

Recruitment and retention

- 4.1 Integral to employers' ability to increase the skills and labour available to them are recruitment and retention practices. These are essential tools for building a sustainable workforce, although many in the tourism industry face challenges in implementing them strategically.
- 4.2 Unfortunately the turnover that results from having no, or inadequate, human resources policies and practices is costly for individual employers and the industry image.
- 4.3 A concerted effort is needed to build the industry image and employment conditions to attract workers and it is essential that career paths are offered in order to retain these workers in the industry. In addition, as discussed in the following chapter, many people have extensive on the job experience, but do not have a national qualification. Recognition of this experience is an essential retention tool.

Recruitment difficulties

- 4.4 As discussed previously in the report, the industry faces high labour and skills shortages meaning that recruitment is difficult due to the shortage of people to fill positions. However, even in areas with an adequate supply of labour, businesses still report difficulty attracting suitable employees.

- 4.5 The Department of Employment and Workplace Relations (DEWR) reports that recruitment difficulties:
- may be due to the characteristics of the industry, occupation or employer such as: relatively low remuneration, poor working conditions, poor image of the industry, unsatisfactory working hours, location hard to commute to, ineffective recruitment advertising or processes or organisation-specific and highly specialised skill needs.¹
- 4.6 These were the industry characteristics reported to the Committee as the main reasons for recruitment difficulties. It was also reported that regional recruitment difficulties include:
- low award rates combined with the inability of employers to pay above award rates due to low profit margins;
 - low population base which means that workers are transient (such as backpackers). Current visa restrictions result in high staff turnover and employers do not get a return on training expenditure;
 - rising housing costs; and
 - fringe benefit tax (FBT) laws which do not allow the flexibility to provide additional incentives to aid reductions in the cost of living.²
- 4.7 Despite the reported inability of employers to pay above award rates many have put together packages with benefits in order to attract staff.
- Due to the lack of suitable available staff, it is becoming increasingly common to entice prospective employees by providing more attractive packages. This can be done by paying in excess of award rate, or by offering added benefits. Added benefits would include development training, incentives on performance, incentives for loyalty, provision of uniform, scope for advancement or discounts to staff for services provided to the company.³
- 4.8 Although the inquiry heard evidence of high levels of recruitment difficulties in the tourism industry, DEWR reported results from the

1 DEWR, *Submission No. 17*, p. 20. Also QTIC, *Submission No. 20*, p. 12.

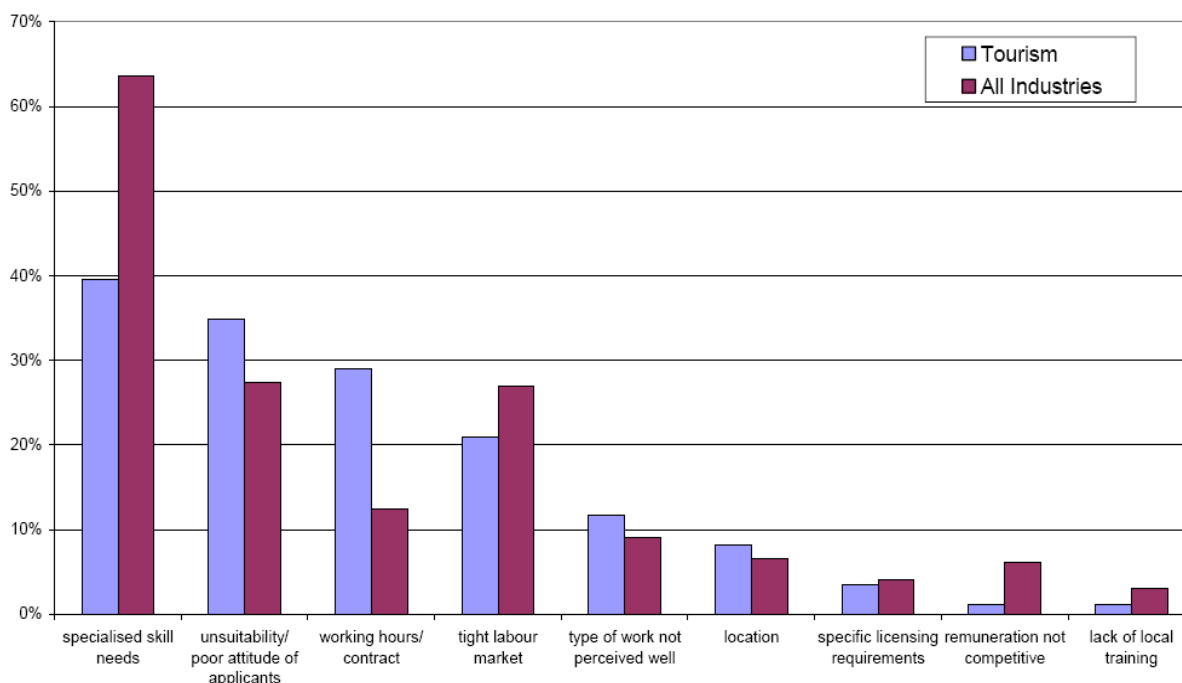
2 Seashells Hospitality Group (SHG), *Submission No. 6*, pp. 2–3.

3 SHG, *Submission No. 6*, p. 3.

Regional Skills in Demand Surveys that indicated below average level of recruitment difficulty among tourism industry employers.⁴

- 4.9 While DEWR cautioned that these results are limited, they indicate that the main reasons for recruitment difficulty are specialist skills needs and unsuitability or poor attitude of applicants (see Figure 4.1). These results support evidence received by the Committee.

