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ACCI Tourism Employment White Paper Submission

December 2022



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-Tourism

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1 Introduction

The shortage of labour and skills is a critical challenge facing Australian businesses today, placing immense strain on their operations and holding back productivity and economic growth. This is being felt acutely in the tourism sector, covering workers in the travel, tourism, hospitality, accommodation and events sectors. The sector's workforce was severely disrupted by the COVID-19 restrictions. The people behind the 310,000 jobs lost during the period of COVID-19 restrictions have either moved on to other careers in industries that were not as highly affected by lock-downs or relocations over this period.

In addition to the current challenges in relation to workforce shortages, it is also one of the five growth industries identified as having significant job shortages and potential for growth in the next five years. Employment in Accommodation and Food Services alone is projected to grow by 112,400 (or 13.2%) over the five years to November 2026.

The focus of the Employment White Paper must be on solutions that deal not only with the problems we face today, but to future-proof the labour market against recurring shortages. This is an opportunity to lay the foundations for the workforce we need and the workplaces we want in the future.

We need to be working now through our education and training institutions to grow our skills base and develop the pipeline of workers required to meet the labour force needs of the future.

We need an approach that removes barriers to participation, particularly for women, people with disability, the young, mature-aged and the long term unemployed, to increase the pool of workers, as well as ensuring all Australians wanting to work have access to safe rewarding work.

We need sustainable migration settings that enable us to fill gaps in our labour and skills base improve accessibility and responsiveness to provide a skilled workforce to fill gaps and additional labour that will complement our existing workforce.

The following addresses the Terms of Reference for the Employment White Paper.

2 Addressing structural challenges

2.1 Structural challenges impacting workforce supply

The visitor economy has historically faced challenges in attracting and retaining staff due to the seasonal nature of many roles, especially in regional Australia. The availability, cost and quality of housing to rent or buy is exacerbating these challenges, and is having a significant impact on connecting employees with employers.

This is particularly the case in the regions, where the availability of suitable housing to rent or buy makes it very difficult for employers to attract and retain employees. This is both for the working holiday maker and youth workforce, where affordable housing is a priority, as well as families, which have very different housing requirements and most regions lack the availability and quality of housing stock to meet their needs. The poor quality of critical infrastructure, such as transport (roads, rail and air services), energy, telecommunications, water and other utilities, and soft infrastructure such as training, education and health services, is also a major barrier to attracting people and businesses to regional areas.

This adds another layer to the already difficult task of finding staff, with businesses reporting that they have people interested in making the move but cannot due to lack of affordable housing options. Ongoing rental increases across Australia are pricing, especially lower income workers, out of the market.

Action needs to be taken to increase the availability and affordability of housing, particularly in the regions, to assist with the supply of available workers.

Recommendation:

- The Federal and State Governments to take actions to add to the stock of housing and increase the availability and affordability of rental housing in regional areas.

Case study: Housing supply and affordability

"We have had people interested in moving to the region, bakers looking to come out of Melbourne and move regionally, but the price of rentals is just astronomical, and the actual availability is very slim".

- **Beechworth Bakery**

"Even if we could find staff, there's nowhere for them to live. There's virtually no long-term rentals available ever. And if they do come onto the market, they're so expensive that hospitality workers and casual workers and younger people can't afford them".

Bright Brewery has also said they were dreading an exodus of many young locals who would be working at the ski slopes over winter. But without rental housing available, there is only so much they can do.

"It's impossible for us to recruit from outside the area"

"We really can't recruit anyone who doesn't already have somewhere to live."

- **Bright Brewery**

3 Lifting participation and reducing barriers to employment

In times of such low unemployment, a stronger focus is needed on assisting those who face specific challenges to enter the workforce. There are opportunities to increase participation in the visitor economy workforce from under-represented cohorts including mature workers, people with disability, young workers, and women. We need to act on these opportunities and market the visitor economy to under-utilised cohorts of labour as a viable employment option.

3.1 Pathways to work

Australian Chamber – Tourism notes the outcome of the Jobs and Skills Summit to develop a set of best practice principles to guide meaningful work experience opportunities and workplace based mentoring programs for people experiencing disadvantage. We are engaging with Government on this as well as alternatives to the PaTH Internships and National Work Experience Program, which have now ceased.

Getting the program settings right to create meaningful pathways to employment will maximise return on investment by ensuring the right people are matched to the right jobs, nurturing long term careers for candidates who need them most. It is vitally important that these provide meaningful, industry-specific pre-employment training, are linked to a hosted work experience opportunity, and have sufficient wrap-around support built into the program. Recognising the value of work experience for all participants, these programs should not be limited to youth, digital or provider serviced or long term unemployed – they should be extended to other disadvantaged cohorts and those interested in changing careers.

