



## KEY MESSAGES

Driven by changes in consumer trends and the demography of the Australian and international population, the nature of tourism and hospitality is changing. The complexity of the businesses, organisations and workforce that make up the industry needs to be understood by skill markets and policy makers to avoid a ‘one size fits all’ response to productivity and participation outcomes.

Any consideration of strategies to improve the capability of the tourism, hospitality and events workforce needs to be predicated on a clear understanding of these changes.

Industry has unanimously described its needs for the education and training system in the Tourism and Hospitality Workforce Development Strategy 2009<sup>1</sup>. Minister Ferguson has recommended that the Tourism Ministers’ Council work with SSA to implement the strategy<sup>2</sup>.

---

## LATEST INDUSTRY INTELLIGENCE

### UNDERSTANDING THE INDUSTRY

Tourism and hospitality businesses 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 influenced by continual changes in national and international customer demands and expectations, as well as by an increasingly global marketplace.

The tourism, hospitality and events industries include accommodation, restaurants, cafés, bars, catering, gaming, meetings, events (business and leisure), conference organisers, tour operations, tourist information services, tour guiding, holiday parks and resorts, cultural tourism, casinos and caravan park operations.

Markets within tourism and hospitality, such as business travel, major events and education travel provide potential benefits for other industries in promoting Australia and Australian products and services<sup>3</sup>.

Tourism is a sector made up of a number of industry participants. It is generally accepted that the tourism product, the visitor experience, is provided through an amalgam of services across a broad range of industry participants; including but not limited to hospitality, hotels, restaurants, tourism operators, tourist attractions, transport, retail, business and major events, recreation, and educational and cultural services<sup>4</sup>. This is also true of the hospitality industry, which shares many of the service providers in the tourism sector.

As tourism is not an industry in the conventional sense, it does not appear in the national accounts or in international statistical classifications. In order to establish adequate statistical standards, an exact definition of tourism and the tourist has been agreed on by the United Nations World Tourism Organisation: ‘Tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited.’<sup>5</sup>

Industries are usually classified according to the product or service being provided but instead, tourism is defined according to the consumer of the product or service, and so may be considered a market. Additionally, a high number of businesses in tourism, hospitality and events are active in two or more sectors. Hotels, for example, need tourism to generate part of their business, and events cooperate with tourism to promote their location<sup>6</sup>.

## INDUSTRY FACTORS

Key tourism, hospitality and events information includes:

- In November 2010, the accommodation and food services industry employed almost 764,000 people (6.7% of the total workforce), an increase of 7.3% since November 2008<sup>7</sup>. By 2015, the employment requirements for chef and fast food occupations are forecast to be about 18,000 and 13,000 respectively. While growth is the main factor affecting requirements for qualified chefs, both growth and replacement needs are affecting requirements for qualified fast food chefs<sup>8</sup>.
- At the end of the 2009 financial year, there were 77,087 businesses operating in the accommodation and food services industry—a decrease of 1.3% on the previous financial year<sup>9</sup>. Also for this period, large tourism and hospitality businesses—200 or more employees—represented less than 1% of the businesses by number, whereas companies with 1–19 employees comprised the majority of the industries (54.6%)<sup>10</sup>.
- In 2009-10, direct tourism employment - including an overlap with the hospitality industry - increased 1.4% (or 6,900 jobs) to 500,500. At the same time, total employment increased 1.3%. This resulted in tourism's share of total employment remaining stable at 4.5%<sup>11</sup>.
- In addition to directly employing half a million people, direct tourism contributed \$33.9 billion to Australia's Gross Domestic Product (GDP) in 2009-2010. Tourism exports decreased 2.1% from 2008-09 to \$22.9 billion. At the same time, total Australian exports fell 10.6%, Tourism imports rose by 1.8% to \$27.9 billion. Consequently, the tourism trade was in deficit of \$5.0 billion. This follows a trade deficit of \$4.1 billion in 2008-09<sup>12</sup>.
- Industries that recorded an increase in tourism-related employment included accommodation; cafes, restaurants and food services; clubs, pubs, taverns and bars; rail transport; travel agency and tour operator services; casinos and other gambling services; and education and training. Meanwhile cultural services experienced the most significant decrease (proportionately) at 1.1%<sup>13</sup>.
- Australians made 66.8 million domestic overnight trips in the year ended 30 September 2010, spending 261 million nights away from home. Two thirds of visitors travelled within their State or Territory of residence; the remaining 34% travelled interstate. Expenditure by overnight visitors amounted to \$42.9 billion, an increase of 2% compared with the same period in 2009<sup>14</sup>.
- In 2009-10, Australians made 6.8 million outbound trips. The latest available trade data shows that while Australian outbound travel was worth \$33 billion in 2008-2009, \$5.5 billion of this was consumed in Australia before or after the trip. In 2008-09, domestic tourism contributed \$23 billion to the Australian economy, or nearly 2% of Australia's GDP<sup>15</sup>.
- In 2009-10, there were 5.7 million international arrivals in Australia, up from 5.5 million in 2008-09. In 2008-09 (latest data), these visitors contributed \$9.5 billion to Australia's GDP<sup>16</sup>.
- There were 4750 travel agencies in 2009, with 299 approvals to become a travel agency<sup>17</sup>.
- At the end of 2009, 27,602 people were employed in the main categories of business in the travel agency industry—more than two-thirds of which is female (69.2% or 19,108)<sup>18</sup>.
- There is a diverse employment mix across the sectors, with many young people commencing work in one of the sectors. Traditionally the industry has a high percentage of casual and part-time workers (within the accommodation and food services industry 57.6% of the jobs are part-time<sup>19</sup>).
- Business Event (BE) visitor spending in Australia was worth around \$9.7 billion in 2008. BE visitors are also high yielding, spending on average \$234 per night in 2008, compared with \$163 per night for all visitors<sup>20</sup>.

