

# Cookery and Food & Beverage Services

The food and beverage sector has grown thanks to significant construction but faces challenges in a turbulent economy.

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## Industry overview

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The food and beverage services sector is a significant contributor to Western Australia's (WA) tourism industry, providing jobs for tens of thousands of people and contributing over \$3 billion to the State economy.

The sector has seen an increase in the number of food and beverage establishments in recent years, primarily due to reforms in liquor licencing and unprecedented construction of new hospitality venues. The volume of new entrants has contributed to more jobs but has also led to increased competition within the sector which is also currently being impacted by a decline in discretionary spending and a shift in consumer demand towards more casual dining. As a result, turnover in WA's café, restaurant and catering services sector fell in 2016<sup>1</sup>. Conversely, overall tourism visitation and spend increased in WA in 2016<sup>2</sup>, highlighting the food and beverage sector's reliance on the local consumer market and that the impacts of the resources sector downturn have been more acutely observed in food and beverage businesses than in other sectors of the tourism industry.

Looking ahead, the food and beverage services sector is one of the nation's most at-risk industries with almost 7% of businesses in the sector expected to face financial distress within the next twelve months<sup>3</sup>. A manifestation of this is in a number of high profile Perth eateries closing their doors between January and May 2017.

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## Current and future labour market conditions

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The food and beverage services industry provides jobs for front-of-house workers and kitchen staff within restaurants, cafés, coffee shops, patisseries, pubs, taverns, bars, clubs, and function venues. Duties are associated with ingredient ordering and preparation, cooking, serving and cleaning. It is the main employer of Western Australia's tourism workers, directly employing 22,000 people in diverse roles ranging from highly trained café and restaurant managers, maître d's and chefs to bar staff, wait staff, baristas, bussers or bar usefuls and kitchen hands.

Labour input is a significant requirement in this sector, meaning that wages are one of the biggest operating costs. For every dollar spent on capital costs, \$11.52 is spent on wages<sup>4</sup>.

Penalty rate requirements for weekends and public holidays have a significant impact on operational expenses. Employers hope this will ease with the recommendation to reduce Sunday and public holiday penalty rates in July 2017. This recommendation has led to industry forecasting an upswing in jobs for workers on Sundays and public holidays although employee groups believe workers will be disadvantaged and may lead to gaps in the workforce if workers leave the industry.

As a consequence of high labour costs, the food and beverage services workforce is predominantly part-time (60% of all accommodation and food services workers<sup>5</sup>) with workers rostered on shifts that employers can adjust according to operational demands, but contributes to lowered average earnings.

On average, employees in this sector work 26 hours per week compared to the average of 33 hours for all occupations<sup>6</sup>.

Earnings in the food and beverage services sector are below average. Across the industry, food and beverage services workers take home an average weekly earnings of \$842 compared to the average of \$1,230 for all occupations in Australia. While café

or restaurant managers and licenced club managers earn an average of \$1,602 per week, the average wage drops for chefs and patissiers (\$945 per week), cooks (\$753 per week) and further for bar attendants, baristas, café workers, waiters, food trades assistants and kitchenhands (\$515 per week on average)<sup>7</sup>.

The food and beverage workforce additionally comprises of a high proportion of casual workers. These have typically been used to fill front-of-house service and bar attendant positions, although there is a reported growth in the number of casual chefs, many of whom are contracted to recruitment agencies and help fill short-term vacancies in restaurants. The benefits for the chefs include the opportunity to gain experience in potentially a wide variety of kitchens and a higher rate of pay.

Occupations in food and beverage service provide many benefits for young people entering the workforce, including life skills, close camaraderie with colleagues, opportunities for travel and working in exotic locations, as well as transferability of skills across many sectors. Similarly, despite recent announcements of restaurant closures, job prospects are likely to remain high due to the volume of new hospitality venues in Perth. According to Restaurant and Catering Australia, the café and restaurant sector is projected to generate 84,300 jobs nationally by November 2020.