Figure 4.1 Main reasons for employers reporting recruitment difficulties



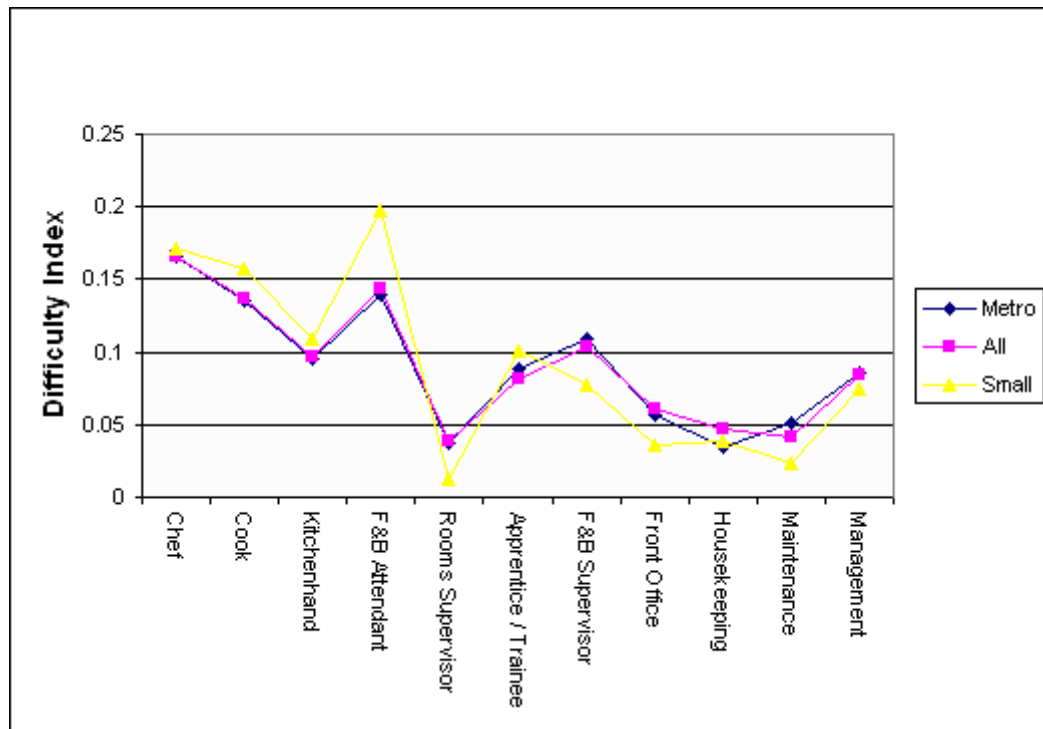
Base: Employers who recruited in the past 12 months and had difficulty recruiting staff n=87 (tourism) / n=888 (all industries).

Source Department of Employment and Workplace Relations, Submission 17, p. 22.

- 4.10 In particular, the unsuitability of candidates indicates a need for a comprehensive approach to recruitment addressing basic numeracy and literacy skills at school level (further discussed in Chapter 5) and community attitudes towards the industry as a viable career option.
- 4.11 While most occupations were difficult to fill across all businesses, small businesses faced more difficulty recruiting over all, as Figure 4.2 demonstrates.

4 DEWR, Submission No. 17, p. 21.

Figure 4.2 Recruitment difficulty by business type and occupation



Source Restaurant and Caterers Australia, *National Skills Shortages Report 2006*.

Appropriate recruitment

4.12 The difficulties of recruitment also lead to inappropriate recruitment practices. Employers also need to learn how to recruit the right type of people while at the same time being realistic about the opportunities the industry offers. It was submitted:

Employers need training to be able to recognize potential talent instead of relying on résumés, bad habits and gut feelings...Job seekers need to be given a more realistic career development program for the regional area they live in to understand the long term benefit of securing employment instead of comparing their next job wage to that of their employment entitlements.⁵

5 Hostec, *Submission No. 7*, p. 2.

- 4.13 Previous work on skills shortages undertaken by Restaurant and Catering Australia (RCA) has led to the development of a Tourism and Hospitality Employability Skills Recruitment and Staff Screening Tool to address the high attrition rates of students and others who enter the industry and assist in the promotion of skills development for new and existing staff. It is suggested that the tool be trialled across the industry and a range of employment, education and training providers will be consulted. It will also be trailed in a range of small, medium and large businesses.⁶
- 4.14 RCA submitted:
- We contend that it is the attitude and aptitude of individuals that best determine their suitability for our industry rather than their skills, although skills are of course important. But they need to have an attitude that is suitable to the types of businesses they would be going into.⁷
- 4.15 The Committee commends the work being undertaken by RCA to develop this staff screening tool and believes that it is a tool that should be available across the entire industry. It could also assist Job Network providers to assist in identifying the most appropriate candidates for vacancies.
- 4.16 The cost of inappropriate recruitment is a cost not just borne by small operators that struggle with the capacity to develop human resources plans. The continual turnover of staff in these businesses affects industry image and also reduces the pool of employees who potentially 'get a start' in small businesses and go on to have a career in the industry.
- 4.17 The Committee puts it to industry peak bodies and state and territory tourism industry councils that it may be appropriate to provide information on staff screening tools to assist employers to recruit appropriately.
- 4.18 In addition, employers need to credit experience in a national skills recognition system to allow employees to earn credentials wherever they may work.

6 RCA, *Submission No. 31*, p. 19.

7 Mr J. Hart, RCA, *Transcript of Evidence*, 19 October 2006, p. 2.

Recruitment practices

- 4.19 A variety of recruitment methods were reported to the Committee. As Figure 4.3 shows, the majority of recruitment takes place through local media and walk-ins or word-of-mouth referrals. This type of recruitment does not necessarily lead to the most appropriate candidate, nor to employees with a commitment to working in the industry.
- 4.20 Tourism Whitsundays reported efforts to recruit employees from opposing season locations, such as snowfields, and advertising through universities for holiday workers. It has been found that this approach can present the region as 'a great place to party and play, not necessarily build a career, therefore service quality suffers.'⁸
- 4.21 It is important particularly for regional areas to focus on building connections with local schools and work experience for secondary students to encourage them not only to enter the industry but to stay in the region. Regional employers have an important role to play in building regional sustainability.
- 4.22 RCA reported the following recruitment methods (in order of preference):
- advertising in local print media;
 - walk-ins or referrals or other staff;
 - Australian Apprenticeship Centres;
 - private personnel agency;
 - internet based recruitment service; and
 - job network.⁹
- 4.23 Employers reported varying levels of satisfaction with the recruitment methods indicated above, with satisfaction with the Job Network being by far the lowest. It was reported that 'in the absolute majority of cases [there has been] great difficulty in attracting suitable candidates through the Job Network.'¹⁰
- 4.24 There were calls from industry for a national tourism employment portal, both to service working holiday makers and the tourism industry generally, recognising the internet as a growth market for recruitment.¹¹ The Committee earlier made a recommendation

