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# Barriers to Growth in Australian Services Exports: Issues Paper

## Submission from Service Skills Australia

This submission provides information for the Commission's consideration in relation to the role of skills in the competitiveness of Australia's export tourism industry.

Particularly given the recent Productivity Commission study, *'Australia's International Tourism Industry'*, did not consider skills in its analysis, this will be an important contribution of this study. We also draw the Commission's attention to the fact that tourism is more than the commonly recognised components of accommodation, food and beverage services and tour guiding, but also encompasses other elements such as retail and personal services. It should also be noted that, with the advent of online retail which is able to facilitate the international expansion of Australian retailers, the retail industry is increasingly able to contribute to export growth beyond sales to international visitors.

The access and retention of adequately skilled labour is a substantial barrier to the tourism industry's growth and success. As noted by the Commission, this has been acknowledged in the government's Tourism 2020 plan as a critical constraint to achieving tourism's growth potential. More recently, the OECD in its report stated that the 'sector's labour intensity, along with its labour market characteristics, have been shown to put significant strain on businesses to attract a skilled workforce and to retain and develop them over the long term, with a direct impact on productivity and competitiveness'.<sup>i</sup> Indeed, Australian research by the Tourism and Transport Forum found 81 per cent of tourism businesses were concerned about the availability of skilled labour.<sup>ii</sup>

The increasing demand for a skilled tourism labour force is driven by the ongoing and increasing worldwide competition for the tourist dollar. Industry stakeholders strongly believe that raising Australia's service standards to those comparable with the best-performing nations is critical to Australia's continued success as a tourism destination. Potential visitors increasingly expect superior customer service—from the moment they visit a business's website or use its mobile app until their interaction is over—and they want extraordinary and unique

experiences. These expectations must also be met across the entire tourism value chain; it is not sufficient to have excellent service at your hotel venue to only be let down by the experience at the nearby cafe or in the taxi back to your hotel. As a country we are making promises that our tourism experiences will be 'world-class' and there will be penalties for failing to deliver on those promises.

In addition to the general increase in service standards required, there are also developments in the kinds of tourism products demanded by existing and emerging tourism markets. Often described as the experiential market, wellness tourism, eco-tourism, adventure tourism and opportunities for meaningful and authentic Aboriginal cultural experiences have been found to be important growth areas, yet these are currently constrained by a lack of skills in these areas.

Drawing on our industry research for our suite of *Environmental Scans*, which form a key piece of advice to government on emerging trends and skills and labour market issues for the service industries, there is clear evidence of substantial labour and skill shortages across the sectors that form Australia's tourism offering. We have attached the *2015 Service Industries Environmental Scan* for your reference, but to summarise these findings, the following skill gaps have been identified across the hospitality, retail and personal services industries:

- Customer service and sales, including problem solving and deep product knowledge
- Cultural awareness
- Presentation and communication
- Indigenous interpretation and storytelling
- High-quality coffee-making (barista) skills
- Retail merchandise management
- Social media
- 'Big' data analysis
- E-business development and digital literacy
- Mentoring, coaching and leadership
- Recruitment, induction and succession planning
- Governance
- Risk and crisis management
- Business management.

In addition, the following labour shortages have been identified:

- Chefs
- Baristas

- Cruise travel sales specialists
- Tour guides
- Holiday park managers
- Conference organisers, venue managers and exhibition managers
- Retail merchandise and category managers/ buyers and planners
- Retail visual merchandisers
- Retail managers and supervisors
- Hairdressers
- Barbers
- Beauty therapists, especially those specialising in spa treatments.

Given the immediacy of these skill needs, the industry has benefited from greater access to skilled international tourism workers in a number of occupations. However, a more sustainable long-term solution is needed that focuses on developing the skills and capacity of the local workforce. This requires a strengthened vocational education and training system that delivers the skills industry needs. Where training products do not exist to meet these skill needs, Service Skills Australia has been working closely with industry to develop appropriate solutions, such as in the case of retail merchandise management and online retailing skills.<sup>iii</sup> Service Skills Australia also acknowledges and commends the work of the current federal government to improve the quality of training provision, which is a critical component of a successful VET system.

However, developing solutions for the substantial shortages and skill gaps previously mentioned will require efforts beyond this. First and foremost, it must be recognised that in industries where the training culture is weak and among small businesses, governments need to do more to incentivise and encourage firms to invest in skills development. The sustained removal of training incentives and the relatively limited places and restrictive criteria for the enterprise training fund, the Industry Skills Fund, has been in direct opposition to this.

It is also increasingly recognised that focusing on the supply of skills is a necessary but insufficient component of an effective skills policy.<sup>iv</sup> Skills utilisation—or ensuring these skills are put to effective use in the workplace—has been shown to be a greater determinant of economic growth as this provides the direct link to labour productivity.<sup>v</sup>

Practices which can promote better skills use include:

- changing the design of jobs
- rotating employees between different jobs
- conducting a skills audit or training needs assessment
- training employees in multiple skill-sets
- introducing knowledge transfer initiatives, such as mentoring.

