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Executive Summary

Restaurant & Catering Australia is the only peak organisation representing the interests of the 40,000 restaurants cafes and caterers in Australia.

The industry turns over some \$15 Billion per annum and is looking down the barrel of 12+% employment growth in the next twelve months. This growth is on top of a sizeable attrition from the industry due to the large number of casual employees engaged.

The restaurant sector is 55% of the hospitality industry and some 45% of employment in the industry. The average employment per business is 8 employees.

The restaurant industry employs 250,000 people in Australia and is 7% under employed. The industry is facing a significant shortage of chefs, cooks, waiters and managers.

The level of skill across the industry is generally fairly low with many positions being easily attainable by the right disadvantaged job seekers following their gaining industry specific targeted skills.

The restaurant and catering industry employs most of its staff through word of mouth and newspaper advertising. Whilst the use of the internet and private employment agencies is growing it is at a fairly low level. The industry has not embraced the Job Network. 96% of the respondents to an industry survey had not used or were unsatisfied with the Job Networks service.

The restaurant, café and catering industry is a larger employer, with the strongest projected jobs growth of any industry. The demand for employees in the industry is likely to be in the order of 55,000 people in the next 12 months.

Restaurant & Catering Australia believes that the Job Network needs to focus on filling jobs that will not otherwise be filled and on the needs of the more disadvantaged job seekers.

Whilst there have been many successful programs that have been operated by restaurant and catering associations and the Job Network, the recommendations to this review are:

- That the Australian Government invest in a regime of individual attitudinal assessment as part of the provision of employment services so that employment services can be targeted to an individual's capacity and aptitude;
- That the PAGES are encouraged to invest in the re-skilling of Job Seekers in areas of skills need that are appropriate to the Job Seekers aptitude;
- That training directed toward job seekers is 'just in time training' that is industry recognised and relevant, provides for RPL and is a pathway to further learning, and;
- Revise PAGES contracts to:
 - Retain the competitive market for employment services;
 - Fund the PAGES for the placement of Job Seekers into jobs;
 - Institute performance incentives for the Job Network to focus on the more disadvantaged job seekers and areas of employment demand;
 - Structure the contracts to PAGES to retain the focus on the core business of placement, and;
 - Separately fund the provision of relevant training to job seekers in areas of employment demand.

Restaurant & Catering Australia

Restaurant & Catering Australia (R&CA) is the peak national organisation representing the interests of restaurateurs and caterers.

The Association is a federation of State Associations that work together on matters of national importance. The State Associations had a combined membership of over 6,500 in the 2007 calendar year. There is an R&CA member restaurant and catering association in every State and Territory.

The Restaurant Industry

In 2004 the Australian Bureau of Statistics reported 37,699 restaurant, café and catering businesses¹ that are registered for GST. Of these businesses, 89% employ 20 people or less. There are 124 businesses Australia wide that employ in excess of 200 people². In the broader accommodation, cafe and restaurant industry 75% of employing businesses employ less than 20 people (Figure 1 below).

The Business Register records 68,022 businesses in the total accommodation, cafes and restaurant sector (including hotels, pubs and clubs). Restaurants, cafes and catering businesses account for 55.4% of the hospitality industry by numbers of businesses.

Whilst the reporting of numbers of businesses in the restaurant sector alone has not been repurchased from the ABS, the overall numbers of businesses in the accommodation, café and restaurant sector have grown by 2.1%, 1.8% and 1.8% each financial year from 2004/05 to 2006/07³. It is expected conservatively that there were 39,888 restaurants, cafes and caterers in Australia in 2007.

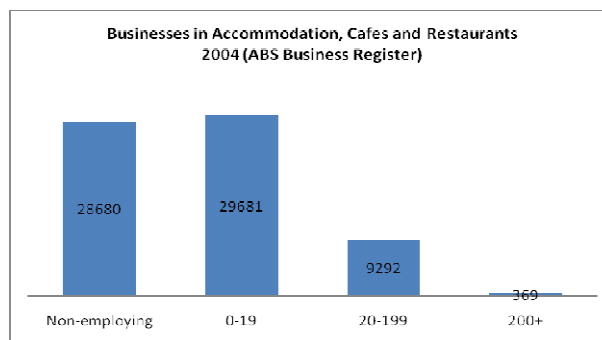


Figure 1 – Hospitality Businesses by Employment Number, 2004

The restaurant, café and catering industry had the best year ever (in turnover terms) in 2007⁴. 2007 (to November) ended 15.6% up on 2006 with July, August, September, October and November setting consecutive all time turnover records. Total turnover for the 12 months to November 2007 was \$14.7 Billion.