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## Industry development issues

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The growth of hospitality venues in Perth and its surrounds has had a major impact on the food and beverage services sector in WA, where hotel restaurants, in-room dining services, bars, cafés and coffee shops have been incorporated into 24 new hotels in Perth and Fremantle. Additionally, restaurants, cafés and bars are key components of the service provision at Elizabeth Quay, the Perth Stadium, Riverside, Yagan Square and within the redevelopments of Perth's existing hospitality precincts in the CBD, Northbridge, Leederville, Fremantle and Scarborough. This upsurge in venues has created growing workforce opportunities within the sector, but also increased competition for customers and quality staff.

WA has also seen a growth in recent years in the number of small bars and especially boutique venues, due to major liquor licencing reforms. These establishments provide a novelty experience for consumers by having a niche focus on culinary specialities and theming as a point of difference, but also contribute towards the heightened competition for established venues, by enticing customers as well as attracting experienced staff.

The restaurant sector in WA is challenged by the drop in discretionary spending and change in consumer demand as people are dining out less frequently and choosing cheaper options of casual dining. The changing landscape has contributed to several high-end restaurants closing down, with decreased attendance making them unable to absorb high rents and labour costs, low revenues and small profit margins.

The hospitality workforce within clubs is another group being impacted by changing consumer trends and lower disposable incomes. Declining club memberships are seeing a change in service offerings and operations, where clubs are increasingly placing emphasis on their hospitality offering and targeting different market segments such as families, thus increasing the need for food and beverage staff. Meanwhile in some regions, multiple clubs are amalgamating into a single entity, resulting in a consolidation of amenities, and therefore reducing the requirement for hospitality staffing.

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## Workforce challenges and issues

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As highlighted in the Eating Out in Australia 2017 report<sup>8</sup>, the food and beverage industry's greatest workforce challenge is the recruitment and retention of quality candidates.

FutureNow's Hospitality Industry Advisory Group (IAG) stress there is a particular shortage of highly skilled workers at a managerial level. As new venues open, shortages for quality staff increases and newer boutique venues are seen to attract quality workers by offering higher wages or greater prestige.

Similarly, the shortage of chefs in WA remains extreme, stemming from dozens of new positions being created in new hospitality venues and from constant vacancies at established venues due to the occupation's high attrition rate. Current conservative estimates predict that at least 300 cooks or chefs will be needed for Perth's 24 new hotels, with another 100 chefs or cooks required at the non-accommodation venues of Elizabeth Quay, Perth Stadium, and Riverside and more still in venues in Perth's

surrounding suburbs undergoing redevelopment. Of major concern are the low rates of completion by commercial cookery apprentices, the decline in commencements of the apprenticeship and the attrition rate of qualified chefs leaving WA to travel or are changing industries due to working conditions and low remuneration. In addition, chefs with many years' experience are also leaving the industry due to family commitments, the imposing physical demands of the job and improved work-life balance.

There is a shortage for qualified and experienced club managers to organise and control the operations of a club in providing food, beverages, entertainment or sporting amenities for its members. Significant skills gaps in business management, governance and financial acumen are prevalent, but there is also a lack of succession planning and career pathway promotion, which is of concern for the clubs sub-sector, particularly since there is an increase in clubs merging their operations, thus expanding the club manager's range of responsibility.

It is anticipated that changes to the Working Holiday Visa program will intensify current workforce challenges. Industry has expressed concern that potential working holiday makers may reject Australia in preference for other countries as a working holiday destination, thus affecting regional food and beverage venue operations many of which rely on a seasonal workforce, typically sourced through this visa program.

The Fair Work Commission has recommended that Sunday and public holiday penalty rates under the Hospitality Industry (General) Award 2010 and the Restaurant Industry Award 2010 be reduced in July 2017. This has generated a mixed response, with employer groups largely endorsing the recommendation, citing increased ability to open restaurants or cafés and provide shifts to staff on Sundays and public holidays that they have not been able to commit to in the past. Employee groups however, assert that a lowering of the wage will disadvantage hospitality workers and may lead to workers leaving the industry in search of better hours and pay. Casual employees who will not experience a reduction in their rates on Sundays are also likely to be impacted, and may lose out on Sunday shifts to cheaper permanent staff. Similarly, a further reduction in wages may be another deterrent for prospective workers to a sector already struggling with attraction and retention. Employee groups are also sceptical as to whether more hospitality venues will in fact open and hire more staff on Sundays and public holidays as a result of reduced staffing costs.

