let alone within an industry generally.

Dr Tucker—Yes, I believe that follows. As I mentioned earlier, to some extent there is a perception problem about the tourism and hospitality industry because often it is of a seasonal nature, has high turnover rates and the like. In fact, there was some recent research by the Tourism and Transport Forum about turnover rates in the tourism industry which indicated that

those turnover rates are really quite high compared with other industry sectors. Perhaps you would expect that, given the nature of the industry, its seasonality and so on.

Mr HENRY—I was just looking at those projections for India and China. Table 5 on page 8 of your submission shows 17.6 per cent growth for China projected out to 2015, which is \$1.5 billion to \$7.6 billion, and then India is substantially less than that, coming off a much lower base, but still has a fairly significant growth factor in percentage terms. Particularly with the Chinese, what is going to bring that number of people to Australia? What is going to attract them? What is going to make the growth potential? What is the basis of those projections?

Dr Tucker—I guess one of the reasons more Chinese will be travelling is that as the Chinese economy continues to develop and Chinese citizens become more wealthy and able to afford international travel that is what they will do. I believe that the forecasts that have been made are based on those sorts of assumptions.

Mr HENRY—As I say, it is significant growth and, one would assume, significant numbers of people, yet with the Japanese projections there is a decline. I am interested in the measuring tool used for those sorts of projections. How does that happen? How do we make those projections?

Dr Tucker—Perhaps I could take that on notice, if that is possible.

Mr HENRY—Yes.

Dr Tucker—I am not adequately informed about the way in which the forecast was made. I am just aware of what the figures are.

Mr HENRY—Then we go on to projecting what the infrastructure and labour needs will be, as part of this report process, to support that type of growth in the market, so it is obviously pretty important to understand the basis for the projections. So I would appreciate further feedback.

Dr Tucker—Certainly.

Mrs MAY—Dr Tucker, thank you for your submission. It really highlights for me—as someone representing the Gold Coast City, which I call the tourism capital of the world—some of the skills shortages we have. But I guess also it is the perception of the tourism industry as a low-paid, young persons' industry. We have already touched on career pathways and attracting the right people into career pathways. We are not keeping them in the industry. The turnover is hugely significant, I have to say, on the Gold Coast. We do use a lot of backpackers. I guess I am trying to paint you a little bit of a picture. But I noticed that in your opening remarks you were talking about the lack of statistics that can support programs that we may be able to put in place. I wonder if you could just comment first on the surveys you are undertaking at the moment and the sorts of industry bodies you are targeting with the surveys. Then maybe you could give us some insight into how, in those regional areas where the problem is really quite profound, we could engage with our local tourism bodies to provide you with the statistics that give you the information you need so that we can put in place some proposals and programs that might assist the industry.

Dr Tucker—The surveys arose through our consultations with the industry itself. The industry working group is made up of peak representatives of the tourism and hospitality industry. First of all, we needed to identify a population of tourism and hospitality operators in the regional markets that we were interested in. We did that by consulting with the tourism organisations in those areas. In the case of Far North Queensland, we consulted with the relevant tourism organisation for the region and they provided us with lists of tourism and hospitality operators in Far North Queensland that could be the subject of the survey. That is how we went about identifying the people. The surveys were made of individual operators in the market. We were getting their direct views about the positions they were having difficulty filling and the sorts of shortages they were facing in their markets.

Mrs MAY—What sorts of specifics were you asking for in those surveys? What sorts of areas were you covering? Just the skills?

Dr Tucker—We were asking questions about particular skills—for instance, chefs or front-of-house workers or whatever they might have been—and the extent to which they found it difficult to recruit to those positions and the time it took to fill them. I think one of the early observations was that there were particular difficulties in finding chefs, and I think that is already a fairly well-known observation and has been discovered elsewhere. But we did find that, even though people found it difficult to recruit chefs and other positions, most of them were able to eventually find somebody. If it is an extended period of time that an employer needs to wait to find an employee it does not help, but there are sufficient people moving around the market to fill the positions eventually. Am I answering your question?

Mrs MAY—How can we help in our regional areas in feeding in the information that you may require?

Dr Tucker—Once we have finished the three pilot surveys we will be consulting with the industry working group again about the findings. We will talk to them about those findings and decide on what needs to be done, and it may be that some further consultation in regional areas will be needed on the basis of what we have learned through the pilot surveys.

Mrs MAY—In your submission—I am going back to this—you have made a comment on page 15:

... *WorkChoices* can help ease the effect of skills shortages by increasing labour flexibility and multi-skilling ...