A report released by the Australian Bureau of Statistics⁵ in July 2005 (the most recent report in a five-yearly series) shows a slowing in restaurant profits (as forecast by the R&CA) with 63.4% of businesses (the businesses employing less than 10 people) generating less than 2% net profit.

¹ ABS Business Register 2004, Unpublished purchased by R&CA

² *Ib id*

³ 8161.0.55.001 Australian Bureau of Statistics Business Register, Counts of Businesses

⁴ ABS Retail Trade, 8501.0

⁵ Cafes and Restaurants Industry Survey, ABS 8655.0

Businesses reported to the ABS an average net profit of 4%, down 16% on the previous survey period (1998-1999). Labour costs have risen an average of 17% from 29.4% of turnover to 34.3% of turnover, demonstrating the need for workplace reform. In the same period turnover increased by 7% among 7.1% more businesses. The slice of turnover is therefore the same on average as in 1998 / 99 but businesses face significantly higher wage bills. This is in part attributable to increases in non-wage labour costs, specifically superannuation and workers compensation.

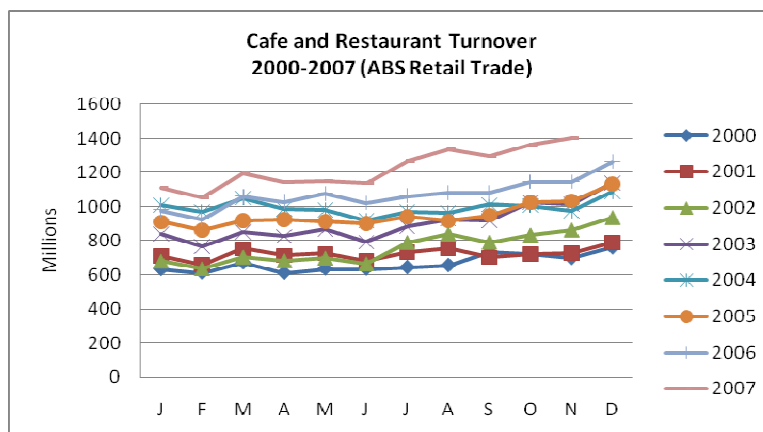


Figure 2 - Restaurant Industry Turnover 2000 - 2007

In the period December Quarter 2006 to 2007 the price of restaurant meals increased by 3.8%⁶. In the same period the price of food inputs to restaurants rose by an estimated 4.2% based on the combination of food inputs to restaurants (Dairy products by 9.1%, Bread and Cereal by 5.4%, Meat & Seafood by 3.2% and Vegetables by 8.6%).

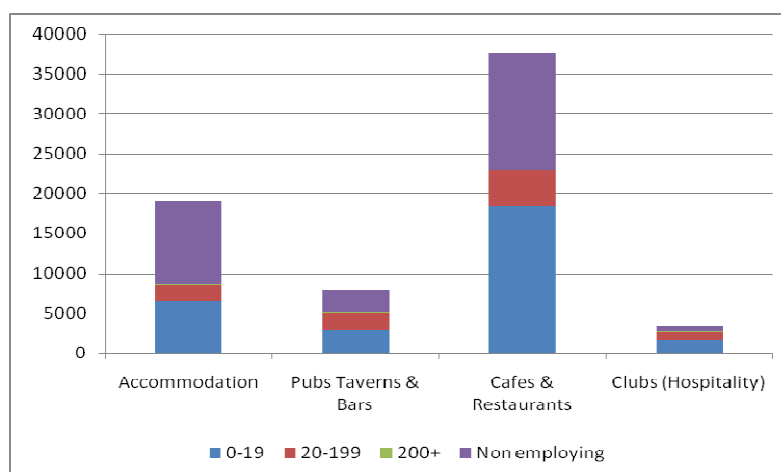


Figure 3 – Proportion of the Hospitality Industry by Sector and number of employees

⁶ ABS, Consumer Price Index, 6401.0, December Quarter 2007

Restaurant Industry Employment

The Australian Bureau of Statistics *Cafes and Restaurants Australia* report (released in July 2005), cited industry employment at 188,102 persons. According to ABS Labour Force data⁷, industry wide employment in May 2004 (for accommodation cafes and restaurants) was 468,400. Data previously purchased from the ABS⁸ (as detailed in the table below) suggested that there was 223,000 persons employed in cafes and restaurants (48.5% of hospitality employment).