- There were an estimated 16 million business event travellers in 2009. Of these, 7.8 million were domestic overnight visitors, 7.4 million domestic day visitors, and 758,000 international visitors. Business events and incentive travellers accounted for 3% of all visitors, 5% of visitor nights and 7% of tourism expenditure in Australia in that year<sup>21</sup>.
- Business events attracted the majority of international (69%), domestic overnight (75%) and domestic day (65%) visitors<sup>22</sup>.

The importance of the tourism, hospitality and events industries to Australia is widely underestimated. Through the number and geographic spread of the jobs they create, the small businesses they support, the contribution they make to national exports, their economic role in Australia's regional and remote communities, as well as their capacity to protect and maintain Australia's natural heritage and built environment, they bring enormous benefits.

An economic analysis commissioned by the Department of Resources, Energy and Tourism demonstrated that the tourism industry has very strong linkages to the rest of the economy. The gross output multiplier for the industry is estimated to be 1.85. This means that every dollar directly spent on tourism generates an additional 85 cents of activity in the rest of the economy<sup>23</sup>.

## ECONOMIC FACTORS AND TOURISM, HOSPITALITY AND EVENTS INDUSTRY DYNAMICS

In the pre-GFC period 2007–08, the domestic share of tourism GDP was \$30.1 billion (74.0% of total tourism GDP), up 3.4% on 2006–07 levels. Total domestic tourism consumption was \$65.1 billion (73.4% of total tourism consumption), up 4.0% on 2006–07 levels<sup>24</sup>.

However, recent data for the restaurant and catering industry shows that the 12 months to December 2010 closed at \$17.6 billion (9.9% up on the previous corresponding period). During this period, December 2009 turned over nearly one-tenth of this figure (\$1.6 billion)—14.5% up on December 2008. Furthermore, December 2009 was the first (and only) month to date in which the industry in NSW achieved over \$0.5 billion<sup>25</sup>.

According to DEEWR, employment growth in accommodation and food services has shown strong long-term growth over the last decade. In the ten years to February 2010, employment in the industry rose by 133,100 (or 21.9%) to 741,700. This represents an average growth rate of 2.0%<sup>26</sup>.

In light of the strong appreciation of the Australian dollar, the growth forecast by Tourism Research Australia regarding inbound arrivals for 2010 was recently revised downward marginally from 5.5% to 5.3%, yet around 5.9 million visitors were still expected to visit Australia for the year<sup>27</sup>.

Other key factors influencing tourism demand in Australia include:

- reduced oil prices, which led to cuts or reductions in airline fuel surcharges and allowed airlines to reduce airfares more heavily on long-haul routes
- increased aviation capacity into Australia, particularly on routes to and from the United States, the Middle East and Asia
- considerably cheaper international airfares and package travel following the sharp discounting of international airfares.

Trends in consumer demographics and behaviour have changed and continue to change the tourism environment, making it necessary for the industry to take a more strategic destination-management approach to its planning to remain competitive<sup>28</sup>.

The tourism industry has been affected by the strength of the Australian dollar, coupled with a strong Australian economy and increased international air capacity. This has increased opportunities for Australians to travel overseas, while at the same time reducing the competitiveness

of Australia as a destination for international visitors<sup>29</sup>. Furthermore, the Reserve Bank has increased interest rates progressively since their low of 3.0% in May 2009. The official rate, as of November 2010 was 4.75%, still below the national long-term average but high compared with most other developed countries, particularly Japan, parts of Europe and the US, where interest rates are at or near zero. This gradual upward movement in interest rates is likely to place pressure on discretionary consumer spending such as travel and tourism<sup>30</sup>.

Tourism businesses have indicated that the strength of the Australian dollar is a major issue, with 71% saying it is negatively affecting their businesses. Only one in ten tourism businesses reported that the currency's strength is not having any negative repercussions on their business. Tourism businesses have called for greater government focus on tourism, including support for the development of critical tourism infrastructure and new products and experiences<sup>31</sup>.