8 Tourism Whitsundays, *Submission No. 27*, p. 3.

9 RCA, *Workforce Survey*, January 2007.

10 RCA, *Submission No. 31*, p. 19.

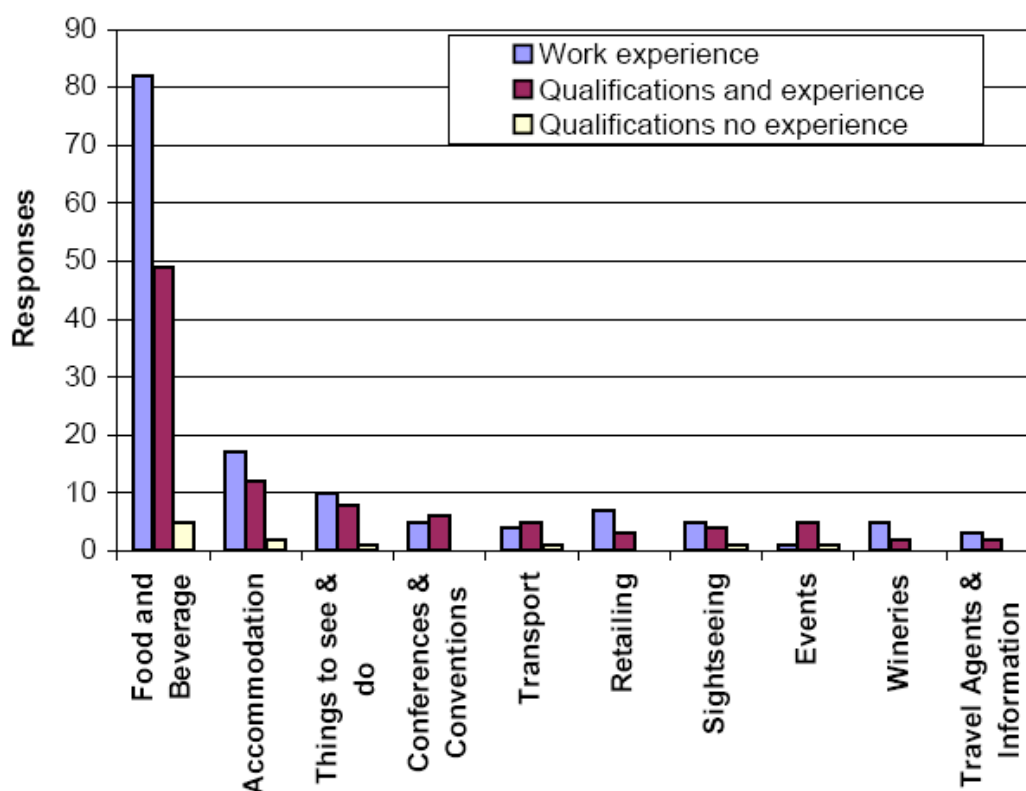
11 Tourism NT, *Submission No. 39*, p. 6, Tourism Tropical North Queensland (TTNQ), *Submission No. 41*, p. 3.

regarding a working holiday maker job portal. The Committee agrees that a tourism industry job portal would be advantageous and allow the industry to focus their recruitment efforts most appropriately.

4.25 The Government offers job seeking services through the Job Network and online job database jobsearch.gov.au. However, there is room for a commercial enterprise to establish a tourism-specific employment portal. The Committee does not see this as being a role for Government. The Committee strongly urges industry peak bodies to investigate options for the establishment of a tourism specific job portal.

4.26 Employers may also need to widen their pool of potential employees. Figure 4.4 points to the heavy reliance that the industry places on experience over qualifications in certain industry segments.

Figure 4.4 Employer recruitment preferences by industry segment



Source *Tourism and Hospitality Skills ACT and Region, Tourism and Hospitality Training Needs Analysis, ACT and Region 2004, p. 12.*

4.27 With current labour shortages, a preference for experienced personnel may not be feasible and employers will need to focus on improving their ability to train individuals once employed. One way to do this is

to identify career paths and make greater investment in employee training.

Collective recruitment initiatives

4.28 It is necessary for the industry to work collectively to address certain issues such as:

- industry image;
- provision of human resources training to owner operators; and
- the particular challenges faced in remote regions (such as staff accommodation and transportation).

4.29 It was submitted to the Committee that:

The point is that we are not out there attracting labour collectively; we are attracting labour individually. That is something that has to change ... We have not, in that time [10 years], sat around and had detailed discussions on how we can collectively address this problem.¹²

4.30 The industry needs to take up the challenge of working together collaboratively on these industry-wide issues. However, the Committee was told that 'there is sort of a sharing and more commonality of purpose and integration across a lot of the businesses in tourism than it is often given credit for.'¹³

Industry image and the provision of career pathways

4.31 Tourism is often seen as a young person's industry with low pay, long irregular hours, poor conditions and no career prospects. This image does little to help in efforts to recruit and retain employees. The Committee was told that there is some truth to this perception:

I think the problem is real, and it is both perception and reality. We have to create better career structures for our industry. I am convinced that we have not done as good a job as an industry as we should or could have. That is maybe an issue of maturity in our industry. In the past we used to be even more fragmented than we are now. Thankfully, now we have, in some cases, larger employers, better skilled employers and employers who have themselves gone through some form of training, but that was maybe less so 10

12 Mr K. Dobbs, Port Douglas Daintree Tourism Ltd, *Transcript of Evidence*, 22 November 2006, p. 44.

13 Mr N. Hunt, Tourism Alliance Victoria, *Transcript of Evidence*, 9 February 2007, p. 9.

or 15 years ago. Now we have a slightly better set-up. I think we have to take advantage of that and give employees the confidence that they can not only move within an enterprise but also move from enterprise to enterprise. That is probably the crucial missing link in terms of providing a real career to our employees.¹⁴

4.32 The lack of attention paid to developing career paths and recognition of credentials is widely cited as a reason for poor retention rates and negative industry image. A consequence of the low priority placed on career development is that new managers feel unable to make a commitment to the industry and employers are not supportive of staff improving qualifications through higher education or formal skills recognition for skills acquired on the job.¹⁵

4.33 The Committee was told that the issue of industry image and career pathways needs to be addressed at many levels, such as:

- promoting the industry to job seekers as a profession, not just a short-term job opportunity;
- building a skilled local workforce and remote and regional areas;
- maturation of the industry and a recognition that employers need to manage their workforce in a strategic manner;
- ensuring that new operators are equal participants in industry initiatives so they do not negatively affect the industry image through bad employment practices;
- the establishment of a certifying professional body to coordinate continuous professional development, elevate the status of managers and the profession generally (this is further discussed in Chapter 5);
- promoting tourism as 'everybody's business' so that local communities are encouraged to support the local industry;
- improving wages and providing more flexible conditions;
- providing qualifications and portability of those qualifications;
- improving access to information on tourism and hospitality industry jobs through enhancement of tourism information on the Services Skills Australia online career portal;
- promoting the tourism careers available to secondary students, parents and teachers; and