In November 2007 there were 493,900 persons working in the hospitality industry. This is significantly down on the 2007 high of May 2007 at 534,000 (over 7% less). It is estimated that the range of restaurant, café and catering employment in 2007 ranged from 239,500 to 259,000.

	Full Time	Less than Full Time	AWOTE
November Quarter 2002	105,000	116,000	\$697.10
February Quarter 2003	104,000	112,000	\$674.30
May Quarter 2003	98,000	125,000	\$683.10
August Quarter 2003	110,000	113,000	\$676.10

Table 1 – Employed persons in cafes and restaurants, 2003-04

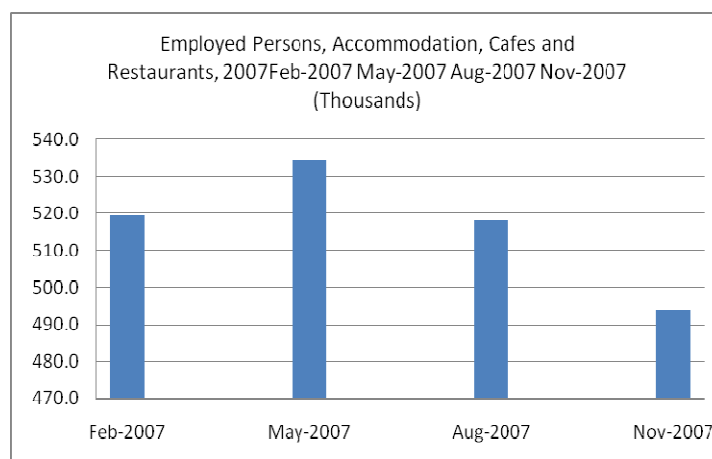


Figure 4 – Employment, Accommodation Cafes and Restaurants, 2007

Cafes and Restaurants Australia also noted that 53.4% of employees were casual with permanent full time employees making up 25.4% of the labour force. The proportion of casual workers is more than double the all industry average of approximately 26%. As a result there are more employees subject to rates greater than the standard hourly rate than in other industries.

The number of casual employees has been steadily growing by an average of 1% per

⁷ ABS, 6202.0 - Labour Force, Australia, Jun 2006

⁸ Data prepared 4 March 2004 for Restaurant and Catering Australia, by ABS from Employed Persons for ANZSIC 573

annum. This casualisation of the industry has been evident over the past ten years. The largest proportion of the restaurant, cafe and catering workforce is part-time females.

The difference in the nature of employment in the hospitality industry is clearly demonstrated by the ABS Forms of Employment data⁹. The hospitality industry has a roughly 40:60 split of full time to part time workers, whereas the all industry average is 70:30.

Other characteristics of the hospitality labour market include a lower than average proportion of working operators (reflecting the high labour intensity of the sector) and a lower than average (6.6%) number of workers on contract. 74% of full time workers in the hospitality industry have leave entitlements compared to 89% across all industries.