### **Distribution and purchasing**

The global distribution system for tourism and travel products has developed in recent years, with a greater access and range on offer in the online environment. This has mainly been led by major airlines, which have chosen to target a direct selling model to the consumer; a strategy that the airlines have had in place for almost a decade in relation to the domestic market. With regard to accommodation products, major chains have also enhanced their internet model to present a more competitive pricing model to the consumer. This change has led to the development of more sophisticated online travel agent (OTA) websites, and there is a new arena of competition emerging in the direct selling model of travel and tourism products between these OTAs and the suppliers themselves. Meanwhile, the traditional distribution system, which makes up the majority of the workforce in the travel sector, continues to enjoy strong growth by way of a service differential model to the consumer and in outbound overseas airline bookings as well as the fast emerging cruise sector. For inbound tour operators, the traditional distribution model continues to play the primary role for international inbound visitors who are still accessing the 'Aussie Specialist' program established by Tourism Australia to support the inbound industry by way of better education for overseas travel agents.

Travel agents have had to increase their service offer, become more competitive on price and demonstrate an enhanced advantage to the consumer in order to remain relevant and in business. Product training and enhanced skills become paramount in order for travel agents to compete.

In addition to the changing face of travel distribution, the federal and state governments are undertaking a review of consumer protection in the travel and travel related service industries. The review may bring a range of new legislative changes that could have a material impact upon the way the travel industry is regulated and any changes could further influence the need for workforce development and the training needs of the travel industry.

In general, the travel industry has grown over the last 12 months, however the way the consumer has elected to purchase their travel has seen a shift in the market share of the various different channels involved in the distribution of travel products.

From a labour and skills perspective, lifestyle transitions provide a point of reference for understanding market impacts. Individuals' purchasing habits are a case in point. For instance, industry reports an increase in online and just in time purchasing of products. Distribution of messages and advertising of tourism destinations are increasingly promoted informally through social networking and instant communication vehicles, such as Facebook and Twitter. Employers involved in wholesaling and the distribution of tourism products will need to consider adopting more flexible and modern business models and seek leverage from these consumer trends<sup>32</sup>.

## REGIONAL ASPECTS

With most industries in SSA's scope, businesses are located in direct proportion to population size. Obviously, the population level of each state directly influences the number of potential customers, with more densely populated states usually having a higher proportion of businesses to service consumer demand. However, this is not always the case in tourism, hospitality and events, as some remote and less-populated areas in Australia are popular tourist destinations.



**FIGURE 1 ESTIMATES OF DIRECT CONTRIBUTION TO AUSTRALIA'S TOURISM GROSS VALUE ADDED (GVA) BY STATE AND TERRITORY IN AUD MILLION (2007–2008)<sup>33</sup>**



**FIGURE 2 PERCENTAGE OF TOURISM SHARE OF EMPLOYMENT BY STATE/TERRITORY (2007–2008)<sup>34</sup>**



**FIGURE 3 RETAIL TURNOVER FOR CAFES, RESTAURANTS AND CATERING SERVICES BY STATE AND TERRITORY IN AUD MILLION (CALENDAR YEAR 2010)<sup>35</sup>**

## New South Wales

As illustrated by the above graph (Figure 4), cafes, restaurants and catering services in New South Wales (NSW) recorded a turnover of \$5440.4million for the 2010 calendar year. This represents an increase of \$434.3million (8.7%) from the 2009 calendar year and reflects the national consumer trend of Australians increasingly choosing to dine out<sup>36</sup>.

NSW had the highest number of tourism and hospitality businesses in Australia in 2007<sup>37</sup> and in 2007–08 at 4.8% direct tourism employment was slightly above the Australia-wide percentage of 4.7%<sup>38</sup>.

Data from 2009/10 indicates that visitors in NSW spent \$23.5 billion, with domestic overnight visitors accounting for 52% of total spending. In the same year, 75.0 million people visited the state, of which 66% were domestic day visitors. Interestingly, the experiences that visitors sought out were strongly linked to the state's food and wine sectors. Of note is that international visitors who were in NSW for education purposes took a 34% share of the nights stayed of international visitors<sup>39</sup>.

## Victoria

In 2007, Victoria had the second highest number of tourism and hospitality businesses in Australia after NSW<sup>40</sup>. The tourism industry brought \$16.2 billion to the Victorian economy in 2009/10 with 56.4 million visitors, of which 69% were domestic day visitors. Crucially, 40% of the nights share for international visitors was based on the state's education market<sup>41</sup>.

In 2010, cafes, restaurants and catering services in Victoria recorded a turnover of \$4831.1million, an increase of \$361.1 million (8.1%) from 2009<sup>42</sup>.

As a reaction to the growing interest in sustainability issues, Tourism Victoria released its Environmentally Sustainable Tourism Strategic Plan 2009–2012 in 2009. The plan promotes businesses that demonstrate environmental credentials, through accreditation programs, developing and distributing a carbon footprint toolkit for use by businesses and destinations, and working with the Victorian Employers' Chamber of Commerce and Industry to ensure that tourism is an integral part of the 'Grow Me the Money' and 'CarbonDown' programs. The plan also promotes and continues to enhance the Sustainability in Tourism section of the Tourism Excellence program<sup>43</sup>.