14 Mr D. Gschwind, QTIC, *Transcript of Evidence*, 23 November 2006, p. 30.

15 School of Leisure, Sport and Tourism, UTS, *Submission No. 4*, p. 1.

- encouraging a culture of tipping to improve wages without adding a cost burden to employers; and¹⁶
 - providing professional development opportunities for the 'higher calibre employees looking to map out a career in the industry.'¹⁷
- 4.34 While the industry seemed widely aware that its image was a large part of the problem in attracting long-term employees, the Committee was not told of many widespread strategies being used to improve the image of the industry.
- 4.35 There is the need for an audit of strategies used to improve the image of the tourism industry as an employer and determine best practice models from both the tourism and other industries. Once determined, there is a need for the industry to be supported by governments at all levels to implement these strategies.¹⁸
- 4.36 There is also a need for a national public campaign promoting the industry as a place for a diversity of long-term career opportunities, focussing not only on young people entering the workforce, but also aimed at individuals returning to the workforce after a period of absence.

Recommendation 12

The Committee recommends that the Australian Government establish an industry leaders' forum to take responsibility for the development of a campaign to promote the career choices available and benefits of working in the tourism industry, ensuring that there are pathways available that allow tourism workers to gather credentials across a range of employers.

16 Industry Advisory Board, *Submission No. 30*, p. 4; YATA, *Submission No. 46*; IBA, *Submission No. 38*, p. 8; Tourism WA and WA Tourism and Hospitality ITC, *Submission No. 62*, p. 25; Industry Advisory Board, *Submission No. 30*, p. 6; CCI-WA, *Submission No. 45*, p. 8; QTIC, *Submission No. 20*, p. 17.

17 City of Mandurah, *Submission No. 29*, p. 3.

18 STCRC, *Submission No. 16*, p. 6.

Expanding the traditional workforce

- 4.37 The industry has the image of being a ‘young persons industry.’¹⁹ This is in part due to its reliance on casual, seasonal employment, and many anecdotal comments made to the Committee suggested that the industry likes to look “young and attractive”.
- 4.38 Given the labour and skills shortages, the industry must invest more in recruitment strategies and seek to expand the workforce it aims to recruit from. It was widely submitted that the industry should target recruitment towards:
- people who speak languages other than English, particularly for customer service and tour guide positions;
 - people with disabilities, parents and welfare recipients returning to the workforce;
 - older workers, including those returning to the industry after a period of absence; and
 - Indigenous peoples.

Flexibility to suit specific need employees

- 4.39 The Committee did not closely look at the scope that the industry has to support individuals returning to the workplace from welfare support. It was submitted that the ‘Welfare to Work’ measures could prove beneficial to the industry. However there is a need for more support for regionally specific upskilling measures, targeted to tourism industry jobs.²⁰
- 4.40 The Committee has some concerns that the industry has not shown itself to be adequately flexible to support people with disabilities and people with caring responsibilities returning to the workforce. It was submitted that there is a need to
- develop incentives to cover upskilling programs for staff wishing to return to the industry after a period of absence. [The Government should] continue to review and support incentives for part-time workers to reenter the tourism workforce such as improved access to quality and affordable

19 STCRC, *Submission No. 16*, p. 5; Prof. M Deerie, STCRC, *Transcript of Evidence*, 9 February 2007, p. 56.

20 TTF Australia, *Submission No. 37*, p. 7; ATEC, *Submission No. 51*, p. 7; HMAA, *Submission No. 64*, p. 15; Hostec, *Submission No. 7*, p. 2.

childcare, childcare tax rebates and increased assistance for full time carers.²¹

- 4.41 It is not the role of this Committee to prescribe changes to industry structures to ensure this flexibility. However, the Committee is of the opinion that the industry will need to look at issues such as job design and other adjustments in employment arrangements in order to facilitate increased participation in the workforce.
- 4.42 The Committee commends the efforts of the AHA which is leading two projects exploring methods to reduce workforce barriers for welfare recipients.²²

Engaging older workers

- 4.43 The ageing of the population is well documented. The proportion of the population over the age of 65 is projected to steadily increase. Currently 13.4 per cent of the population is aged 65 and over, by 2047 this is expected to reach 25 per cent.²³
- 4.44 This means that there is currently a largely untapped workforce pool of persons aged 65 and over. Initiatives introduced now to attract older workers and accommodate their needs will prove even more valuable as this workforce pool grows.
- 4.45 The tourism industry is well suited to encourage participation of semi-retired workers who are seeking short-term jobs on a seasonal basis or jobs that offer reduced hours of work.

More than two-thirds of retired [men] aged 50 to 64 would like to work. Encouraging a higher level of mature age participation in the labour force for fiscal sustainability is one key consideration for tourism employers – shifting the focus from tourism as a *youth* industry to tourism as a *people* industry.²⁴

21 QTIC, *Submission No. 20*, p. 17.

22 AHA, *Submission No. 43*, p. 14.

23 The Treasury, *Intergenerational Report 2007*, April 2007, accessed 17 April 2007, <treasury.gov.au>

24 ATEC, *Submission No. 51*, p. 7

- 4.46 The ageing population may pose economic challenges for the nation, however it is a potential boom for regional tourism employers. It was put to the Committee that the older workforce, in particular those travelling around the country as 'grey nomads', are an untapped opportunity for tourism operators because:
- being mostly retired and in essence on 'holiday' while travelling, they are specifically interested in opportunities for casual, seasonal and/or part time employment opportunities (rather than full time) and these are the kind of employment opportunities most readily available in the tourism industry;
 - they have a demonstrated interest in spending time in rural and remote areas of the country which are the areas in which the industry suffers most from a skills and labour shortage;
 - they are open to employment opportunities offering lifestyle benefits more than high pay and career opportunities;
 - they are interested in contributing to community development and open to engaging in voluntary work, which opens up opportunities for the industry to utilise them:
 - ⇒ in mentoring or training roles to help develop the local workforce; and/or
 - ⇒ to fill in supervisory roles to allow tourism operators to further develop their skills through participating in training programs they would otherwise be unable to attend because of work commitments and costs.²⁵
- 4.47 In addition, as 'grey nomads' generally travel with caravans or motorhomes, they do not add to accommodation pressures in remote and regional areas.²⁶
- 4.48 The Campervan and Motorhome Club of Australia (CMCA) reported that over 60 per cent of their membership were interested in undertaking some form of paid work while travelling and 80 per cent of these had no preference for the type of work undertaken. However, there are a number of barriers to re-entering the workforce, namely, pension losses, taxation, insurance and the effect on superannuation.²⁷
- 4.49 The CMCA submitted that there needs to be greater understanding of both the opportunities for and barriers to engaging 'grey nomads' in

