

Service Skills Australia welcomes the opportunity to make a submission to the House of Representatives Standing Committee on Economics, Finance and Public Administration into where the services export sector now sits in Australia's export (and import competing) environment.

This paper focuses on the Service Industries as represented by tourism and hospitality, retail, wholesale and personal services and sport and recreation industries. It incorporates comment in relation to 'the tourism and education service sectors' and 'future global opportunities for Australian service exports' from the Terms of Reference for this inquiry.

Service Skills Australia is the Industry Skills Council for the Australian service industries and is recognised as the official voice responsible for engaging with and developing effective and future-focused training and skills development opportunities for the service industries. The two primary roles of Service Skills Australia as defined by the Department of Education Science and Training are to:

1. Assist industries, enterprises and their workforce to integrate skill development with economic and business goals and support accurate industry intelligence on future directions – including provision of advice on industry skill and training needs to industry stakeholders, training providers and government.
2. Actively support the development, implementation and continuous improvement of high quality, nationally recognised training products and services, including enhancing innovation, rationalising materials where there are cross- industry synergies, and improving efficiency.

The contribution of the service industries to Australia's Gross Domestic Product (GDP) for 2003-04 was approximately 5.4% for each of the wholesale trade and retail trade sectors, 2.05% for accommodation, cafes and restaurants, 2.2% for personal and other services sectors, and 1.7% for the cultural and recreation sectors. In 2002-03, tourism contributed 4.2% to Australia's GDP. *Industry Skills Report Service Industries June 2006*.

Collectively the three sectors within the service industries can be summarised by the following:

- In excess of 637,856 core business
- They employ in excess of 2.9 million people, with an additional 1.5 million volunteers engaged within the tourism and sport and recreation sectors.

- Micro businesses through to multi-national companies are represented.
- Strong employment growth is forecast over the next seven years
- There is a diverse employment mix across the sectors, with up to 50% of all young people commencing work in one of the service sectors
- Many new and emerging services are offered, particularly in the tourism and sports and recreation sectors.

The tourism industry draws millions of visitors to Australia annually, but it is the collective of the service industries that provides the visitors with the venues, attractions and activities that make Australia such an appealing destination. It is the quality of the service in the associated services of retail, personal services and recreation along with those in the tourism and hospitality sectors that underpins the experience of these visitors, and it is the high quality of the training standards for workers in the service sectors that guarantee this level of service.

The Tourism Training Package developed by Services Skills Australia in consultation with the Tourism Industry has 17 tourism qualifications covering attractions and theme parks, retail and wholesale travel, tour operations, guiding, meetings and events, visitor information services and accommodation. These qualifications encompass Australian Indigenous culture, ecotourism, adventure tourism and skills such as product development and management. Service Skills Australia is also responsible for the development of the Retail, Hairdressing, Beauty, Community Recreation and Outdoor Recreation Training Packages, thereby being a key organisation in the development and maintenance of high quality standards for the service industries.

The competency standards that are core to Training Packages are developed with direct industry involvement, which ensures that they reflect industry requirements now and into the future. As global markets continue to grow and pressure is felt within the service sectors to expand and compete, services, as a commodity, and its development, requires protection and support within a cohesive training environment. Australia's Training Packages and competency standards are a valuable and marketable export commodity and as such should not be freely available to off shore markets but treated as a saleable product.

The Australian government has contributed in excess of 30 million dollars to the development of Training Packages and Support Materials with Australian industry contributing at least an equivalent amount through in-kind and cash assistance. This is a

significant investment by the Australian people in skills development and training materials.

Australia is recognised internationally by governments, industry and vocational training organisations for the quality of its vocational training systems. This is evident through the high number of international students coming to Australia to study; the international delegations coming to study our systems and how industry is engaged in the process; and the mutual recognition and international benchmarking that is occurring with many of our vocational qualifications. Service Skills Australia are leaders in the field of mutual recognition and international benchmarking, working with several countries in areas ranging across all our service sectors.

The purpose of mutual recognition is to promote economic integration and increased trade between participants. It is one of a number of regulatory techniques available to governments to reduce regulatory impediments to the movement of goods and provision of services across jurisdictions. Vocational training graduates from Australian service industries qualifications are in high demand both in Australia and internationally. There is an opportunity through an increase in mutual recognition and benchmarking activities in the Services Sector to contribute to the objectives of COAG in relation to:

- Human Capital Agenda
- More mobile workforce
- Mutual recognition
- Temporary entry and employment of skilled migrants

There is unrelenting pressure to improve efficiency and competitiveness in the service industries. A recent study from the Australian Industry Group reports that the building of a skills base is the second highest priority for businesses to remain competitive over the next 3 years. Employees will need to benchmark competency standards and qualifications with international practice. Global skills and labour shortages are increasing and the need to have a globally mobile workforce with skills recognised in that global context is growing.

Service Skills Australia believes that there needs to be a continuation of, or an increase in the current level of government investment in training in the service industries and continued financial support for the ISC as the body which develops the industry embraced Training Packages which underpin the success of the service industries.