In 2010, Service Skills Victoria undertook a best practice case study of a number of service industry businesses in Victoria, including those from the tourism, hospitality and events sector, to measure their commitment to workforce development. The case study found that the contributing businesses valued staff development and employed good management skills, processes, practices and policies. One constant among the participants was the commitment to staff training, with 80% of businesses confirming that all of their staff undertakes training, with the remaining 20% in the process of training their staff<sup>44</sup>.

## Queensland

Queensland continues to be the most popular destination for Australians moving interstate. The state is projected to experience the largest percentage increase in population between mid-2007 and 2056 of any state or territory, more than doubling the 2007 population of 4.2 million to 8.7 million people by 2056<sup>45</sup>.

Queensland's cafés, restaurants and catering services recorded an annual turnover of \$3335.3million for the 2010 calendar year. This represents an increase of \$296.2million (9.7%) from 2009<sup>46</sup>.

In 2009/10, the tourism industry brought \$19.0 billion to the Queensland economy, with 51.2 million visitors, of which 65% were domestic day visitors. 24% of the nights share for international visits were based on the state's education market.<sup>47</sup>

Many tourism and hospitality businesses were severely affected by the floods that struck the state in early 2011, both in terms of damage to premises, regional infrastructure and to the perception of potential consumers. In response to these issues, Queensland's Department of Employment, Economic Development and Innovation acted quickly to establish an economic recovery co-ordination group in an attempt to minimise the impact upon the state. While much media attention focused on the impact the floods had upon the resources and agriculture sectors, the state government has recognised the impact upon tourism and hospitality and industry representatives are included in the recovery planning and will play a key role in the process.

There are not presently any units of competence that outline the skill needs for crisis management or recovery planning. However, the tourism and hospitality industry in Queensland is currently investigating the viability of importing units from other industries and describing the skill needs in future training packages.

## South Australia

By 2056, SA is forecast to have the second highest median age in Australia (43.9)<sup>48</sup>. The effects of this ageing population will be felt, and so employers should support the participation of older workers, to not only maintain the skill and experience base but also to better align their workforce with the ageing customer base<sup>49</sup>.

In 2010, retail turnover for South Australia's cafés, restaurants and catering services was \$1018.9million – an increase of \$27.3million (2.8%) from 2009<sup>50</sup>.

In 2009/10, the tourism industry contributed \$4.5 billion to the SA economy with 15.1 million visitors to the state<sup>51</sup>. As the state is aiming to increase visitor numbers, length of stay and yield per visitor, the tourism workforce will become more crucial to the state's growth and prosperity<sup>52</sup>.

In South Australia, the tourism and hospitality industry is a significant trainer of Indigenous Australians, females, and most notably young people (67.6% of VET enrolments are 15 to 24 years old, compared to the state average of 51.4%)<sup>53</sup>.

It is estimated that the tourism and hospitality industry will represent 5.3% of the total demand for qualifications in South Australia over the five-year period 2007–08 to 2012–13. The largest demand for qualifications within the industry is estimated to be at the Certificate III level (46.7%). It is estimated that the tourism and hospitality industry will receive 4.1% of the total supply of publicly funded VET and higher education qualifications over the same period<sup>54</sup>.

## Western Australia

The continuous increase in Western Australia's (WA) population, which is projected to more than double between 2007 and 2056, reaching 4.3 million people<sup>55</sup>, will further boost the demand for service industries.

Cafés, restaurants and catering services recorded a retail turnover of \$2221.9million in WA in 2010. This represents an increase of \$425.2 from the turnover recorded in 2009. The percentage increase of 23.7% was the second highest of all the states and territories, after the Northern Territory<sup>56</sup>.

The tourism sector brought \$6.6 billion to the economy in 2009/10, with 17.4 million visitors staying 43.1 million nights. In WA, the education market accounted for 24% of the share of international visitor night stays<sup>57</sup>.

## Tasmania

Tasmania is forecast to have the fastest ageing population in Australia, which will result in Australia's highest median age of 45.7 in 2056, compared to an Australia wide median age of 42.4<sup>58</sup>. This trend is mainly because Tasmania traditionally experiences a loss to interstate migration in younger age groups and a gain in older age groups<sup>59</sup>. The major effect that this age demographic signals is the even greater competition it will mean for available workers in the tourism, hospitality and events industries.

In 2010, cafés, restaurants and catering services recorded a retail turnover of \$215.2million. This represents a decrease in turnover from the 2009 calendar year, when turnover was recorded as \$227.4million<sup>60</sup>. The tourism industry brought \$2.4 billion to the Tasmanian economy in 2009/10, with 6.6 million visitors spending 11.4 million nights<sup>61</sup>.

For the year ending March 2009, overall visits to Tasmania increased by 7% compared to the year ending March 2008. Total visitor nights grew by 4% to 7.45 million nights, and total spending in Tasmania rose by 7% to \$1.43 billion. Growth was strongest in the number of interstate holiday visitors to the state<sup>62</sup>.

Industry feedback to SSA has revealed concern about fewer people visiting Tasmania and has suggested the introduction of a marketing strategy to encourage more tourists to visit, especially during the winter months. Regional areas in particular are finding it increasingly difficult to attract visitors, with the majority of short-term visitors preferring to visit the major towns. Events such as the Lumina Festival and the hosting of AFL matches in Launceston have helped to attract visitors, particularly from Melbourne, which is seen as a largely untapped market.