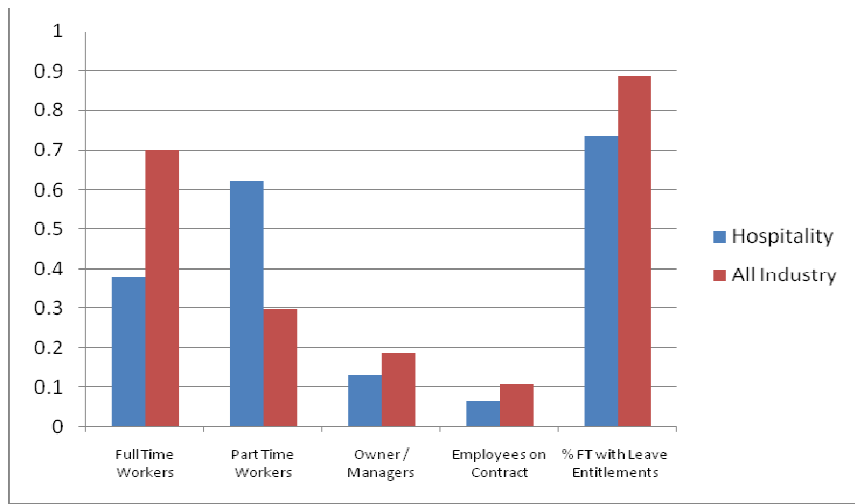


Figure 5 – Forms of Employment, ABS 2006

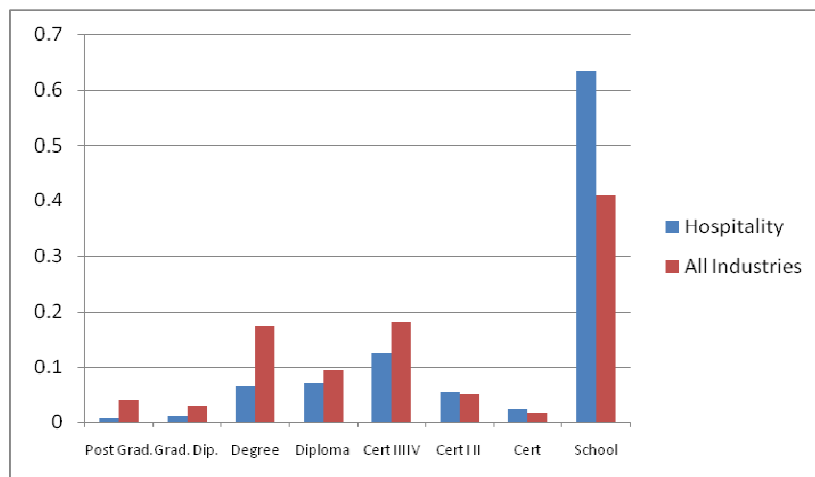


Figure 6 – Educational Attainment, ABS

The hospitality industry has among the lowest level of education attainment of any industry. Approximately 65% of workers have no post school qualifications compared to 40% as an all industry average.

The hospitality industry has the lowest average pay rate of any industry with the

⁹ ABS Forms of Employment, November 2006, ABS 6359.0

average full time rate of pay sitting at \$751 per week and the part time rate of pay at \$232 against an all industry figure of \$388¹⁰.

Restaurant & Catering Australia contends that, in part at least, this level of remuneration is due to the mix of employees in the hospitality industry in entry level positions compared to other industries.

The major occupations in the wider hospitality industry include waiters, kitchenhands and bar attendants. These occupations are all regarded as having good to very good career prospects or are in other words still undergoing significant growth and are in shortage.

Occupation	% in Accommodation, Cafes and Restaurants	Number Employed
Waiters	89.90%	102,400
Kitchenhands	40.70%	95,200
Bar Attendants	88.60%	55,800
Chefs	82%	55,400
Restaurant & Catering Managers	70.20%	50,800
Cooks	63%	33,800
Hotel and Motel Managers	97%	22,900

Table 2 – Occupation Distribution, Key Occupations, Accommodation Cafes and Restaurants¹¹

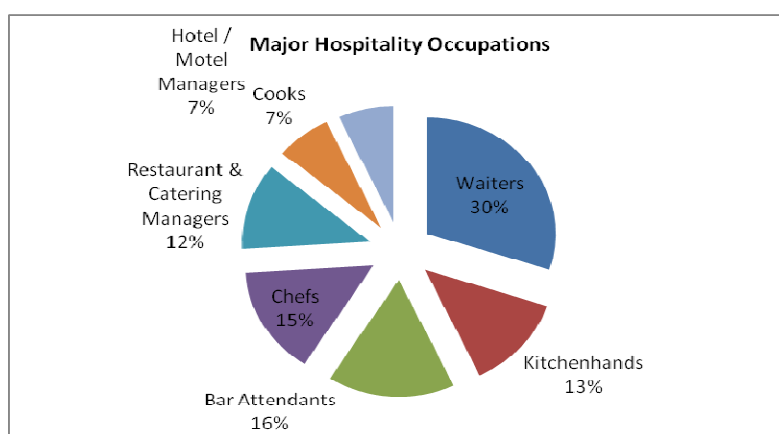


Figure 7 – Proportion of Employment in Major Hospitality Occupations

¹⁰ Employee Earnings, Benefits and Trade Union Membership, ABS 6310, August 2006

¹¹ DEWR Job Outlook On-Line, August 2006

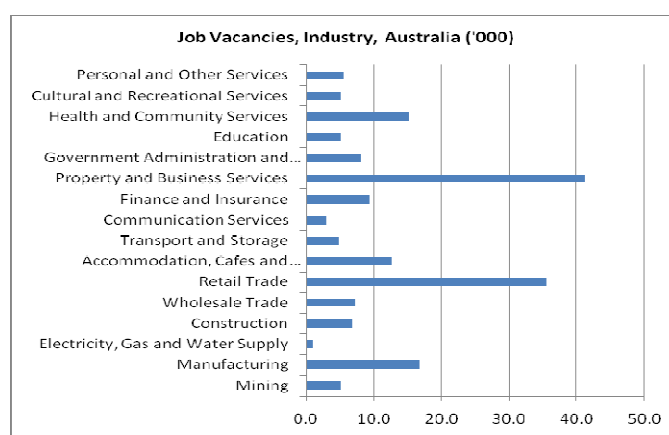


Figure 8 - Job Vacancies, November 2007

In 2007 the hospitality industry had the 5th highest number of job vacancies of any industry with 12,700 vacancies reported¹². As a proportion of its workforce, the hospitality industry ranks third behind mining and property/business services. There is no doubt that the restaurant, cafe and catering industry is suffering badly in the wake of the skills and labour shortage.