Additional and supporting information on the Service Industries

The service industries are at the frontline of Australia's economy – providing consumer goods and personal and leisure services to both domestic and overseas consumers. The industries are characterised by continual changes in customer demand and expectations, further influenced by the impact of an increasingly global market place and rapid technology change.

This trend is providing major challenges in product and services offered and the corresponding skill requirements across all of the industry sectors as enterprises strive to meet consumer demands and expectations. This results in a highly fluid industry environment where business flexibility and innovation is the key to business survival and growth.

There is a significant degree of commonality of skill needs across the service industry sectors, with skill requirements heavily focussed on customer service skills. The labour intensive nature of the industry means that the quality of skills of those in the industry is a key determinant of industry productivity.

The service industries are experiencing strong growth. This growth is due to external drivers such as market expansion and globalisation, as well as internal developments such as adoption of e-business systems and labour productivity improvements. Sitting at the core of all service industries businesses is the provision of good customer service. The customer bases for these industries are increasingly sophisticated and have rapidly rising expectations of value. Survival and growth within these industries is driven by meeting and exceeding these expectations. In a people intensive industry, meeting consumer and customer service demand is the paramount driver of skill needs.

The industries are made up of a mix of traditional and new business models. The marketplace is highly competitive and in most instances crowded. Innovation and product/service re-engineering is the norm. Competitiveness and the dynamic nature of the service industries marketplace places pressure on skills acquisition process in many ways, from the preparation of threshold technical skills for new entrants to the maintenance and ongoing currency of skills required for the existing workforce. This situation is compounded due to the service industries having a young workforce, dominated by part time and casual workers. The industries operate non-traditional hours and in many cases are highly seasonal.

The regulatory and compliance environment in which the industries operate is influenced by global events such as acts of terrorism as well as increasing health and safety regulations and duty of care obligations. These drivers couple with the other business drivers to cause industry wide demand for mandatory skills acquisition.

A major contributor to this trend is the rise of “experience purchasing”, where customers are demanding increased integration of product and service offerings. Evidence of this trend across the industry sectors is illustrated by:

- The continued trend towards “one stop” shopping outlets –either through horizontal integration of retail enterprises or the aggregation of different enterprises in large shopping malls.
- The proliferation of tourist attractions that include accommodation, food and beverage service, guiding, retail outlets and recreational activities.
- Tour guiding, which is both a tourism activity and a recreational activity in many instances.
- Hairdressing salons that offer beauty services and may well be found in hotels or shops.
- Major business, sporting or cultural events that are being increasingly coordinated across the service industry sectors – for example, the marketing and delivery of the Commonwealth Games involves all aspects of the service industries.

A labour mobility study conducted by the ABS showed that of the accommodation, cafes and restaurants and retail trade sectors had the lowest proportion of workers who had been in their current job for 10 years or more. Of all people working in the accommodation, cafes and restaurants sector as at February 2004, 34% had been in their current job for less than one year.ⁱ

A feature of the service industries is that all sectors of the industry rely heavily on young workers, particularly females to perform entry and base level jobs. However, the nature of many of the jobs within the industry, including wages and conditions, all contributes to the large “transitional” component of the industry’s workforce. For example, many young people use these jobs as a “staging post” whilst undertaking senior secondary education, before determining their career objectives or undertaking tertiary education. This

characteristic combined with low wages and long hours, sees many workers leaving the industry instead of pursuing a career within it, with a resulting “churn” in employment.

Wholesale, Retail and Personal Services

The wholesale, retail and personal services (WRAPS) sector has a central place within the nation's service sector. The sector comprises a diverse mix of businesses ranging from hairdressers and beauty salons, florists, community pharmacies and funeral directors to large national retailers and wholesalers. This sector has over 267,743 businesses registered and is dominated, in number of establishments rather than volume of business, by small businesses. It is a mature sector with strong competition where mergers and acquisitions are common. While technology is having a large impact on the sector, it is still seen as a traditional sector.

The wholesale and retail sectors are distinct, with clear differences in the role each plays within the supply chain. The sectors are highly diverse in terms of the range of products and services offered and the size and distribution of enterprises. There is however some convergence between the sectors. Many large retailers are integrating wholesale and sometimes manufacturing functions into their businesses. For example, Freedom Furniture controls the whole process from manufacture to sale. The lines between retailing and wholesaling are beginning to blur. This trend has been facilitated by the growth of warehouse outlets for clothing and bulk grocery dealers combining wholesale and retail activities.

The personal services sector is dominated by small business, and includes enterprises such as hairdressers, funeral directors, and beauty salons. The sector also covers household goods hiring, laundries, and photographic services.

The simple provision of goods and services is no longer enough for businesses to thrive in today's competitive environment. Businesses now recognise that consumers are most likely engage in a product if it is surrounded by a memorable experience. We are entering what has been coined the '*Experience Economy*'

Tourism and Hospitality

The Tourism and hospitality sector includes accommodation, restaurants, cafes, bars, catering, gaming, meetings, events, conferences, tour operations, tourist information services, tour guiding, cultural tourism and caravan park operations.