3.2 Welfare Recipients

There is a relatively low level of placement of candidates from the government supported employment services (including Workforce Australia and DES providers) into tourism and hospitality. This is substantially because the recruitment model used across most of these industries is not well aligned to the placement funding model and, as a result, the providers of employment services do not service tourism and hospitality employers. To rectify this the following changes to the employment services model are recommended:

- Provide outcome payments to providers for multiple casual jobs;
- Allow the use of screening tools used by the tourism and hospitality sector;
- Provide placement support across the full range of welfare recipients;
- Implement changes to programs intended to replace PaTH to become more vocational (particularly in the Prepare phase) and link to a job or hosted work experience opportunity, and
- Modify mutual obligation requirements to provide real likelihood of placement into employment.

3.3 People with Disability

There is great capacity for people with disability to meet the demand of the visitor economy workforce, with research suggesting there are more than 113,000 people with disability currently unemployed or underemployed. The Visitor Economy Disability Pilot was a welcome announcement which should be implemented as soon as possible. Another key element is continuing to work with stakeholders to expedite the development of the new disability employment services model. As part of any reforms to the Disability Employment Service, it is essential that more employers are aware of, and access the employment services that aim to assist people with disability to find work. The Disability Employment Service should be reintegrated into the core employment system, to create a more effective single contact service for employers and to maximise the value of the reforms being made to the core employment services. It should also support employers to recruit and retain people with disability, including targeted guidance about capacity for work, available support, and navigating legal obligations.

3.4 Women returning to the workforce

The major barrier to the return to work of many women in the tourism and hospitality industries is the supply and price of child care places. It is recommended that stronger policies are needed to make child care more accessible, and more options should be available to assist parents to return to the workforce sooner. Options could include expanded access to subsidies for home care and free childhood education for lower-level income earners.

3.5 Mature-Aged Workers

As demonstrated in Figure (i) the average age of waiters (100,000 working in the tourism and hospitality sector) has a very low average age of 22 years compare to 40 for all occupations. This is consistent with many occupations in the tourism and hospitality sector. In order to address part of the skills and labour shortage the industries need to attract more mature-aged workers.

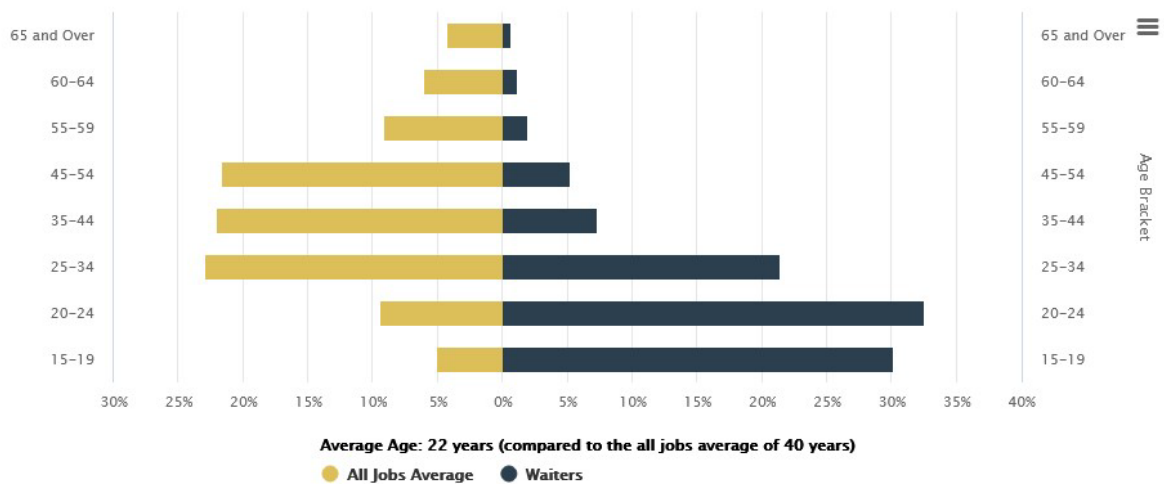


Figure (i) – Age bands for the occupation of Waiters

There are a range of possible interventions that may attract more mature aged people to work in tourism and hospitality. There appears to be an underutilisation or underemployment of mature aged people with valuable skills, including soft skills, which can be transferred to industries such as tourism and hospitality. There may be a cohort of retired or semi-retired mature aged Australians not listed with Centrelink who may be open to work but have not realised that their life and work skills are transferrable. For example, mature aged people who have retired from careers in the trades or management may not have realised how easily they can transfer to hospitality – and how valuable their “soft” skills are. There would also be benefits relating to being more active and socially engaged via workplace participation. There should be an awareness campaign highlighting the “soft” skills many mature aged people have and their adaptability to the visitor economy sector.