In the face of ongoing employment issues, the industry has also identified the need to attract people to the industry and highlight the career paths available. The seasonal nature of industry in Tasmania means that many employers are unable to offer full-time, permanent employment. Therefore, the industry currently relies on part-time and casual staff, but struggles to access funds to train these employees adequately. Given the range of tasks employees are required to undertake, the multi-skilling of staff has also become vital. During industry consultation, the Tasmanian Minister for Hospitality identified the need to build a solid, sustainable work environment with industry buy-in.

## Northern Territory

As shown in Figure 2, the Northern Territory (NT) has the highest tourism share of employment Australia-wide with 9.3% in 2007–08. There has been a reduction in domestic and international flights into Darwin as Royal Brunei and Garuda Airlines have closed their Darwin route. Jetstar, Qantas and Virgin Blue have scheduled domestic services to Darwin but industry feedback suggests that these are not sufficient to meet demand during the dry season. In 2009/10, 2.4 million visitors (44% being domestic day visitors) spent \$1.8billion in NT<sup>63</sup>.

In 2010, NT recorded the highest percentile increase in retail turnover for cafés, restaurants and catering services. In 2009, turnover was recorded as \$148.1million; this figure leapt by 36.7% in 2010 to \$202.4million<sup>64</sup>.

Two important trends in the NT demographic for the tourism, hospitality and events industry are the age structure of the territory and its forecast growth.

The population of NT is the youngest of any Australian state or territory, and will continue to be so in the future. In mid 2007, NT had a median age of 31.1, followed by ACT with 34.5. By 2056, the median age in NT will have only increased to 34.5, while the Australia-wide median age is forecast to be 42.4. Additionally, NT's population is projected to increase by 186,600 people between mid 2007 and 2056, to 401,600 people. This is a significant increase relative to NT's population of 214,900 people in 2007<sup>65</sup>.

Other factors affecting recruitment in NT in recent times have been the relatively low unemployment rate (3.1%, compared to 5.2% nationally<sup>66</sup>) and the high price of accommodation<sup>67</sup>. Industry feedback from Darwin has reported other factors affecting recruitment include the high cost of living, the limited availability of childcare, and the perceived lack of transport and retail facilities in the region. However, these conditions are not unsuitable to single, mobile people and many travellers on working holiday visas are attracted to work in the area. Given the challenges businesses face in recruiting staff, the multi-skilling of employees is a feature and necessity of the tourism and hospitality industry in NT, rather than a trend.

## Australian Capital Territory

Of importance for employers is that between June 1998 and June 2008, the Australian Capital Territory's (ACT) net interstate migration fluctuated considerably, but declined overall. In 2007–08, the ACT recorded a net loss of 265 persons<sup>68</sup>.

ACT's cafés, restaurants and catering services recorded an annual turnover of \$380.4million for the 2010 calendar year; an increase of \$900,000 from the reported total for 2009<sup>69</sup>.

Typical consumer expectations of tourism in the ACT are strongly linked to the visitor's desire to experience our nation's history, with more than half the visitors being from New South Wales (66%), reasonably evenly balanced between business visitors (28%) and visiting friends and family (30%) in 2009/10<sup>70</sup>.



*“(the) complexity of consumer behaviour combines to present a complex picture of the nature of the tourism business.”*

## MACRO-ENVIRONMENT FACTORS

In 2008, Tourism Research Australia reported increasing pressures on discretionary time and income coming from growing choices and changes in the social environment, especially around work culture. At the same time, cultural and technological changes have resulted in lowered tolerance for deferring gratification, and an increasingly frequent need to update possessions<sup>71</sup>.

This research went on to identify a range of factors affecting tourism, including changing demographics and social issues such as:

- the ageing population
- changing family structures
- increasing preference to purchase ‘stress relieving activities’, which extend to value for money transactions.

Consumer research undertaken by industry clearly identifies the impact of consumer sentiment upon the tourism market.

A person’s attitude to travel as a suitable way of using disposable income or spare time depends on a combination of his or her life stage and psychographic profile; each factor on its own insufficient to explain the attitude fully. The psychographic profile is driven by the extent to which the sense of self is defined by the approval of others or by ourselves, the individual feeling comfortable or secure about him or herself and where he or she is in life, and whether doing (or experiencing) rather than having fulfils needs<sup>72</sup>.

When viewed alongside the regional variability associated with different demographics and economic impacts of tourism briefly described earlier, this complexity of consumer behaviour combines to present a complex picture of the nature of the tourism business.