Traditionally tourism and hospitality have remained separate in terms of industry representation, training frameworks and training delivery. In recent years, however, the line between the two sectors has been increasingly less clear with many hospitality enterprises offering tourism services and vice versa. There have been emerging new tourism areas that fall into both areas such as wine tourism and cultural attractions. In addition, many skills required by both areas are increasingly common, such as e-business and language skills.

In a similar situation to the wholesale, retail and personal services sectors, operators within tourism and hospitality recognise the advantages of providing experience to customers. As businesses grow and diversify, there is a trend for tourist venues to offer a complete experience. This may include not only accommodation and food and beverage, but also tours and activities.

Sport and Recreation

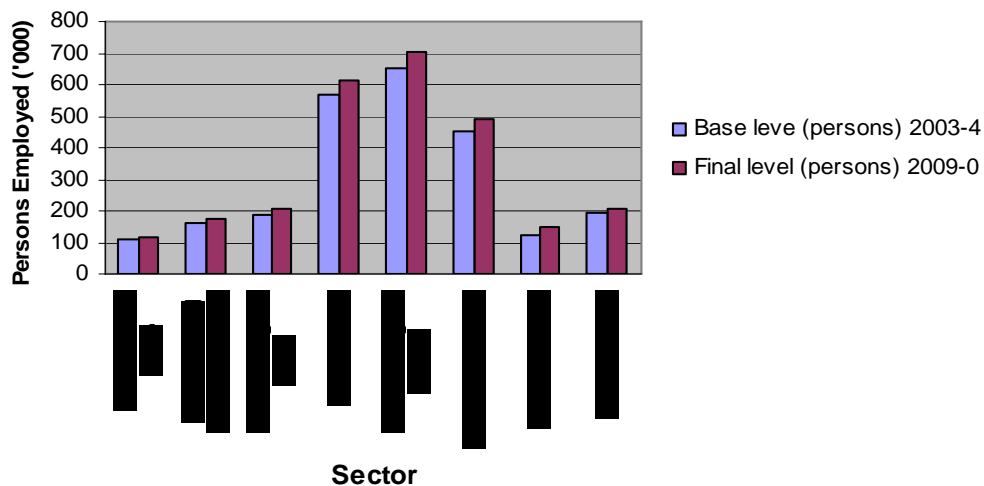
The sport and recreation sector is also dynamic and characterised by a vast range of activities and services commonly broken down into the following four sectors - community recreation, fitness, outdoor recreation and sport. Sport and recreation plays an important role in the social fabric of Australian society, as a complement (or driver in the supply chain) to other sectors such as tourism, retail and hospitality.

The most popular participation sports and physical activities in Australia are aerobics, golf, swimming, walking for exercise and tennis. The most popular spectator sports in Australia (measured by attendances and television audiences) are Australian Rules football, rugby league, rugby union, cricket, basketball, golf, soccer, motor vehicle racing, and tennis.

The sport and recreation sector is also very much in the business of providing experience for consumers. Events such as the Melbourne Commonwealth Games bring together sport, tourism and hospitality and retailing and personal services, to provide a total experience. Fitness centres offer not only gym type activities, but have incorporated retail and personal service functions into the experience.

Employment Trends

- **Figure 1: Projected employment in the Service Industry 2003-4 to 2009-0**



All sectors within the service industries coverage are forecast to experience growth to 2009-0. Figure 1 above illustrates the projected employment change in the sectors of the service industry between 2003-4 and 2009-0.

Implications for the Skills Base of the Workforce

The employment characteristics of the service industries create tension in a sector that relies so heavily upon its human capital to deliver its productivity and competitiveness. From a skills perspective the implications of this driver are:

- The continual “churn” in employment causes:
 - Losses in the corporate knowledge of enterprises.
 - An ongoing demand for entry-level skills acquisition – both in formal and volunteer workforces.
 - Enterprises experiencing difficulties in maintaining a consistent quality of skills base.
 - The ageing workforce and the consequent increased competition for young workers by other industries is likely to see an increased focus on the recruitment of older, more mature workers. This is likely to require the increased use of recognition services as a means of assessing and recognising the skills of those workers as they enter the industry.

- The non-traditional hours experienced by a significant proportion of the industry workforce highlight the need for flexible delivery modes and more short term, just in time and 'just enough' skills acquisition.
- The need to inform prospective and current industry workers of the career opportunities within the industry to encourage them to invest in core skills, as well as the need to inform employers of the importance of supporting entry-level training.
- The seasonal and/or casual nature of many employment arrangements limits the skill acquisition incentives of workers and employers.
- Skills recognition arrangements are important in attracting and retaining workers to the industry.
- Service industry workers need to access a pathway to a career. Qualifications will continue to play an important role in career pathways, skills need to be recognisable as part of the build of a qualification.