Due to the size of the workforce and difficulties with attraction and retention, the food and beverage sector has been a heavy user of the Temporary Work (Skilled) visa (Subclass 457) program and will be impacted by its cessation. In April 2017, the 457 visa program was cancelled and replaced with short-term visas of up to two years and medium to long-term visas of up to four years. There will no longer be permanent residency outcomes for the short-term visa.

Industry associations support the Federal Government's decision primarily because important occupations in the food and beverage sector have been retained as skilled occupations. Chefs have been included on the Medium and Long-Term Strategic Skills List (MLTSSL), whilst café or restaurant managers, pastrycooks and cooks are included in the Short-Term Skilled Occupations List (STSOL)<sup>9</sup>. There is potential that migrant pastrycooks, cooks or café & restaurant managers will not be able to access permanent residency once their visa has expired, and there is concern that some of these workers with specific artisanal skillsets and the willingness to do the work will be dissuaded from coming to Australia, exacerbating skills gaps that are unlikely to be filled by a local work force.

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## Current Training Council areas of focus

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FutureNow will monitor and assess the skilled migration and penalty rates reforms at State and Federal levels and, in consultation with industry and peak bodies, review their impact on industry to ensure availability of skilled chefs, cooks and café or restaurant managers through as many mechanisms as possible.

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## Highlights for Skilling WA progress report

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Two new traineeships for cookery and hospitality were established early in 2017.

- The Chef De Partie Traineeship, utilising SIT40516 Certificate IV in Commercial Cookery will be a Class B Post-trade traineeship where the trainee must have previously completed a Certificate III in Commercial Cookery through an apprenticeship pathway only.

- The General Front Of House Traineeship, utilising SIT30716 Certificate III in Hospitality (Restaurant Front of House) will be a restricted Class B traineeship where it can only be obtained through a traineeship except by an international student on a student visa or a by a person seeking recognition of prior learning. This Traineeship will be available as a school-based traineeship (SBT) for students in year 12 only.

## References

1. ABS 8501.0 Retail Trade, Australia; State by Industry Subgroup, Original, 2016
2. International Visitors In Australia: December 2016 Quarterly Results of the International Visitor Survey, 15/03/2017, Tourism Research Australia, Canberra and
3. Travel By Australians: December 2016 Results of the National Visitor Survey, 29/03/2017, Tourism Research Australia, Canberra.
4. TRA note: In recent quarters some unexpectedly high growth rates have appeared in some National Visitor Survey (NVS) sub-estimates. The issue is more pronounced in some specific purpose groups (most noticeably in business trips), and has a relatively higher impact in some of the smaller states and territories. TRA suggests that users of the NVS data interpret recent year on year growth rates with caution until further notice.
5. SV Partners, Commercial Risk Outlook Report, March 2017
6. IBISWorld Industry Report H4511a, Restaurants in Australia, Lauren Magner, January 2017
7. ABS 6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly, February 2017, Employed persons by Industry division of main job (ANZSIC) and Hours actually worked in all jobs.
8. ABS 6291.0.55.003 Labour Force, Australia, Detailed, Quarterly, Employed persons by Industry division of main job (ANZSIC) and Hours actually worked in all jobs.
9. ABS 63060DO011\_201605 Employee Earnings and Hours, Australia, May 2016
10. Intermedia Group, Eating Out in Australia 2017 Fast Food to Fine Dining – State of the Industry, hospitalitymagazine.com.au, Australian Hotelier and Bars & Clubs, November 2016
11. Australian Government, Department of Immigration and Border Protection, Combined list of eligible skilled occupations, accessed 23/05/2017