Would you like to make a comment on that? In what way do you see that assisting the industry? Because of that flexibility with Work Choices, through AWAs, particularly in an industry where we attract part-timers, do you think that Work Choices can assist in keeping those people in the industry through some sort of arrangement with an employer?

Dr Tucker—If an employer has flexibility about the sorts of arrangements they can make with an employee then it does provide them, I think, with more scope to provide attractive arrangements that will retain people. Where employees are interested in part-time work or work that accommodates their family requirements, for instance, and an employer is able to deliver those, then there is more likely to be a satisfactory outcome for both of them. So in a flexible

workplace where people can negotiate those arrangements to mutual satisfaction then I think there is an overall benefit.

Mrs MAY—Just recognising in the tourism industry that the majority of businesses are small businesses employing fewer than 20 people—and I think you have touched on that in your submission—do you see for the industry that that number of small businesses would then, on its own, attract special problems? It would, wouldn't it?

Dr Tucker—It would.

Mrs MAY—Because they are not supported by large organisations. They are not your large hotel chains. You have identified that the majority are small businesses. For the committee, could you just nominate a couple of areas that you would see are really issues of concern facing small business in the tourism industry—maybe just highlight a couple that you see glaring at you that maybe we need to take on board and even introduce or look at programs that can assist?

ACTING CHAIR—That is a big question.

Mrs MAY—It could be the red tape. There are so many things facing small business.

Dr Tucker—There are. The issues that affect small businesses in tourism are much the same as they are in other industry sectors, as you would expect, so red tape is an issue for small business and it is one that the government has fairly aggressively addressed through recent initiatives. There are two issues that spring to mind, however. First of all, there is the inability of small business to collect information and understand it. Because they are dealing with their day-to-day operational requirements and they are not looking forward or planning too far ahead, hand-in-hand with that goes a challenge to try to find information about what sorts of services are available to them and what sort of market information can be made available to them. So addressing that information failure is something that a lot of government programs are directed toward. That is one issue that springs to mind.

The other issue is that the tourism industry has a generally low level of productivity growth compared with other industry sectors. That suggests that, if the tourism industry can be more innovative, it might be able to increase its productivity. There is a question about what innovation in tourism means. Putting that aside for the moment, there is scope for improving productivity in the tourism industry by innovation and by improving the sorts of business processes that they deliver, the way in which they deliver services and the way in which they use information. We are conducting some research at the moment into what might be possible in the innovation area.

Ms HALL—I notice that in your report you highlight the fact that the poor wages and working conditions contribute to a skills shortage and a shortage of workers in the industry. You also highlight the competition that comes from the mining industry and how they have higher wages and good conditions. You then do a comparison of the growth and employment in both industries. Given the previous comments about Work Choices, can you tell me how the Work Choices laws will actually work to improve that situation of improving the conditions and wages of workers in that industry and also maybe encourage employers to train their workers so that they can have a pool of workers that they can draw from?

I think that you also included in your submission details about training and issues that relate to bigger employers being prepared to train but small and medium sized ones not being so prepared to provide training. I can put that with the fact that you have said in the submission and even today the majority of employers are small and medium sized enterprises. How do you bring all of that together to actually change what is happening in the industry and address this enormous skills shortage and turn it around?

Dr Tucker—Perhaps I would start by saying that, as you rightly point out, there is intense competition in the Australian labour market for labour and skills. We are seeing the mining industry, for instance, attracting people.

Ms HALL—And there is an emphasis on the fact that those employers offering higher wages and better working conditions are attracting the workers as opposed to, as you have said in your submission, those with low wages and poor conditions.

ACTING CHAIR—I think Ms Hall is referring to page 32 of the report of Transport and Regional Services which indicates there that there is a reluctance or an inability on the part of employers to raise wages of skilled workers.

Ms HALL—There are a couple of places. Which one did you mention?

ACTING CHAIR—Page 32.

Ms HALL—It says on page 33 that working conditions and wages play an important part in occupations where there are poor wages. Previously in the report it mentions strategies to ensure employment.

ACTING CHAIR—By the way, this is a consistent theme that has come through the industry.

Ms HALL—Yes, it is. I am happy for you to take that question on notice. You can give us a full written answer of how you think that is going to work.

Dr Tucker—We can take that on notice.

Ms HALL—You refer to the decline in intrastate and interstate tourism as well as the decline in tourism in the international market. Can you give me your summary of why you think there has been that decline in the intra- and interstate tourism markets?