### **INDUSTRY CONSULTATIONS HAVE IDENTIFIED A NUMBER OF EMERGING CONSUMER AND TECHNOLOGY TRENDS THAT WILL AFFECT FUTURE WORKFORCE PLANNING.**

The hotel industry has noted that customer expectations are changing with exposure to overseas destinations, particularly in Asia. Domestic travellers are expecting similar levels of service to those experienced overseas; however, the flexibility and level of staffing required to meet these expectations presents a challenge for some businesses. It was also noted that hotel guests are increasingly expecting the same levels of technology to be available to them as they have in their homes, such as fast broadband, pay TV and movie downloads, and are resistant to paying extra for these services. An increasing number of hotels are also using mobile technology to modernise their own services and reduce costs; one example of this is the use of iPads in restaurants for menus and ordering.

Hotels are also seeking to find ways to engage with social networking sites productively in a way that shows real return on investment. Effective communication skills, along with sound judgement and discretion will be required skills for employees who utilise these new tools. Industry consultation also sounded a note of caution about the reliability of websites such as TripAdvisor which provide consumer-led feedback and information on tourism and hospitality services and are increasing the first port of call for travellers. Feedback from the hospitality sector has also identified increased consumer awareness about the variety of foods available and noted an increase in customer expectations about quality, choice and value for money. Consumers are more health conscious and have a greater expectation for fresher, locally sourced produce. This increased sophistication is attributed in part to high-profile television programs such as Masterchef, which have had an influence on the perception of restaurant standards.

Middle and higher income households with their busy lifestyles (and lack of time to prepare meals and/or to share a meal with family members) have meant that over time there has been an increase in spending on eating out at cafes and restaurants by these people. Eating out is now more of a family enjoyment/get together experience – away from the busy home life. The choice is either to eat in or to take away from a fast food outlet or restaurant/cafe. Therefore, competition will always be significant. The café and restaurant industry is also affected by general economic conditions in terms of how much is spent on meals and drinks<sup>73</sup>. It is estimated by Restaurant and Catering Australia that this trend for increased spending on eating out has accounted for \$4-\$6 billion in revenue growth over the last decade.

### **Sustainability: Driven by consumer need**

Given the high level of customer contact in the tourism, hospitality and events industries, they are in a strong position to build awareness of sustainability issues.

Green skills are driven by consumer demand. Companies are being urged to become more environmentally friendly because customers are looking for companies that incorporate sustainable practice and provide green products and services.

Furthermore, so-called 'green collar' skills are not only covering areas like trade skills (such as green plumbing, construction of energy efficient buildings, renewable energy and low input gardening) but also business leadership, entrepreneurialism and project management.

Making the transition to a sustainable and more resource-efficient economy will require innovation across all industry sectors. For many employers in the tourism, hospitality and events industry, green skills have always been a part of best practice activity. The issue for the service industries is contextualising existing skills and changing behaviour. When a customer sees sustainable practice in a hotel, or local food supported in their favourite café, it promotes sustainable practice, engages customers and helps to change their existing mindsets. Given the growth predicted for the service industries, such sustainable business practice can be promoted to existing and potential customers and used to increase productivity and save energy and money.

Waste management and energy conservation to reduce costs are effective strategies to influence business bottom line. In the hospitality sector, programs like Green Table, EC3 and Ecotourism Australia promote sustainable practices and support companies to adapt sustainable solutions (including programs to provide skills to business operators). This includes recycling waste, energy saving through the use of special light bulbs and insulation, green purchasing by buying local, water reduction activities in relation to garden design and the use of efficient appliances, using special cleaning products, reducing laundry and grey water disposal, and changing stationery use (e.g. green printing and use of recycled paper)<sup>74</sup>.

## UNDERSTANDING THE LABOUR MARKET

The value of tourism, hospitality and events for Australia's economy and population cannot be underestimated. These service industries often provide the first job for many Australians, whether a part-time job while studying or a first full-time job – for many individuals providing the basic 'know how' for their future working life, in the service industries or beyond.

Work in the service industries dominates the economy, and working in these industries demands a range of different skills to those required in other industries, such as traditional trades<sup>75</sup>. Workforce development is about ensuring that the Australian industry has access to appropriate numbers of skilled workers to address need into the future. It aims to tackle the skill shortages that will come about as a result of trends such as the ageing population, by increasing levels of workforce participation and developing the skills of the current workforce. Any course of action to solve skill shortages and increase workforce participation will depend on the sector-specific labour market in imbalance – as each market may need a tailored solution<sup>76</sup>. It is also important that any skill training allows for transferability and national recognition. If a blanket approach to workforce development is adopted, the result will be an under-representation of the development of service industries workers.

The reality is that the majority of jobs that will be available in the service industries in the future will be at entry level – that is, Certificates II and III. These skill levels suit the majority of employer needs, with most employees commencing with basic skills in customer service and then, for some, gaining skills and experience in specialised fields. Workforce development needs to ensure the development and recognition of skills, and the retention of those skills within the industry. The industry needs to provide career pathways and career growth that are sustainable and real. In the accommodation and food service sector as at May 2009, 60.9% of workers were without non-school qualifications<sup>77</sup>. This skills gap needs to be addressed. It should be noted though that while the mismatch in supply and demand does represent a need for higher-level skills for those who do not possess a qualification, it does not reflect a demand for training only at diploma, management or trade level.