There is also a disincentive to mature-aged employment through the thresholds in the welfare system. Specifically in relation to the pension we appreciate the Government’s efforts in temporarily increasing the aged pension work bonus. It is recommended that the threshold of earning before pension amounts are reduced should be increased even further, and be extended beyond December 2023.

Recommendations:

- Ensure the program settings are right for work experience / transition to work programs, including ensuring appropriate training, matching the right people to the right jobs and providing wraparound support.
- Provide adequate funding for the employment services system and enable improvements that will better connect long term unemployed to job opportunities, including:
 - Providing outcome payments to providers for multiple casual jobs;
 - Allowing the use of screening tools used by the tourism and hospitality sector;
 - Providing placement support across the full range of welfare recipients;
 - Implementing changes to programs intended to replace PaTH to become more vocational (particularly in the Prepare phase) and link to a job or hosted work experience opportunity, and
 - Modifying mutual obligation requirements to provide real likelihood of placement into employment.
- Make improvements to disability employment services aimed at supporting employers to recruit and retain people with disability, including targeting guidance about capacity for work, available support, and navigating legal obligations.
- Make childcare more accessible and affordable, with more options to assist parents to return to the workforce sooner.
- To attract more mature aged-workers, implement an awareness campaign highlighting the “soft” skills many mature aged people have and their adaptability to the visitor economy sector. Double the current aged pension Work Bonus and extend the increase beyond December 2023.

4 Migration settings

Migrants are an important addition to the domestic workforce, particularly for the visitor economy sector. Overseas workers such as Working Holiday Makers and international students have traditionally comprised around 10 per cent of the overall workforce in the visitor economy. It is important we have the settings right so that we can adequately address the gaps in the workforce, drive a strong post-pandemic recovery and set us up for the future.

4.1 Working holiday makers

Five per cent of employment in tourism and hospitality were, prior to COVID-19, working holiday makers (WHM). They are highly mobile and useful in filling seasonal roles as well as gaps in the unskilled labour markets, often in regional Australia. Whilst many WHMs remained in Australia during the COVID restriction period, the number remaining onshore was around half of those in the country prior. The WHM market is one of the highest spending tourism markets let alone their positive impact through their contribution to the workforce. In short, WHMs spend what they earn in Australia. They are good for the visitor economy as travellers but also as workers.

We need to ensure the policy settings are right so that we have sufficient access to this pool of labour. This includes measures such as including 3 months of work in the tourism and hospitality sector as eligible work to qualify for a second WHM visa expanding it to include areas beyond the current 'northern or remote and very remote Australia' qualifying regions.

There are several barriers to entry for working holiday-makers in Australia. The visa fee levels are not competitive to other markets, the passenger movement charge adds to this fee to extend the lack of competitiveness. The visa fees need to be reduced for this important market and source of labour.

It is suggested that in addition to lowering the barriers to entry, attention be paid to significant marketing internationally to attract working holiday-makers. There are still a large number of working holiday maker visa holders offshore at around 75,000 out of 89,000. We are seeing a significant number of working holiday makers who have their visa to Australia but who are not making the trip. Messaging should be provided to these offshore WHM to encourage their arrival in Australia.

4.2 Skilled migrants

The temporary and permanent migration programs are vital to the tourism and hospitality workforce. Prior to the pandemic, the decision to reduce the permanent migration intake by 30,000 to 160,000 already was having a negative impact on business' ability to fill skills gaps. The COVID crisis has exacerbated these problems, effectively halting Australia's migration program for two years resulted in significant gaps arising from business growth or replacing a departing worker.

The announcement at the Jobs and Skills Summit to increase the migrant intake to 195,000, with 142,000 allocated to the skills stream was welcome, but it is far short of what is needed to meet

the widening gap in skilled workers needed by Australian businesses. Australian Chamber - Tourism recommends a significant increase in the permanent migration intake, including a significant increase in the cap for skilled migration to 200,000 for at least the next two years at least, to replenish the skills lost during the pandemic. Beyond that, a strong focus needs to remain in terms of permanent skilled migration.