In an attempt to better understand the factors contributing to the worsening shortage, Restaurant & Catering Australia undertook a survey of restaurants, cafes and catering businesses in 2007 that asked identical questions to those posed four years earlier. The stand-out factor in the 2007 survey was the quality of applicants presenting for vacancies. Respondents rated the quality of staff presenting for jobs at 2.1 (very unsatisfactory) on the possible 5 point scale.

To further explain the gap between staff presenting and the quality of staff needed in the business, restaurateurs and caterers were asked to rate attitude, appearance, technical skills and experience by the level they expected and the capacity of those presenting for jobs.

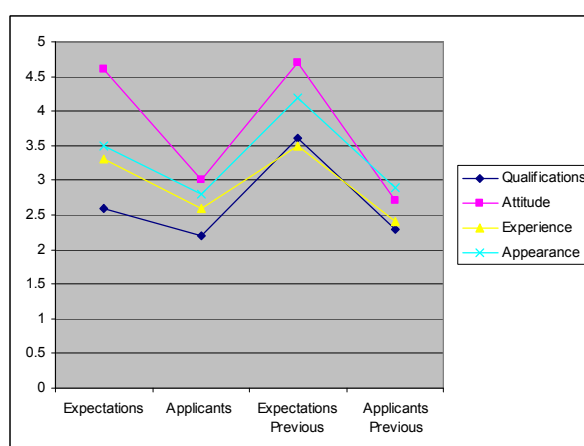


Figure 9 - Traits of Employees (2003 and 2007)

In most cases the expectations of employers has reduced between 2003 and 2007 (as may be expected as employers become more desperate for staff). The quality of applicants remained static in relation to appearance and qualifications and increased as

¹² ABS 6354.0, Job Vacancies, Industry, Australia, November 2007

far as attitude and experience is concerned. Attitude remained the most sought after trait and the characteristic in which there is the greatest gap between what the employer needs and the quality of applicants presenting for positions vacant.

In addition to the characteristics of potential employees the survey examined the recruitment methods used by employers. The results in this respect were consistent with previous data with walk-ins and print media being the overwhelming favourites. Private agencies and internet-based providers were used more than the Government service providers. 69% of restaurateurs and caterers surveyed had not used the Job Network.

The *methods of recruitment used* data were supplemented by data on the relative levels of satisfaction with the various methods. Respondents were ambivalent with print advertising and satisfied with walk-ins and referrals. The other recruitment methods were mostly either not used or subject to very low levels of satisfaction. 96% of respondents had either not used the Job Network and were either dissatisfied with its performance.

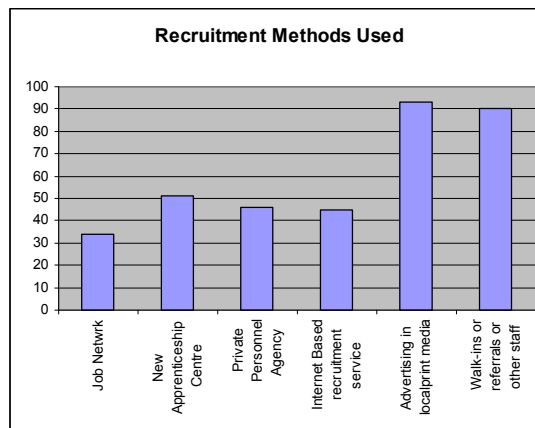


Figure 10 – Recruitment Methods Used by Restaurant and Catering Employers (2007)

Employment Projections

One of the key drivers of the restaurant, cafe and catering industry demand for skills is employment growth. The DEWR Job Outlook (June 2004) identified the hospitality industry as the third strongest industry for projected employment growth to 2011-12 at 2.2% per annum. Projections conclude that food, hospitality and tourism will provide 8% of new jobs to 2011-12.

As a result it is anticipated that around 65,000 new jobs will be created over the next five years¹³. The DEWR Job Outlook (June 2004) indicates good prospects exist for hospitality occupations across the skill spectrum, including receptionists, chefs, and cooks (including fast food cooks), restaurant and catering managers, bakers and pastry cooks, waiters and bar attendants.