25 CMCA, *Submission No. 44*, p. 4-5.

26 Tourism WA and WA Hospitality and Tourism ITC, *Submission No. 62*, p. 34.

27 Mr T. Charters, CMCA, *Transcript of Evidence*, 30 March 2007, pp. 64-65.

the workforce. The CMCA also submitted that this form of travel is particularly strong in Europe, the United States and Canada and that Australia should consider a visa to allow short-term seasonal work, similar to the backpacker market. The low-skill visa option, as recommended in the previous chapter should also take into account older workers.

- 4.50 The CMCA has surveyed members and undertaken some work analysing the barriers they face to employment, however has been unable to secure funding to complete this on a national level.²⁸
- 4.51 The Committee acknowledges there are initiatives in place to provide incentives for older people to remain in the workforce, but there must be closer consideration of the relationship between taxation, pension entitlements and superannuation arrangements. Consideration must also be given to the barriers that may exist for older people to take on short-term or seasonal work, particularly in regional tourism areas.

Recommendation 13

The Committee recommends that the Australian Government conduct research into barriers to the workforce participation of older workers, particularly in seasonal short-term work and implement the necessary changes to ensure the greater capacity of workforce participation by retired and semi-retired workers.

Engaging Indigenous workers

- 4.52 Indigenous tourism is a major drawcard in many areas of Australia. However, it was submitted that while tourists seek an 'authentic' experience, there are few Indigenous employees in the industry. While there are a number of successful Indigenous community based enterprises, specifically art centres and cultural attractions, there is scope for these to be more integrated with mainstream attractions to increase visitation and visibility of Indigenous peoples and culture.²⁹
- 4.53 The Indigenous unemployment rate currently stands at around 15 per cent. Indigenous Business Australia (IBA) submitted that 'the Indigenous Australian populations in regional and remote areas

28 Mr T. Charters, CMCA, *Transcript of Evidence*, 30 March 2007, pp. 64–65.

29 Tourism NT, *Submission No. 39*, p. 2.

constitute an untapped resource that can be utilised to address the human resource problems in the tourism sector.’³⁰

- 4.54 There are acknowledged cultural barriers to the employment of Indigenous persons by tourism businesses. Employers need to be informed about the benefits of employing Indigenous peoples and educated about how they can be aware of and sensitive to the cultural obligations of Indigenous employees.
- 4.55 Cultural obligations, such as the need to participate in community events and rituals, have the potential to impact on work commitments. While these obligations can be seen by employers as an insurmountable problem, this is not the case. IBA submitted that tourism enterprises ‘need to be encouraged to develop strong connections with local communities and Indigenous support structures, such as families and elders.’ By gaining Indigenous community support for business survival, communities can assist in providing solutions to help mitigate the impact on businesses by gaining community support for their survival.³¹
- 4.56 Both Mr Willie Brim of Djabugay Country Tours, located in Kuranda, north Queensland, and the owners of Tjapukai Aboriginal Cultural Park in Cairns identified that having employees actively involved in the outcomes of the business helped to ensure its ongoing viability.

One of the things we did is we took some of the elders down to Cairns and brought them to Tjapukai and said, ‘Stand here at the door. There are 450 people coming in the door and you are one of those people who have come all the way from up on the Cape to visit Tjapukai and see what they do. What would you say if we said, ‘Sorry, we are closed.’ They said, ‘No, that wouldn’t be good’, and we said that was exactly what we are dealing with so it is a process. I think a lot of it, as I said earlier, is a nurturing process but you have got to have a balance of commercial reality and, as I said, not compromising the business.’³²

- 4.57 The Committee commends both Djabugay Country Tours and Tjapukai Aboriginal Cultural Park for their initiatives at developing employment models more suited to Indigenous people. The Committee considers that many tourism businesses could learn from these experiences and urges more employers to step beyond

30 IBA, *Submission No. 38*, p. 8.

31 IBA, *Submission No. 38*, p. 10.

32 Ms J. Freeman, Tjapukai Aboriginal Cultural Park, *Transcript of Evidence*, 23 November 2006, p. 43.

traditional business models to recognise the value of accommodating the needs of Indigenous employees.

- 4.58 Not only it is important for the tourism industry to focus on employing Indigenous peoples, but equally tourism has the potential to act as a pathway for Indigenous economic independence. It is considered that the potential for Indigenous-owned tourism enterprises has not yet been fully realised. The barriers to business entry are

the low education and skill base of communities, lack of access to business capital and the lack of industry knowledge and marketing expertise as well as cultural factors.³³

- 4.59 Again, close local community connections can aid in securing a commitment to work from young Indigenous people and increase the skills base of individuals interested in developing a career in the industry.

- 4.60 Mr Willie Brim of Djabugay Country Tours identified many of the barriers facing him as a start-up Aboriginal business including the need to raise high capital. He stated:

If we had a couple of hundred thousand dollars to splash at marketing and to buy some really nice flash vehicles, it would be different. It is like anything: with \$153,000 [start-up] dollars we bought a couple of little second-hand buses for \$6,000 or \$7,000. They are tacky looking things. Do you think the average punter who comes in off the street looking at a tourism operation wants to jump into something like what we have got? It looks like an attempt instead of a real go.³⁴

- 4.61 Unfortunately, the failure of other Indigenous businesses also posed challenges for Djabugay Country Tours:

People do not want to take on Aboriginal businesses up here in the north unless they are going to be here for a long time. Many small Aboriginal businesses have fallen over and that has turned other Aboriginal businesses into a risk factor in the tourism sector.³⁵

