

introduction

This document outlines a strategy to ensure that the New Zealand tourism and hospitality sector has the people and skills it needs to grow and prosper over the next decade.

Its development was prompted by projected skills shortages in the tourism and hospitality sector which, if not addressed, could jeopardize the long-term prospects of the industry. At the same time, the strategy presents an opportunity for the industry to collaborate on lifting its game and improving workplace productivity.

The purpose of this document is to put forward solutions to the problems facing the tourism and hospitality industry, and to encourage all those involved in the sector – businesses and government – to work together for the future health of the industry.

How did we arrive at this point?

In 2001, the *New Zealand Tourism Strategy 2010* identified human resource issues as one of the key challenges facing the tourism and hospitality sector. It recommended establishing a process to identify sector wide skill requirements and to promote effective workforce planning.

To this end, the *Tourism Workforce and Skills Projections Report* was published in November 2004. This report found that projected skills shortages in the tourism and hospitality sector posed a severe potential risk to the future of the industry.

A grouping of concerned industry players – hereafter referred to as the Leadership Group – saw the need to develop a strategic response to the issues identified in the Projections Report, and to act as a catalyst for an industry-wide approach to its human resource needs. The group's motivation was to plan for the future: to avoid skills shortages derailing a promising and vital industry and to improve overall business performance.

In July 2005, Venture Consultants was tasked with investigating the issues with employers, government agencies and training providers in the tourism and hospitality sector.



Throughout 2005, at various tourism and hospitality industry workshops, the Leadership Group took opportunities to present and discuss workforce and skills issues, and the development of a strategy to tackle them.

The resulting *Tourism and Hospitality Workforce Strategy*, summarised in this document, is the Leadership Group's response to the issues facing the industry, and a call to action in charting our future course.

This document is the opening address in what the Leadership Group hopes will be an on-going conversation between industry players passionate about the future of tourism in New Zealand.

Who is the Leadership Group?

The Leadership Group is a partnership of industry players, public and private, whose goal is to promote the sustainability of the tourism and hospitality sector over the longer term, for the benefit of all stakeholders.

Convened by the Tourism Industry Association, the Leadership Group comprises representatives of:

- Tourism Industry Association New Zealand (TIA)
- Hospitality Standards Institute (HSI)
- Hospitality Association of New Zealand (HANZ)
- Aviation, Tourism and Travel Training Organisation (ATTTO)
- Ministry of Tourism
- Department of Labour (DOL)
- New Zealand Hotel Council (NZHC)
- New Zealand Maori Tourism Council
- Bus and Coach Association
- Sport, Fitness and Recreation Industry Training Organisation (SFRITO)

The membership of the group is fluid. The Leadership Group is keen to engage with other parties who have an interest in the future of the industry, and who are willing to take up the challenge of steering its future course.

Defining the tourism industry

The tourism and hospitality industry straddles a range of labour market areas. This is because the industry is defined by the nature of the people who access a service or product – namely visitors, be they from Palmerston North or Panama.

Visitors in New Zealand access services directly related to tourism and hospitality, such as hotels, attractions and activities – from natural wonderlands to museums, from bush walking to bungee jumping. They also access services from sectors that support tourism; sectors as varied as outbound travel, immigration, policing, public transport and retail. As most international visitors arrive by air, sectors providing critical services such as airports, aircraft engineering, air traffic control, and travel agents also come under the umbrella of the broader tourism industry, as do domestic and tourism flight operators.

The tourism and hospitality industry is therefore a composite industry, and is itself part of other industry groupings. Because of the composite nature of the industry, this strategy will feed into the strategies of each of the varied sectors for whom it is relevant. As such, much of the detail of the strategy will be implemented within sectors, and at a regional level. It will be the task of the Leadership Group to ensure both a collective focus and a co-ordinated approach.

Why we need a strategy

The purpose of this *Workforce Strategy* is to ensure that the industry has the right people to grow and perform at the top of its game, and that all sectors within the industry are working together on the workforce-related issues that will influence the performance of the industry.

The workforce issues facing tourism are not unique to this industry. New Zealand is experiencing a tightening labour market across all industries, with unemployment rates reaching a twenty-year low at the end of 2005. At the same time, recent DOL statistics revealed that a third of businesses reported difficulty in finding skilled staff, and a shortage of labour was the main constraint on growth reported by almost twenty percent of businesses.

As unemployment continues to track down, industries are competing for skilled workers. New Zealand is not alone in this respect – key industries across the Tasman and in the UK are actively recruiting skilled New Zealanders to plug their own skills gaps.

As the labour market tightens, tourism is getting squeezed

The New Zealand tourism and hospitality industry is feeling the effects of this wider skills shortage. Traditionally a low wage industry, and often the first employer of young people, it is challenged by attracting high calibre people who are committed to the industry and keen to forge a career within it.

As a result, tourism and hospitality businesses continue to be reliant on casual workers, migrant workers and low-skilled workers.