Despite strong job growth projections, the hospitality industry also has the highest rate of job turnover per annum at approximately 24%. High staff turnover produces many 'costs', including those associated with recruitment, any firm-specific training and the need for new employees to familiarize themselves with their new occupation and/or workplace. These costs are particularly hard hitting for small to medium tourism/hospitality enterprises, which account for the majority of businesses in the hospitality industry.

While low skilled jobs traditionally have had the highest rates of staff turnover, reflecting individuals moving along the career path from lower skilled to higher skilled jobs, in the hospitality industry the change in occupation is often unrelated to the area of work. The industry is often used to provide a casual income for students, who then go on to other careers on completion of their study.

It is evident that the predictions of future growth as well as the economic potential of the industry could be jeopardized by the current national skills shortage. In the past the shortage has been most evident for chefs, cooks and pastry cooks but, this has now been surpassed (in sheer numbers) by the shortage in front of house occupations. One of the immediate challenges for the industry is addressing the need for skilled staff in order to realise the full economic potential of the industry.

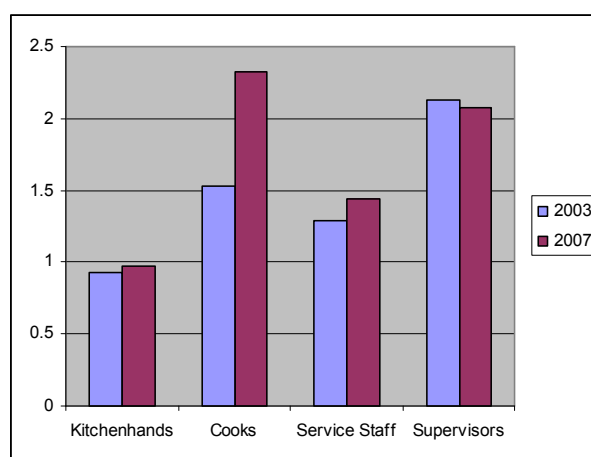


Figure 11 – Occupations in Skills Shortage in the Restaurant Industry, 2007 v 2003

¹³ Fact Sheet Accommodation, cafe and Restaurants Industry – Australian Government, Department of Employment and Workplace Relations

It is unlikely that this situation will improve. In an occasional paper for The Academy of the Social Sciences¹⁴, published in January 2008, Peter McDonald and Glenn Withers suggest 'In the next 20 years, the only potential sources of increases in the labour supply are increased labour force participation rates and immigration.'

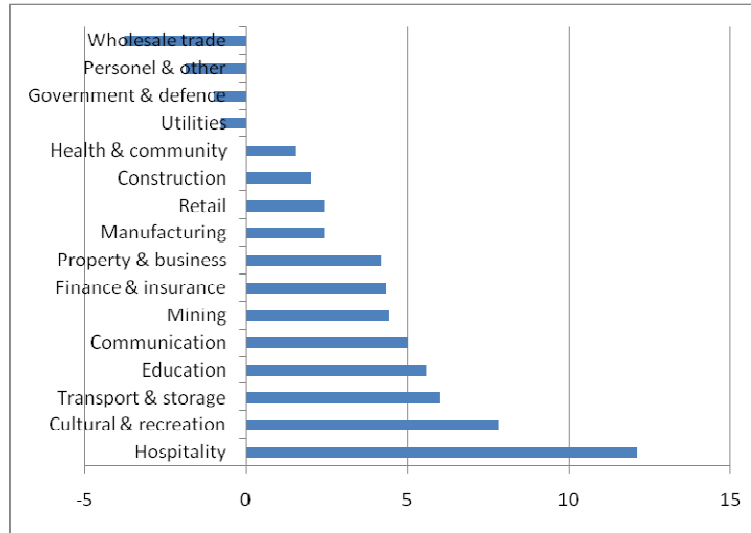


Figure 12 – Where the Jobs are (12 month employment Growth %¹⁵)

According to the Australian Financial Review¹⁶, the short-term jobs growth outlet is all hospitality with the jobs growth at 12.1% (double its next closest rival). All of the top 5 growth sectors are service sectors with mining coming in a number 6.

¹⁴ Population and Australia's Future Labour Force, ASSA, McDonald and Withers, 1/2008

¹⁵ Australian Financial Review, December 8-9, 2007

¹⁶ *Ib id*

The Employment Services Market

Restaurant & Catering Australia regards the Government funded employment services market, delivered through PAGES (Providers of Australia Government Employment Services), as services that complement the fee-for-service employment services market (i.e. those services provided by employment agencies and recruitment efforts of employers themselves). In particular, the R&CA sees the PAGES as providing services where there is market-failure of other services (i.e. where disadvantaged job seekers are not getting jobs or vacancies of some employers are not attracting applicants).