33 IBA, *Submission No. 38*, p. 11.

34 Mr W. Brim, Djabugay Country Tours, *Transcript of Evidence*, 23 November 2006, p. 16.

35 Mr W. Brim, Djabugay Country Tours, *Transcript of Evidence*, 23 November 2006, p. 16.

- 4.62 IBA submitted that:
- Improving the availability of capital for Indigenous tourism businesses may require the introduction of measures such as:
- educational programs aimed at encouraging the mainstream finance sector lending to Indigenous enterprises, taking into consideration the special circumstances of such enterprises; and
 - government funding programs (eg, low interest or interest - free loans) for viable Indigenous tourism ideas with quality business plans.³⁶
- 4.63 Capital investment has historically been directed at community enterprises, however there needs to be more support directed to individual and family owned enterprises.
- 4.64 A feature of many Indigenous tourism operations is their reliance on Community Development Employment Project (CDEP) funding. This funding is essential to ensuring all employees are able to continue to receive a regular wage until the business is fully able to support them. However it does take time to build businesses and gain community support:
- we are starting to talk income stream. That then weans us off CDEP and our true intention will start to unfold. It is like a flower; I say never try to force open a flower. A flower will reveal its beauty in time and that is what we are dealing with with this little business.³⁷
- 4.65 From anecdotal evidence, the Committee is concerned that Indigenous Business Australia may not be maximising opportunities for the growth of Indigenous tourism businesses. Given the strong growth in demand predicted for Indigenous tourism businesses, the Committee is of the opinion that it is necessary for an inquiry to be established on the best ways to grow employment, training and investment in this sector, including into the role played by Indigenous Business Australia as the key Government investor.
- 4.66 Indigenous tourism is an important component of the Australian tourism profile as well as providing a valuable income stream for Indigenous communities.
- 4.67 In addition to a broader inquiry into the potential for Indigenous tourism and employment, current tourism employers need to be

36 IBA, *Submission No. 38*, p. 12.

37 Mr W. Brim, Djabugay Country Tours, *Transcript of Evidence*, 23 November 2006, p. 21.

educated and supported in the best ways to engage with local Indigenous peoples and increase employment. This includes promoting different employment models, designing rosters to accommodate cultural difference needs and, most importantly, promoting the value to businesses the value of increasing Indigenous workforce participation.

Recommendation 14

The Committee recommends that the Australian Government establish an inquiry into opportunities for growth in Indigenous tourism, investigating employment, training and business investment.

Turnover and retention

- 4.68 One of the workforce challenges facing the industry is how to reduce staff turnover and retain people in the industry for longer periods.
- 4.69 The tourism industry has a very high turnover rate. This is due in part to the seasonal nature of the industry which requires that a large influx of workers in the peak season and smaller numbers in off peak seasons. However, the industry still needs a base employment pool and extremely high turnover rates make it difficult to achieve this.
- 4.70 In addition to reconsidering recruitment strategies and developing different employment models to expand the potential workforce, the industry needs to focus on strategies to retain people who are committed to careers in the sector. This will require innovative retention strategies, including seasonal job sharing, better articulation of career paths and improved employment conditions.

Turnover

- 4.71 The costs of turnover can be high and the Committee found that this situation was unique to no area of the country. However, recent research conducted by TTF Australia into the four to five star residential accommodation and hotel industry indicates that 'labour turnover is greatest in regional and remote hotels across all

employment categories as compared to inner city/CBD and suburbs.³⁸

4.72 Throughout the inquiry the Committee was told about extremely high turnover rates and costs to employers. For example:

- In a resort area of northern Queensland:
 - Our current turnover in these areas [housekeeping, stewarding and public area cleaning] sits at about 150 per cent. This equates to approximately 1,000 people per year. Calculating this cost at \$3,000 per person to replace, we are seeing a cost of approximately \$3 million in turnover practices alone. This figure is obviously higher for the more skilled positions.³⁹
- In the Northern Territory:
 - the worst case scenario was 300 per cent ... In Tourism Northern Territory it is up over 30 per cent ... As a government employer [we are one of the more stable businesses].⁴⁰
- In Broome, North West Western Australia:
 - [We have a turnover of] 400 per cent ... On average I need about 250 people – about 180 in the low season; 300 plus in the high season. Two years ago I sent out 1 000 group certificates [PAYG Statements]. Last year, we were down to 700.⁴¹

4.73 Research indicates that while employers do not like the costs of high turnover, these 'high turnover rates are routinely accepted ... and this acceptance has been described as 'turnover culture'. This research also indicates that while there are clear disadvantages to employee turnover, there are also perceived advantages. For example turnover promotes mobility which in turn facilitates skills acquisition.⁴²

4.74 Whilst the high turnover culture is apparent throughout the industry, every employer that this Committee spoke to expressed the desire to reduce turnover, although with little success in doing so.

4.75 High turnover is in part attributed to low wages. The Australian Regional Tourism Research Centre (ARTRC) submitted that against trends apparent elsewhere in the economy, wages in some parts of the tourism industry are decreasing.

38 TTF Australia, *Labour Turnover and Costs in the Australian Accommodation Industry*, November 2006, p. 4.

39 Mr B. McCarron, Hamilton Island Resort, *Transcript of Evidence*, 24 November 2006, p. 2.

40 Ms V. Smith, Tourism NT, *Transcript of Evidence*, 7 March 2007, p. 10.

41 Mr R. Sedon, Cable Beach Club Resort, *Transcript of Evidence*, 8 March 2007, p. 8.

42 ARTRC, *Submission No. 19*, p. 3.

It is probable that the low, and apparently decreasing, pay in this sector is related to what are sometimes erroneously perceived as 'the low skills' required in many, but not all, tourism and hospitality positions. Average pay is also driven down by the high and growing levels of casualisation in the industry.⁴³

- 4.76 The lack of attention to career paths is also a factor in high turnover. It was submitted that a strong disincentive to retention in the industry is the limited attention paid to human resource development wherein advancement in ones career is often only achieved through a change in geographical and organisational circumstances. Eventually, employees decide to opt out of the industry because they do not wish to constantly upset their family living arrangements and work-life balance.⁴⁴
- 4.77 The perception that the industry does not offer career paths is also affected by low wages, casualisation and the seasonality of many jobs as well as the industry's inability to deliver on lifestyle expectations.
- 4.78 This was supported by TTF Australia research which found:
The main motivating factors for executives, managerial and supervisory staff to change jobs, **within** the hotel industry, were better career opportunities and better working hours. Changing jobs **outside** the industry was primarily motivated by higher salaries, working hours and better career opportunities. The data suggests that higher wages and better working hours ... are the major drivers for managerial employees to leave. Similarly, operational staff seek better wages, better working hours and improved career opportunities.⁴⁵
- 4.79 Employment conditions and career paths (including the formal recognition of skills gained "on the job") are key issues the industry must address in order to improve workforce retention. Some initiatives may be developed at the individual workplace level, other initiative will require an industry-wide committed approach.