In addition, the imposition of the Skilling Australians Fund (SAF) levy in 2018 imposed huge additional costs on businesses in the tourism and hospitality industry. As top ten users of the skilled migration as an industry, the industry is making significantly greater contributions to the SAF than it benefits from the spending of the SAF of training and education in the sectors.

It is acknowledged there is a community expectation that those utilising the skilled migration program demonstrate a commitment to training Australians. This commitment could be demonstrated either through a training levy that is half of the current rate or by evidence of strong investment by the sponsoring employer in training.

It is abundantly clear that the tourism and hospitality labour market is in severe shortage. Labor Market Testing in this sort of environment can be an onerous regulatory burden on industry. Given the shortages are adequately assessed and defined by the National Skills Commission, labour market testing for the TSS visa program should be removed entirely. Alternatively, LMT processes should be streamlined to reduce the high regulatory burden. It was recommended by the Joint Standing Committee on Migration that LMT be reformed to take better account of current business recruitment timelines and practices.

In relation to tourism and hospitality occupations which utilised employer sponsored visas in 2021-22, 11.8% had a salary range of \$53,900 to \$54,999; 34.6% had a salary range of \$55,000 to \$59,999; 25.5% had a salary range of \$60,000 to \$64,999 and 13.7% had a salary range of \$65,000 to \$69,999. In the current review of the TSMIT it is recommended that any increase should be modest at most to ensure that these occupations are not made impractical for tourism and hospitality occupations. It is also recommended that any change to the TSMIT should be made with consideration of exemptions or different rates for jobs in regional areas. Tourism and hospitality is vital in the regions where skills shortage in regional areas would worsen, as businesses in small towns will suffer, putting other jobs at risk. In the event it is raised prior to the finalisation of White Paper process there needs to be adequate options to ensure the tourism and hospitality industry continues to have sufficient access to skilled migration.

4.3 International students and graduates

International students are a significant source of labour for tourism and hospitality in Australia. Students work in business in the sector irrespective of the area in which they are studying in Australia. There are, however, a greatly expanded role that students that are studying tourism and hospitality can play in the sectors workforce.

Australia has a very strong background in the delivery of tourism and hospitality education with high quality hotel schools, university and vocational programs operating in most states / territories. It is recommended that a deliberate strategy to embarked upon to position Australia as an international centre of excellence in tourism and hospitality education.

The settings of international student visas in relation to work rights, post study work rights and permanent visa pathways should also be examined. The recent announcement concerning extension of post-study work rights for international students only applies to the Post-Study Work stream, i.e. degree-level and above. While the current temporary increase to the post study work rights of international students on the Graduate Work Stream of the 485 visa to 24 months is welcome, a four-year work visa would greatly benefit industries such as tourism and hospitality, where the majority of qualifications are below degree-level and which is currently experiencing significant workforce shortages.

Recommendations:

- Ensure policy settings encourage sufficient access to working holiday makers, including measures such as including 3 months of work in the tourism and hospitality sector as eligible work to qualify for a second WHM visa expanding it to include areas beyond the current 'northern or remote and very remote Australia' qualifying regions. Visa fees should also be reduced. Messaging should be provided to these offshore WHM to encourage their arrival in Australia.
- Increase the permanent migration intake, including a significant increase in the cap for skilled migration to 200,000 for the next two years at least, to replenish the skills lost during the pandemic. Beyond that, a strong a strong focus needs to remain in terms of permanent skilled migration.
- Reduce the cost by halving the training levy or accepting evidence of strong investment by the sponsoring employer in training.
- Reduce regulatory red tape, including removing labour market testing for skill occupations based on the lack of evidence of its effectiveness, or reduce the heavy requirements.
- Ensure the TSMIT is set at a level that does not inadvertently exclude tourism and hospitality occupations that current have access to the skilled migration program.
- Embark on a deliberate strategy deliberate strategy to position Australia as an international centre of excellence in tourism and hospitality education.
- Increase post-study work rights of international students on the Graduate Work Stream of the 485 visa.

5 Skills, education and training, upskilling and reskilling

Development of the tourism and hospitality workforce is a combination of the attraction of skilled and unskilled labour and undertaking training for existing and potential employees. The skilling challenges that are facing the industry include, training people for direct entry into skilled roles, training in blended pathways (apprenticeship and traineeship), upskilling of existing workforce and reskilling existing workforce to adapt to the post-COVID environment.

5.1 Direct entry training

Traditionally tourism and hospitality has drawn very heavily on the vocational education and training system to train direct entrants into its workforce. Tourism and hospitality is in the top 5 industry areas for vocational education and training with 5.7% of total enrolments.