This view was supported by the Independent Review of the Job Network conducted in 2002¹⁷.

Given the nature of job roles in hospitality there is a high likelihood that market failure will exist around skilled, semi-skilled and low-skilled occupations in hospitality. Many of these occupations can easily attract job seekers with few skills, providing they fit an attitudinal profile of suitability and some current skills are made available to them prior to employment.

The above-mentioned report by Restaurant & Catering Australia¹⁸ in 2007 found that on average every restaurant in Australia could employ another person if the right person presented for a job. The restaurant and catering businesses in Australia are 7% under-employed.

If the projections in population and *Australia's Future Labour Force*¹⁹ are correct, the contribution of increased participation is vital to meeting labour force demand in coming years. The capacity of the Government funded employment services market to meet this challenge will require the observation in this report that 'those currently projected to be out of the labour force will not necessarily provide a good match to the required skills' to be dealt with effectively.

In the view of the R&CA, this will require unprecedented intervention in the labour market to ensure that the PAGES²⁰ are directing activity toward occupations and industries where demand exists. The skills sets of jobseekers also need to be crafted to match these needs with training to be delivered, to industry standard, in to closely match the demand profile in these sectors. The funding model for the PAGES and the management of the delivery of Government funded employment services needs to allow this intervention to function.

As noted above, with 96% of restaurant and catering businesses (and restaurants at 45% of employment in the sector) either not using the Job Network or being dissatisfied with the services it offers, the capacity of the Government funded employment services market to meet the needs of the employment market with the strongest growth is currently limited.

Restaurant & Catering Australia (and its member associations) have had a long association with the PAGES. The privatisation of the Job Network in 1996 was questioned by the industry and in 1998 the quest for labour market intervention began.

In 1998 the first program (Hospitality Jobs '98) was undertaken to correct a mismatch in the demand for job seekers and the availability of jobs. Very little progress was made in this area then until 2002/03. In the period between 2003 and 2007 over 40 programs were run to match the profile of available jobs to job seekers with the right attitude and

¹⁷ Independent Review of the Job Network, Report No. 21, Productivity Commission, 3 June 2002

¹⁸ Restaurant & Catering Australia Labour Market Survey, January 2007

¹⁹ Population and Australia's Future Labour Force, ASSA, McDonald and Withers, 1/2008

²⁰ Providers of Australia Government Employment Services

skills profile in the restaurant and catering sector (at a total cost of \$321,978²¹). These programs have lead to a large number of un-funded relationships between industry and PAGES that still yield positive employment outcomes today.

²¹ Evaluation of the Restaurant and Catering Industry Action Agenda, DITR, 2007

Review of Employment Services

In January 2008 the Minister for Employment Participant, The Hon. Brendan O'Connor, announced a Review of Employment Services. The Minister requested comment on seven key principles, as follows:

- early interventions minimise the number of long-term welfare dependent Australians of working age (including a review of the Job Seeker Classification Instrument)
- employment services are relevant to the circumstances and needs of the job seeker
- job seekers with higher levels of disadvantage receive intensive assistance
- incentives for training which will improve the employability of job seekers (including incentives for long term training and education to address labour market needs)
- job seekers receive appropriate training
- performance management principles (including star ratings and business reallocation) that support sustainable outcomes and promote quality service delivery and
- the minimisation of time and money spent on administration.

Each of the aspects of the review are addressed individually below:

Early interventions minimise the number of long-term welfare dependent Australians of working age (including a review of the Job Seeker Classification Instrument)

The most effective form of intervention to minimise the number of long-term welfare dependent Australians of working age is getting the job seeker a job as soon as possible after they have become displaced. In particular a job in which the job seeker will remain for at least 6 months. After that period the job seeker is far less likely to fall back out of the workforce.

Restaurant & Catering Australia contends that the most effective way to ensure that a job seeker has some longevity, in a position into which they are placed, is to ensure that their attitudinal profile matches the job. Through work the Association has done in piloting attitudinal such tools²², it has emerged that there are many available that have over 90% reliability of increasing the retention rate of matching employees.

It follows that the most effective intervention for a service sector job at least, is to determine the type of job for which the job seeker is attitudinally suited (by having them undertake an Innerview, ESP or Work Personality Index assessment). The PAGES would then be able to focus on the areas of opportunity to which the job seeker is suited.