43 ARTRC, *Submission No. 19*, p. 3.

44 ARTRC, *Submission No. 19*, p. 3. Also QTIC, *Submission No. 20*, p. 13.

45 TTF Australia, *Labour Turnover and Costs in the Australian Accommodation Industry*, November 2006, p. 4.

Retention strategies

- 4.80 Improved retention strategies are necessary if the industry is to reduce its high and costly turnover rates.
- 4.81 The lack of career paths, as discussed above, is identified as a deterrent to retaining management-level staff in the industry, specifically in small to medium-sized enterprises (SMEs). Factors contributing to this problem include:
- flat management structures;
 - comparatively low wages; and
 - limited attention paid to career development.⁴⁶
- 4.82 Tourism Whitsundays reported that the following retention strategies are being used in the restaurant sector:
- Strict adherence to organizational & management structures (employees prefer working in establishments which are highly organized whereby goals & standards are clearly defined and met on a day to day basis).
 - Reducing stress by ensuring rostered staffing numbers clearly meet the demand of trade.
 - At every opportunity, supporting our employees in relation to customer/operational challenges.
 - Verbalize to employees 'how valued they are' & additionally wage rates to suit their level of value to the business.
 - Empower employees to make decisions for the business encouraging ownership and continually advocate they work with us (owners), not for us.
 - 3 month employee performance evaluations and daily feed-back on strengths & strengths to be gained.
 - Regular 'Change Management' decisions when operations are not working in the employees favour.
 - Substantial employee benefits offered (from the kitchen hands through to highest management) i.e. Fully paid week-ends away etc.
 - Continually managing 'Lifestyle Choices' for all employees i.e flexibility in rosters making available long week-end etc not only for employees but also identifying partners needs in the working relationship.⁴⁷

46 School of Leisure, Sport and Tourism, UTS, *Submission No. 4*, p. 2; School of Sport, Tourism and Hospitality Management, LaTrobe University, *Submission No. 5*, p. 3.

47 Tourism Whitsundays, *Submission No. 27*, p. 8.

- 4.83 Many retention strategies also focussed on the importance of providing training including the need to increase vocational training and provide more accelerated pathways through apprenticeships.⁴⁸
- 4.84 In regional areas, retention strategies focussed on ensuring full-time employment opportunities, accommodation and travel subsidies were available:
- contract completion bonuses for staff who commit to a fixed term contracts (usually for six months or more);
 - casual employment options offering a guaranteed number of hours work per week (including all applicable penalty rates and allowances);
 - full time and part time employment whereby all additional hours worked are paid, rather than accrued as additional time off;
 - subsidised accommodation (for staff and their families); and
 - relocation allowance or travel reimbursements.⁴⁹
- 4.85 It was also submitted that remote and regional employers need to offer jobs and regions as a 'lifestyle' experience while also helping employees to become involved in the community:
- Many regional and remote areas rely upon imported workers and these people can become value community members. Local communities should be encouraged to 'outreach' to new workers arriving, especially those indicating an interest in engaging with the community. Industry support of such endeavours also strengthens business networks and promotes worker retention.⁵⁰
- 4.86 For larger employers with multiple properties, there is more capacity to transfer between company properties and to cross-train staff so less are required to operate the property in quieter months. A number of employers in regional areas also provided the flexibility for staff to take up part time jobs with other employers, including competitors, so that they were able to receive a full time wage. Seashells Hospitality Group (SHG) told the Committee:
- Staff are encouraged to job share. That is, one job may not be enough for an employee to sustain a lifestyle. In regional

48 CCI-WA, *Submission No. 45*, p. 7.

49 CCI-WA, *Submission No. 45*, p. 8.

50 Tourism WA and WA Hospitality and Tourism ITC, *Submission No. 62*, p. 40. Also CCI-WA, *Submission No. 45*, p. 8.

areas, SHG is flexible to allow employees to take up positions elsewhere to ensure that the employee is retained.⁵¹

- 4.87 It was submitted that retention strategies should also include:
- tax incentives for employers and employees, particularly those committing long-term to regional tourism employment;
 - seasonal worker exchange programs with northern hemisphere governments; and
 - government owned and subsidised tourism infrastructure to support and supply continuity for regional businesses such as accommodation and restaurants.⁵²

- 4.88 Retention strategies must include a range of factors and be flexible enough to be tailored to individual circumstances. They must take the broadest view beyond individual employers, to communities and the wider industry.

Managing the generational change

- 4.89 The industry not only needs to manage the impact of an aging population leaving the workforce, but respond to the work preferences of a younger generation.

At the strategic level there is the need to ensure that the knowledge and leadership of the Baby Boomers is effectively transferred to the emerging Generation X managers, and the commencing Generation Y employees.⁵³

- 4.90 Provision of childcare, work/family balance, part-time work and flexible working arrangements are increasingly important for employers to considering as part of their recruitment and retention strategies.⁵⁴
- 4.91 The emerging 'Generation Y' employee (those born from 1978–1994) was widely cited as a workforce challenge that employers will need to meet. It is this age group that provides a significant part of the traditional tourism workforce and this generation has significantly different expectations of the workplace than previous generations. It was submitted that 'Generation Y' can be described as:
- wanting control;
 - needing to express themselves;

51 SHG, *Submission No. 6*, pp. 3–4.

52 School of Sport, Tourism and Hospitality Management, La Trobe University, *Submission No. 5*, p. 2.

53 QTIC, *Submission No. 20*, p. 14.

54 QTIC, *Submission No. 20*, pp. 13–14.

- wanting to make a difference;
 - entrepreneurial;
 - prepared to act on their beliefs;
 - sceptical, not fickle;
 - personalised, personalised, personalised;
 - compulsive decision makers;
 - the socially aware generation; and
 - the connected generation.⁵⁵
- 4.92 It was also stated that this generation is less likely to stay with an unsatisfactory work situation and therefore the industry needs to make a concerted effort to improve its current image and brand to present itself as a career choice to both young and mature age workers.⁵⁶
- 4.93 In recruitment and retention strategies, employers need to consider these generational characteristics and tailor the culture of their workplaces to cater for them appropriately. This again requires a desire for employees to invest in staff retention rather than replacement.