The level of investment in VET needs to be sufficient to enable quality delivery in both public and private VET providers and be responsive not just to skill shortages, but to fill the skill needs.

Despite previous national agreement placing some obligation on States to fund up to Certificate III programs in return for federal funding (through programs such as Job Trainer), travel and hospitality traineeship remain substantially unfunded at the State level. Employment in the Accommodation and Food Services sector alone is projected to grow by 112,400 (or 13.2%) over the five years to November 2026 (source: National Skills Commission). This is the fastest growing employment sector in the economy. The lack of funded entry level training pathways in these sectors leaves the industry exposed in its capacity to provide service at the levels expected across the visitor economy.

Australian Chamber – Tourism is also seeking the inclusion of entry-level Certificate I – III programs to be funded by States as part of the NASWD.

The negotiations of the new five-year National Skills Agreement provide the opportunity to put in place a long-term funding solution for VET that delivers real growth as well as greater consistency. Unfortunately, the vision statement and guiding principles agreed to by Skills Ministers and then endorsed by National Cabinet in August 2022 did not emphasise increased funding overall, a marked change from the earlier Heads of Agreement Skills Reform signed under the previous government. The vision statement also emphasises TAFE at the heart of the new agreement however 86 per cent of students choose a VET course at an independent provider¹. It is vital that the new agreement contains an increase to funding in the VET sector across the board and for the funding to be tied to the student rather than the provider.

5.2 Apprenticeships and traineeships

Apprenticeship and Traineeship are vital to building workforce in tourism and hospitality. We need effective apprenticeship support for all apprentices and trainees for the benefit of skills development as well as effective school transition pathways and participation. Commencements

supported by wage subsidies to employers in year 1 and retention by assistance to apprentices through subsidy and mentoring is the most effective.

There is broad perception that all apprenticeships and traineeships have had increases in numbers due to pandemic measures. This is not the case for the major trade in the tourism and hospitality industry. The food trades commencements are down 30.9%. Whilst the food trades are on the Australian Apprenticeship priority list, the non-trade pathways (traineeships) into the travel, tourism, hospitality, accommodation and event industries are not recognised on the priority list despite being in very significant demand.

A commitment to provide wage subsidies of 30% in the first year of apprenticeships/traineeships, without limitation by any list, provides certainty for employers. The reinstatement of the fixed monetary completion incentives of \$2,500 to employers will further assist in retention. There should also be financial support available to all apprentices and traineeships of up to \$5,000 to assist in the completion of their training.

Whilst in principle we believe that base funding should not be tied to an apprenticeship priority list, if a priority list is to remain, visitor economy occupations should be on the list for both trades and non-trade occupations due to the acute skills and labour shortages the sector faces and the low on impact that has to Australian exports.

Recommendations:

- Ensure the inclusion of entry-level Certificate I – III programs to be funded by States as part of the NASWD.
- Wage subsidies of 30% in the first year of apprenticeships/traineeships, without limitation by any list, to provide certainty for employers, reinstatement of \$2,500 to employers for completion incentives, \$5,000 to all apprentices and traineeships to assist in the completion of their training.

About Australian Chamber - Tourism

Australian Chamber – Tourism is a part of the Australian Chamber of Commerce and Industry, Australia’s largest business advocacy network. Australian Chamber – Tourism represents one in eight Australian businesses engaged in the visitor economy. It brings together key participants in the tourism sector to advocate better policies, including in the areas of tax, regulation, tourism marketing, research, labour supply, visas and infrastructure.

The Australian Chamber of Commerce and Industry speaks on behalf of Australian business at home and abroad.

We are the largest and most representative business advocacy network in Australia.

We represent more than 300,000 businesses of all sizes, across all industries and all parts of the country, employing over four million Australian workers.

Our membership comprises all state and territory chambers of commerce and leading national industry associations. Individual businesses are also members of the Australian Chamber’s Business Leaders Council.

The Australian Chamber strives to make Australia a great place to do business in order to improve our standard of living and sustain and create jobs.

We seek to create an environment in which businesspeople, employees and independent contractors can achieve their potential as part of a dynamic private sector. We encourage entrepreneurship and innovation to achieve prosperity, economic growth and jobs.

We focus on issues that impact on business, including economics, industry policy, trade, workplace relations, work health and safety, and employment, education and training.

We advocate for Australian business in public debate and to policy decision-makers, including ministers, shadow ministers, members of parliament, ministerial policy advisors, public servants, regulators and other national agencies. We represent Australian business in international forums.

We represent the broad interests of the private sector rather than individual clients or narrow sectional interests.

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