Ongoing skill shortages in the tourism and hospitality sector not only put a brake on growth, but threaten to compromise the industry's ability to deliver a consistently high quality experience to visitors.

SUMMARY BOX:

Key Results of the Tourism Workforce and Skills Projections Report (BERL Report) 2004

- Just over 100,000 people were employed in 'tourism-related' jobs in the March 2003 year.
- The tourism industry will need around an additional 100,000 people to maintain and grow the industry. Almost 5,000 people per year will be needed for expansion alone (without accounting for replacement of existing staff).
- Turnover is a significant issue for the sector – three quarters of the people required to maintain and grow the industry are needed simply to replace those leaving.
- Pay rates for some employees are uncompetitive with other sectors.
- While tourism employers consider 'attitude' a prerequisite to employment, in order to attract enough people into the industry, employers must balance employment 'filtering' with the need to provide clearly defined career prospects, pathways and goals.
- There was a need to identify specific actions to deal with workplace and workforce issues within the industry.

SUMMARY BOX:**Labour Market Context
(Department of Labour Statistics)**

- Unemployment was at a twenty-year low in the December 2005 quarter (3.6 percent).
- At the same time, a third of firms reported difficulty finding skilled staff, and close to twenty percent reported difficulty finding unskilled staff.
- Shortage of labour was reported as the main constraint on growth by almost twenty percent of firms as of December 2005.
- While economic growth averaged almost four percent per annum in recent years, labour productivity growth rates are estimated at around historical averages and, while improving, are seen to be below the OECD median.

It's all about people, people, people

New Zealand's *100% Pure* positioning depends first and foremost on the people at the coalface of the tourism and hospitality industry. People are the lifeblood of the tourism game – it is the industry's people who deliver upon the promise of a *world-class visitor experience*.

To add to the challenges facing the tourism and hospitality industry, the growth in visitor numbers we've enjoyed over recent years shows signs of slowing. This increases pressure to deliver a premium product; simply pushing through numbers is not an option. Staff shortages, and the constant scramble to replace staff, damages businesses' ability to deliver quality every time.

Employers across the industry, large and small, face the same challenge: to attract and keep people with the right skills and personal attributes to deliver on the *100% Pure* promise.

The motelier replacing cleaners every two months is no different to the jet boat operator training new drivers each season. Both are sinking time and money into an ongoing cycle – that of finding and replacing workers with no long-term commitment to their business or the industry. Both are at the sharp end of an industry-wide problem: that of finding the right people and keeping them.



Finders, keepers...the old rules no longer apply

This is a problem that won't go away. In today's labour market, employees hold all the cards, and the market is responding accordingly. The minimum wage is on the rise, and youth rates are under the spotlight. The combination of a skills shortage and rising wages is potentially explosive for an industry struggling to find good people and keep them. The industry needs to respond to this challenge now.

Tourism businesses that do not respond face the prospect of losing staff to businesses and industries that will pay them more, and that offer more enticing work conditions, learning opportunities and career pathways. In the short-term, staff turnover means hassle and loss of productivity for employers constantly seeking new staff. In the longer term, it places a question mark over growth in the tourism and hospitality industry.

To achieve sustainable growth in the industry it is essential for businesses to invest in people and skills, and in doing so, to build a strong and adaptable workforce. Individual businesses need to look to how they can – through a combination of pay and work conditions, learning and career development – attract and keep staff they value.

To lift productivity, we need to invest in people and skills

While the economy has flourished in recent years – with annual growth of almost four percent – much of our success has been built on longer hours, rather than higher productivity. Indeed, our labour productivity growth rates, while improving, remain below the OECD median.

The key to growth – for the economy as a whole and for individual businesses – lies in lifting productivity. This requires a focus on the factors influencing how well people work – such as their skills and training, their pay, investment in the tools and technology they use, and how the businesses they work for are organised and managed.



It's time to take heart and take action

Our collective vulnerability as an industry can make us stronger. By owning our workforce problem, and taking collective action to find solutions, we can chart a course that ensures the prosperity of our industry, just as it ensures the prosperity of our businesses.

As an industry, we share the same goal: a sustainable tourism and hospitality sector that delivers a quality visitor experience and which contributes strongly to the New Zealand economy. For this we need the right people coming into the industry, and sticking around to build rewarding careers and contribute their expertise to the industry of tomorrow.

There is no silver bullet that will fix the industry's woes. This is not a problem that someone in Wellington can fix with a pen. It is an industry-wide problem, which will be solved by industry, education and training providers, and Government acting in concert, and by individual businesses examining what they are doing today, and what they can do differently tomorrow. We create the industry, every day, and our actions today and tomorrow will determine the industry we have next year, and next decade.

There is much already being done in the tourism and hospitality sector to address workforce-related issues, as you will see in the following pages.

SUMMARY BOX:

The Workplace Challenge for Employers

That people choose tourism and hospitality over other industries and have their choice confirmed by:

- coherent career paths
- feeling valued in rewarding jobs
- great learning and development opportunities
- equitable salaries