To provide a more detailed view of the training needs of the service industries, in 2010 SSA engaged Monash University through its Faculty of Education Centre for the Economics of Education and Training (CEET) to develop a labour and skills forecast for the service industries for the next five years. The report provides baseline information on the minimum skill requirements to achieve a specific qualification profile for the service industries' workforce in 2015. The report focuses on four industry categories: wholesale service; retail services; accommodation and food services; and art and recreation services.

Of interest to the tourism and hospitality industry is that overall employment in the sector is forecast to increase by 37,000. In 2015, 29,000 more people in the tourism and hospitality industry will hold qualifications than they did in 2009. The number of people without any qualifications is also forecast to increase. The qualifications profile will shift towards higher level qualifications with a decline of 14,000 in the number of Certificate I/II. The proportion of employees with qualifications will increase from 43% in 2008 to 46% in 2015. More chefs are expected to hold qualifications at the diploma or higher level. The qualification requirements in tourism and hospitality are estimated to be 139,000, or 23,000 per year. Of these, 31,000 will be at degree or higher level and 109,000 at the VET level (39,000 Advanced Diploma/Diploma, 53,000 Certificate III/IV, and 15,000 Certificate I/II).

The employment requirements for chef and fast food occupations are estimated to be about 18,000 and 13,000 respectively. While growth is the main factor affecting requirements for qualified chefs, both growth and replacement needs are affecting requirements for qualified fast food chefs<sup>78</sup>.

The high replacement rate identified by CEET creates a cost for accommodation and food services businesses in terms of the additional training required to meet the high net replacement rate.

As part of the Labour and Skills Forecast, CEET also produced a report on the productivity growth in selected industries. These industry-specific estimates provide a positive view of productivity growth in some service industries over the last decade.

The productivity changes in accommodation and food services over the last decade and the last five years have been characterised by declining (but still positive) absolute levels of labour productivity growth. Nevertheless, labour productivity has grown at about the average rate of the market sector over the last 10 years or so. The changes in labour productivity are associated with less than average capital deepening and variable but low levels of multifactor productivity (MFP) growth.

MFP growth in the accommodation and food services industry peaked in the five years 1995/6 to 1999/2000 (1.9% per year) and then declined in subsequent periods to 0.8% and more recently to -0.3%. The decline over the last 15 years or so mostly reflects the broader changes in the MFP of the market sector of the Australian economy. In the period 2004/5 to 2008/9 the decline in MFP experienced by the accommodation and food services industry (-0.3% per year) was slightly less than the corresponding decline for the market sector as a whole (-0.7% per year).

From the mid-1990s onwards, labour productivity in the accommodation and food services industry increased after an earlier period of decline. The increase has generally been slower than that of the market sector overall, but over the period 2005/6 to 2008/9 exceeded overall growth by 0.4 percentage points.

The productivity report does note, however, that the measured output for the accommodation and food services industry may not adequately capture improvements in the quality of service. If this is the case, and if the quality of the service has been increasing, estimates of productivity growth will generally be too low<sup>79</sup>.

**TABLE 1 AVERAGE GROWTH IN MULTIFACTOR, LABOUR AND CAPITAL PRODUCTIVITY BY INDUSTRY, AUSTRALIA, SELECTED PERIODS, 1985-86 TO 2008-09 (%)**

	1985/86-89/90	1990/91-94/95	1995/96-99/00	2000/01-04/05	2005/06-08/09
	%	%	%	%	%

### Labour productivity

Agriculture	3.6	0.2	7.8	7.8	2.1
Mining	4.6	6.7	5.7	-2.4	-6.9
Manufacturing	1.4	1.6	2.8	2.7	1.2
Utilities	9.3	5.3	5.4	-3.2	-5.5
Construction	-1.6	0.4	2.3	1.6	0.4
Wholesale	0.1	2.1	4.3	3.7	1.6
Retail	-0.9	2.4	2.4	2.4	2.9
Accom & food	-0.4	-1.3	2.6	1.8	1.5
T'port & store	1.7	2.4	2.5	2.9	-0.1
Communication	7.9	8.6	5.0	2.9	5.2
Financial	5.3	6.3	4.0	2.0	2.3
Arts & recreation	-2.6	-0.5	1.3	1.9	-1.3
Market sector	1.5	2.1	3.1	2.2	1.1

### Capital productivity

Agriculture	2.2	-0.6	8.7	2.8	1.5
Mining	3.1	1.5	-1.5	-0.9	-6.1
Manufacturing	-0.4	-1.4	-1.5	-0.8	-4.0
Utilities	2.3	0.9	-0.9	-2.2	-3.7
Construction	-5.4	-1.0	3.4	1.3	-1.3
Wholesale	-1.3	-0.3	1.8	-2.3	-3.5
Retail	-4.6	0.7	-0.1	-1.0	-3.0
Accom & food	-1.9	1.3	0.0	-1.1	-3.3
T'port & store	-4.1	1.9	2.2	2.0	-1.1
Communication	0.8	4.1	-0.5	-1.3	-1.6
Financial	-4.6	0.4	0.5	-1.1	2.0
Arts & recreation	-4.4	-1.6	-3.8	0.2	0.7
Market sector	0.0	-0.3	0.2	-0.6	-2.6

Adapted from ABS, *Experimental Estimates of Industry Multifactor Productivity, Australia, Detailed Productivity Estimates*, 5260.0.55.002.