Addressing wage imbalances

- 4.94 To reduce staff attrition, it was submitted that employers need the capacity to improve working conditions, in particular to increase wages. RCA submitted that current employment conditions are directly linked to the lack of profitability in the industry. RCA noted that the
- average restaurant makes 4% profit before tax and 63% of businesses (those with 10 employees or less) make 2% net profit. At this level of profitability there is very little scope for employers to pay higher wages or provide additional benefits to employees.⁵⁷
- 4.95 The Hotel and Motel Accommodation Association (HMAA) noted a similar lack of profitability in the accommodation sector:
- The greatest barrier to improving the attractiveness of tourism employment is the limited capacity of most tourism employers to increase wages, let alone compete as an equal in a highly competitive labour market driven by the resources boom. The average accommodation industry SME operates at

55 QTIC, *Submission No. 20*, pp. 14–15.

56 QTIC, *Submission No. 20*, p. 15; TTF Australia, *Submission No. 37*, p. 9.

57 Industry Advisory Board, *Submission No. 30*, p. 21.

relatively low levels of profitability and [return on investment] which inhibit their flexibility in this area and are unlikely to improve in the foreseeable future.⁵⁸

- 4.96 To improve employment conditions, the sustainability of the industry needs to also be improved to increase profitability. As noted previously, the House of Representatives Standing Committee on Economics, Finance and Public Administration is undertaking an inquiry looking at the issues of the tourism industry's sustainability and as such these issues are not addressed in this report.
- 4.97 While the clear majority of submitters cited low wages as the primary disincentive for recruitment and retention, other than encouraging a culture of tipping, no solutions were offered. Due to low profitability in the industry, it is unlikely that employers will be willing or able to dramatically improve wages in the foreseeable future.
- 4.98 However, as discussed above, the costs of staff turnover are extremely high. Although higher wages may appear to be undeliverable, they can be offset by a reduction in the cost of staff turnover. It is necessary for industry to understand the relationship between recruitment and retention, including the cost benefits of retaining trained staff.
- 4.99 Businesses may believe they are unable to increase wages, but can they sustain the continual costs of high turnover?

Recommendation 15

The Committee recommends that the Australian Government commission an analysis of staff turnover costs versus investment in retention and provide this to industry bodies and state and territory industry councils to promote the benefits of staff retention.

Recognition of service

- 4.100 Alongside the need for recognition of prior learning, on the job training and experience, and the resultant portability of these skills (as discussed in detail in the next chapter) there is the need to recognise length of service.
- 4.101 ATEC cited ABS research which 'suggests that just 68 [per cent] of tourism employees had worked in the same job for more than one year, compared with the all-industry average of 80 [per cent].'⁵⁹

58 HMAA, *Submission No. 64*, p. 17.

- 4.102 The seasonality and disparate nature of the tourism industry means that, even for those remaining in the industry, there may be a need to work for more than one employer or to change employers in order to establish a career path.
- 4.103 This indicates the need for strategies to focus on retaining people in the industry, rather than just individual positions. Particularly as positions are often seasonal, incentives need to be developed in order to encourage people to seek ongoing work in the industry.
- 4.104 Tourism NT submitted that the portability of long service leave would encourage people to stay within the industry in the longer term. This can be undertaken through the development of a national reciprocal agreement between the states and territories similar to that existing in the building and construction industry.⁶⁰
- 4.105 A tourism industry long service leave scheme would be a valuable tool in establishing tourism as a long term career path and rewarding staff retention.

Recommendation 16

The Committee recommends that the Australian Government work in partnership with the states and territories to develop a tourism industry long service leave scheme to allow jurisdictional portability of long service leave.

Improving innovation

- 4.106 Workplace innovation can improve productivity and training outcomes. The Productivity Commission has found that innovation is an important component of workplace performance:
- Training and innovation are more prevalent in workplaces experiencing strong labour productivity growth;
 - Different types of innovation have different effects on labour productivity growth, with changes in how work is done having a greater immediate effect than other forms of innovation;
 - Labour productivity growth appears to be enhanced by the joint introduction of training and innovation. Introducing

59 ATEC, *Submission No. 51*, p. 8.

60 Tourism NT, *Submission No. 39*, p. 8.

innovation in isolation can promote labour productivity growth, although returns are increased by the presence of training. Conversely, training is only of benefit to labour productivity growth if combined with innovation;

- The links between training, innovation and labour productivity growth differ between technically efficient and inefficient workplaces. It appears that training is an effective strategy for less efficient workplaces striving to 'catch-up' with competitors, whereas innovation appears to promote labour productivity growth among both technically efficient and inefficient workplaces; and
- The timing of the effects of innovation on productivity differ with the type of innovation. Changing the work of non-managerial employees appears to have immediate effects on productivity growth. Workplace restructuring and changes in products and services produced seem to have a delayed effect.⁶¹

4.107 The tourism industry, focussed as it is on cost-reductions is not well placed to embrace innovation. Indeed, a number of submitters noted that the labour-intensive nature of the industry means that opportunities for innovation are limited.

4.108 The Committee would argue with this contention, and submits that the high labour component of tourism investment means that innovation focussed on job design, service delivery, business practices, including uptake of technology, and employment models is essential. Given some of the self-limiting recruitment, retention and training practices of the industry as discussed throughout this report, the scope for the development of innovative practices is wide.

4.109 The Committee notes that there are a number of innovative practices being undertaken by industry and has acknowledged these throughout the report. The Committee commends these efforts.

4.110 It was noted that the push towards innovation will increase the skills base of the industry:

The need for efficiency and innovation will drive industry demand for a highly skilled workforce, which will in turn drive demand for ongoing training and retraining with high quality outcomes.⁶²

61 Productivity Commission, *The Role of Training and Innovation in Workplace Performance (1999)*, cited in DITR, *Submission No. 55*, p. 37.

62 Service Skills Victoria, *Submission No. 67*, p. 12.

4.111 The National Tourism Investment Strategy identifies that:

The most important motivations for innovation in tourism are cost reduction, demand from customers, meeting competition, interactions with another [sic] innovations such as online booking, and a general corporate culture of continuous improvement.⁶³

4.112 Given the scope for innovative practices in relation to staff training, and the necessity to improve employee training and retention, the Committee supports the National Tourism Investment Strategy recommendation for more education on the value of innovation.

⁶³ DITR, *National Tourism Investment Strategy: Investing In Our Future*, Canberra, March 2006, p. 60.