Restaurant & Catering Australia contends that, whilst job search training, resume preparation and technical skills training are important, investment in individual job seekers should be contingent on a demonstrated capacity to work in an industry / occupation.

Recommendation

That the Australian Government invest in a regime of individual attitudinal assessment as part of the provision of employment services so that employment services can be targeted to an individual's capacity and aptitude.

²² Restaurant & Catering Australia (and the State restaurant and catering associations) have worked with the Job Network on pilots of the Innerview and Employability Skills Profiler (ESP) Tools. The Association is currently investigating another product, the Work Personality Index Assessment (under a National Skill Shortages Strategy grant).

Employment services are relevant to the circumstances and needs of the job seeker
Job seekers with higher levels of disadvantage receive intensive assistance

The most effective targeted assistance that a job seeker can receive is assistance that is relevant to their personality and focussed on the type of job role to which they are most suited. As noted above, Restaurant & Catering Australia is committed to the concept of having potential employees undertaking an attitudinal assessment to assess their suitability to specific industries / occupations.

This process does not absolve the Government of the responsibility to provide the individual job seekers with attitudinal training, job skills or technical skills. It does however, establish a start point and a scope for this provision. The determination of a range of occupations for which the candidate is suitable narrows down the training options and will determine the attitudinal support necessary for a specific individual.

In the past there has been considerable resources expended on the training of individuals for job roles for which they have no aptitude nor any likelihood of continuing to be employed. The supply of places on courses and/or perception of the career paths post job outcomes have acted as the determinant of training provided. In an environment in which there are many job options and limited funds available for the provision of technical skills, it stands to reason that the aptitude of individual job seekers would be a good place to start in the provision of any form of assistance.

The better targeting of assistance to all job seekers necessitates higher levels of assistance to those that are in the greatest need.

Recommendation

That the Australian Government invest in a regime of individual attitudinal assessment as part of the provision of employment services so that employment services can be targeted to an individual's capacity and aptitude.

Incentives for training which will improve the employability of job seekers

Job seekers receive appropriate training

The training that is directed toward job seekers (funded through the Job Seeker Account) must be industry recognised and relevant. This is the only way that the outcome of the training will be to improve the employability of job seekers (i.e. make the job seeker more attractive to employers). Examples of training of this nature is the types of training delivered through 'Fish on Fridays', 'U in Cafe' (by Restaurant and Catering NSW) and similar programs delivered by Restaurant & Catering Queensland.

Not only are these programs recognised and relevant, they are a pathway to further training (as they have units of competence recognised through the Tourism and Hospitality Industry Training Package²³) and they provide for the recognition of the skills that the Job Seekers already have (RPL).

These programs have also demonstrated an outstanding record of success in achieving employment outcomes for participants.

The success of the programs is their industry recognition and relevance and the fact that they are not constrained by the need for a qualification outcome. The programs deliver the required amount of training to do a defined job within the industry, as determined through needs analysis that the industry is undertaking constantly.

In the past much of the training has been supply driven. Job Network members that are RTOs (and often Group Training Companies etc.) deliver courses to job seekers that they have on their scope of registration (as an RTO) irrespective of the job seekers aptitude of ability. The training (drawing on the Job Seeker Account) does provide skills and often a qualification but lacks the industry relevance or fit to the job seekers true capacity. The result is often that the job seeker looks to further training to continue to develop their skill set rather than a job.

Recommendation

That the PAGES are encouraged to invest in the re-skilling of Job Seekers in areas of skills need that are appropriate to the job seekers aptitude.

That training directed toward job seekers is 'just in time training' that is industry recognised and relevant, provides for RPL and is a pathway to further learning.

²³ The Tourism and Hospitality Industry Training Package is developed by the industry through the Service Industry Skills Council

The minimisation of time and money spent on administration.

The minimisation of the time and money spent on administration is only a relevant objective where the task is being completed. Where placements are not occurring there should be no money being spent.

In the quest for minimising administrative costs for maximum job placement outcomes where jobs would not otherwise be filled (i.e. undertaking the Job Network role of overcoming market failure at minimum cost), R&CA believes that the Government should embrace some core principles:

- Retain the competitive market for employment services (as this competition will keep costs down);
- Fund the PAGES for the placement of Job Seekers into jobs;
- Institute performance incentives for the Job Network to focus on the more disadvantaged job seekers and areas of employment demand;
- Structure the contracts to PAGES to retain the focus on the core business of placement, and;
- Separately fund the provision of relevant training to job seekers in areas of employment demand.