**TABLE 2 AVERAGE GROWTH IN LABOUR, CAPITAL AND MULTIFACTOR PRODUCTIVITY BY INDUSTRY, AUSTRALIA, SELECTED PERIODS, 1985-86 TO 2008-09 (%)—CONTINUED**

	1985/86-89/90	1990/91-94/95	1995/96-99/00	2000/01-04/05	2005/06-08/09
	%	%	%	%	%

**Value-added multifactor productivity (MFPVA)**

Agriculture	2.5	-0.3	8.4	4.5	1.7
Mining	3.6	3.1	0.6	-1.3	-6.3
Manufacturing	0.9	0.3	0.7	1.0	-1.3
Utilities	5.8	2.6	1.2	-2.5	-4.3
Construction	-2.5	0.0	2.6	1.5	-0.1
Wholesale	0.1	1.3	3.3	1.6	-0.2
Retail	-1.4	2.0	1.8	1.6	1.3
Accom & food	-0.6	-0.6	1.9	0.8	-0.3
T'port & store	-0.8	2.2	2.4	2.5	-0.5
Communication	3.9	5.8	1.6	0.2	1.0
Financial	3.5	4.2	2.7	0.6	2.1
Arts & Recreation	-3.0	-1.0	-0.4	1.2	-0.5
Market sector	0.9	1.1	1.8	0.9	-0.7

**Gross output multifactor productivity (MFPGO)**

Agriculture	--	--	3.1%	1.7%	-1.1%
Mining	--	--	0.3%	-0.8%	-3.2%
Manufacturing	--	--	0.4%	0.5%	0.0%
Utilities	--	--	0.6%	-1.3%	-2.3%
Construction	--	--	0.8%	0.5%	0.5%
Wholesale	--	--	1.7%	0.7%	0.1%
Retail	--	--	0.9%	0.7%	0.5%
Accom & food	--	--	0.9%	0.4%	0.0%
T'port & store	--	--	1.0%	1.0%	0.5%
Communication	--	--	0.5%	0.2%	1.1%
Financial	--	--	1.9%	0.5%	2.3%
Arts & recreation	--	--	0.0%	0.2%	-0.9%
Market sector	--	--	0.7%	0.5%	0.2%

Adapted from ABS, *Experimental Estimates of Industry Multifactor Productivity, Australia, Detailed Productivity Estimates*, 5260.0.55.002. MFP-GO values unavailable for 1985/86-89/90 and 1990/91-94/95 and 2008/09.

'Market sector' is the weighted average productivity growth for the 12 industries shown in the table.

## Ageing population

Population ageing is occurring globally, with a substantial shift in the age structure towards older ages. The median age of Australia's population (36.8 years at June 2009)<sup>80</sup> is projected to increase to between 38.7–40.7 in 2026 and to between 41.9–45.2 in 2056<sup>81</sup>.

One effect of the ageing population is the reduction of the proportion of younger people. Australia's population aged 15–64, which encompasses much of the working-age population, is projected to decline from 67% in 2004, to between 57–59% in 2051<sup>82</sup>. As labour force growth is forecast to be slower than population growth, participation rate decreases.

This is a significant issue for the many sectors within tourism, hospitality and events as they have traditionally looked to younger labour to fulfil their workforce needs. The accommodation and food services industry has a relatively young workforce, with 45.7% of workers aged 15 to 24, compared with 16.8% for all Australian industries. Hence, in 2009, the median age of workers in accommodation and food services was 26, compared to the median age for all industries of 39. Mirroring this, accommodation and food services has currently the lowest share of all industries of workers aged 45 and over, with only 1.2% of the industry workforce being aged 65 and over, compared with 2.6% for all industries. The accommodation and food services industry also has the lowest share of workers aged 45 to 54 (12.3%) and 55 to 64 (7.8%)<sup>83</sup>.

As a result of projected population growth and current workforce participation rates, tourism, hospitality and events will have to increase their share of total national employment to meet labour demand forecasts. However, as many companies are already struggling in the short term to find appropriate employees to sustain their business, long-term strategies often do not exist. Having said this, SSA applauds the forward-looking Indigenous training initiatives being undertaken by leading industry stakeholders who are investing in training and workforce development, for example such as Seaworld Gold Coast (Queensland), Burswood Entertainment Complex (WA), Accor Group, Tourism WA, Hospitality Pty Ltd (WA), and Compass Group (WA).

It is forecast that the effect of an ageing population as described above, while still noticeable, will not be felt as keenly in NT, which will continue to have the youngest population in Australia; as opposed to South Australia and Tasmania, which are forecast to have the oldest.

The industry does provide good opportunities for older people looking for lifestyle changes and moving into the industry as small business operators in bars, cafés and motels offers an attractive option. Bearing in mind though that for many operators and employees, much of the work is physically demanding and the effort and energy required to do it can have its own lifespan.