Dr Tucker—I think it might be best to also take that on notice.

Ms HALL—Okay.

Dr Tucker—I know there have been some changes in how the domestic tourism picture is going. It is certainly improving. Perhaps we could take that on notice and provide you with some other information.

Ms HALL—I will turn to page 26 where you talk about the Welfare to Work changes and people with disabilities, parents, mature age people and the very long-term unemployed people,

and how you believe that the Welfare to Work changes will impact on addressing the workforce and skills shortage within the tourism industry given that earlier in your submission you refer to the fact that the majority of the workforce is young and fairly physically fit.

Dr Tucker—I think the only comment I would want to make in relation to this is that it is important to make sure in the labour market that we have, which is a healthy labour market with low levels of unemployment, that people who have some capacity to work are able to do so and are given that opportunity. As far as making observations about the Welfare to Work program, I would rather the Department of Employment and Workplace Relations answered questions in relation to that.

Ms HALL—That is fine. Maybe you could just highlight for me some of the occupations that people with disabilities and mature age workers would be able to work in within the industry or the areas that would be attractive for them. I am also looking at single parents and the sorts of things that would need to be put in place to cover the childcare needs of those people given that there are split shifts et cetera.

Dr Tucker—To a large extent that is going to depend on the skills that the people either have or that they could readily acquire. I do not think that there is any barrier to the sorts of occupations that they could reasonably be expected to do. Obviously, for a person with a disability there would need to be an assessment about their mobility and the sorts of jobs that they might be equipped to do. But in terms of mature age people, you would expect the employer to make an assessment about what could be reasonably expected of a mature age worker and to provide them with appropriate employment.

ACTING CHAIR—One of the most innovative submissions that we have received so far comes from the Australian Ski Areas Association representing various lodge operators from the Victorian and New South Wales ski slopes. They are encouraging the various lodges, which are individual enterprises, to invest in a measure of training with a view to trying to retain people over a ski season and into the future, not necessarily within the one enterprise but within the ski industry. They seem to be working very well and cooperatively amongst all the various individual enterprises that make up the industry. It seems to me that, in a broader sense, that is lacking in this industry. I understand the position of the major hotel chains and how they attract staff and retain staff, but this was an innovative position that was developed by them out of necessity to look at something as highly seasonal as attracting and retaining staff over future years. Is that something that could be broadened in approach to some of the downstream aspects of the tourism sector?

Dr Tucker—It is a very interesting example that you have cited, and it is one that we are aware of. As you say, in a large corporation—a large hotel, for instance—it is very easy to move people within the one employment environment. The challenge seems to be in moving people from one employment environment to another—from one job in one company to another job in another company—so that a person can be continuously employed but not necessarily in the same organisation. That seems to be the challenge they are facing. In the ski industry, because there is an agglomeration of service providers in a particular region or location it might be that they are able to address that issue, but it seems to follow that it should be an option that is available to others as well.

ACTING CHAIR—Since reference has been made to AWAs, I cannot resist the opportunity to be slightly partisan. From my perspective, one of the staggering things is that, of all the submissions that have been made to this inquiry so far from the various sectors of industry, very few industry groups, maybe one or two, have referred to issues of flexibility. In terms of general operators, no-one has complained that there is inflexibility within the tourism industry. Does that surprise you?

Dr Tucker—I am not aware of those observations so I do not think I can comment on them.

ACTING CHAIR—What I am trying to say is: would you be surprised to learn that the industry does not presently regard itself as being inflexible? If the argument is that AWAs will introduce flexibility it seems to me that those who have taken the time to appear before this committee would have more important things on their minds—such as skills shortages or, more importantly, labour shortages—than restraints on capacity through lack of flexibility.

Dr Tucker—Flexibility in the workplace is what will help to retain employees in the tourism industry and indeed elsewhere.

ACTING CHAIR—Are you now saying there is inflexibility in the workplace, or are you talking about flexibility generally?

Dr Tucker—I am not familiar enough with individual workplaces to be able to say whether they are flexible or not. It depends very much on the employer and their relationship with their employees.

ACTING CHAIR—I do not want you to be unwittingly drawn into the industrial relations debate. I think you have answered that question. Thank you for taking the time to appear before the committee and respond to our questions about your submission. It has been very instructive and your evidence will certainly feature in our report. Thank you for your presentation and the candidness with which you handled that.

Resolved (on motion by **Mrs May**, seconded by **Mr Henry**):

That this committee authorises publication of the transcript of the evidence given before it at public hearing this day.

Committee adjourned at 11.54 am