Given SMEs typically lack the capacity and resources to implement best-practice human resource practices, it is our experience through successive service industry training and workforce development initiatives that the skills of management and leadership are a critical factor for skills utilisation—and therefore labour productivity. Consequently, we would strongly recommend that governments see the upskilling of management roles in these industries as a priority.

Another policy lever by which the practices of businesses can be positively addressed is through the use of hands-on skills advisers. The recently concluded Workforce Futures program has proved to be a highly effective program for the tourism industry. This program involved the development of local-level regional workforce development plans, followed by face-to-face consultation at an enterprise level with industry-specific skills advisers. The advisers would undertake a detailed workforce diagnostic and develop comprehensive customised workforce development plans for the enterprise. In addition to providing real and tailored solutions for businesses, a considerable database was generated that has provided rich insight into the common issues for tourism businesses across sectors, regions or sizes, including barriers to the uptake of existing government-funded programs. This has consequently been fed into the continuous improvement of training products for industry. More importantly, as a result of this program, nearly all of the 2,613 businesses involved (95 per cent) implemented an innovation in organisational and managerial processes in the workplace, which would undoubtedly lead to greater productivity. The findings in Figure 1 demonstrate the breadth of these innovations introduced as a result of participation in the program. Additional information about the program and its outcomes are outlined in the attachments, Tourism & Hospitality Workforce Insights Issues 1 and 2.

*Figure 1 Innovations in operational and managerial processes as a result of the Workforce Futures program*

- 37% developed skills and provided training opportunities for owners and employees
- 23% reviewed business plans
- 19% made time to work 'on' their business
- 18% improved internal communication and relationships
- 17% developed marketing strategies
- 17% developed strategic plans
- 12% improved recruitment planning and processes.

## Concluding remarks

Among other terms of reference, the Commission has been set the task of investigating the drivers of Australian service exports, barriers to their growth and potential policy remedies. This submission has provided evidence related to the barrier of inadequate access to skills to the growth of Australia's tourism export industry. Taking a

broad view of tourism, as taken by the Australian Bureau of Statistics in the Tourism Satellite Account, a number of skill gaps and labour shortages exist within the hospitality, retail and personal services components of the tourism industry. These have been brought about by developments in customer tastes and preferences in terms of the rise in demand for 'wellness tourism', 'eco-tourism' and indigenous tourism, but also the worldwide competition for international visitors and the subsequent increase in consumer expectations at all levels. A key role of the government in supporting the tourism industry has been the marketing of Australia as a 'world-class' destination worldwide. Without a commensurate focus on service and product quality across the tourism value chain in each destination, the industry will fail to deliver on this claim, putting the industry's growth at risk.

To ensure that tourism meets its potential, policies must be implemented to encourage a greater investment in skills in our often small and micro tourism businesses and we need to provide hands-on help to these businesses to translate skill development into greater labour productivity, and therefore competitiveness.

### About Service Skills Australia

Service Skills Australia is the Industry Skills Council for the service industries. These industries encompass retail and wholesale, sport, fitness, community recreation, outdoor recreation, travel, tourism, hospitality, meetings and events, accommodation, restaurants and catering, caravans, hairdressing, beauty, floristry, community pharmacy and funeral services.

Service Skills Australia is a not-for-profit, independent organisation funded by the Australian Government to:

- actively support the development and continuous improvement of high quality training material
- engage in effective networks, partnerships and collect industry intelligence
- engage in responsive workforce development activities and services
- provide integrated industry advice to government, industry and businesses on workforce development needs.

A key component of this role is the development, ongoing maintenance and implementation of industry training packages. These are nationally endorsed frameworks that form the basis for developing, recognising and certifying skills in specific industries and sectors.

## References

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- <sup>i</sup> Stacey, J. (2015), *Supporting Quality Jobs in Tourism*, OECD Tourism Papers, 2015/02, OECD Publishing, Paris. <http://dx.doi.org/10.1787/5js4rv0g7szi-en>
- <sup>ii</sup> Tourism and Transport Forum (2014) *TTF-Mastercard Tourism Industry Sentiment Survey: 2014 Q1 Edition – May 2014*, available at <http://www.ttf.org.au/Content/sentimentsurvey.aspx>.
- <sup>iii</sup> For more information, see <https://serviceskills.com.au/new-retail-series>
- <sup>iv</sup> Sung, J and Ashton, D. N. (2014) Skills in Business. *The role of business strategy, sectoral skills development and skills policy*, London: Sage.
- <sup>v</sup> OECD (2012), “Policy Approaches to Skills Development in Tourism”, in *OECD Tourism Trends and Policies 2012*, OECD Publishing. <http://dx.doi.org/10.1787/tour-2012-5-en>