

FutureNow.

Fast Food

FutureNow is an independent body that provides industry informed advice to influence skills development strategies across the Creative, Leisure and Technologies sectors. Our work assists Western Australia to be prepared with the new order skills required by the evolving economy and our changing society.

Where is the sector now?

Fast food workers take and fill customers' orders for food and beverages and receive payment from customers. They prepare and assemble items, such as hamburgers, pizzas, sandwiches and salads, using equipment such as grills, microwaves and deep-fat fryers.

The major operators in the Fast Food industry in Australia are McDonalds (20%), Competitive Foods (Hungry Jacks) (10%), Yum! Restaurants Australia (KFC, Pizza Hut, Taco Bell) (8%), Dominos Pizza (5%), Subway (5%) and Craveable Brands (Red Rooster, Chicken Treat, Oporto) (4%).¹ Mexican fast food chain Guzmán Y Gómez is planning on doubling its WA footprint in the next two years.²

Consumer health awareness has transformed the Fast Food and Takeaway Food Services industry over the past five years. Increased awareness of the nutritional content of fast food and a conscious effort by consumers to choose healthier options have affected industry demand. Industry operators have responded by introducing a range of healthier, premium choices with less fat, sugar and salt. Changes in consumer preferences have also prompted an influx of new players offering higher quality fast food options. In particular, the number of salad & juice bars, and sushi stores has increased over the last five years, contributing to a rise in industry enterprises. Another significant change in the industry is the increased reliance on online delivery platforms which has reduced the industry's profitability.

Employment initiatives and Industrial Relations updates

For many people working in a multinational fast food franchise is often their first exposure to employment. In Western Australia, children aged 13 and 14 are allowed to work in a fast food outlet as long as they have written permission from a parent; the job is outside school hours and they do not start work before 6.00am or finish after 10.00pm.³

Fast food service workers have the benefit of frequent, direct, face-to-face interactions with customers. They learn important job skills such as how to provide excellent customer service, ensure employee-customer interactions are friendly, and problem-solve customer complaints. These skills are beneficial in almost any industry and are easily transferable should a fast food worker choose to pursue another career path. The workers also develop strong interpersonal skills such as effective communication strategies, listening skills and organisational skills.

Some fast food workers progress through their local restaurants as supervisors then managers then continue their employment with corporate head offices in roles such as marketing, product development, information technology, operations management, human resources, finance and legal.

Unions

There are 3 union bodies active in the fast food sector. The Shop, Distributive & Allied Employees Association, (SDA) was the original union for this sector. The Retail and Fast Food Workers Union (RAFFWU) was established in December 2016

as a response to increased dissatisfaction with the existing SDA.⁴ The United Workers Union represent hospitality workers such as those working at Grill'd.

Skills Training Programs Traineeships

KFC and McDonalds both offer their employees the opportunity to work towards the SIR20216 (Certificate II in Retail Services) and the SIR30216 (Certificate III in Retail Services) which are 12 month traineeships and can be offered on a part time basis and as a school based traineeship via enterprise training. Industry report that employees who choose to undertake a traineeship stay with the company longer and often progress to management within the company.

Burger chain Grill'd, require all of their employees to undertake SIT30622 (Certificate III in Hospitality). Grill'd was the top user of a COVID-19 apprenticeship program which provided government payments towards the wages of almost 3000 workers. The employees are classified as trainees while undertaking the Certificate III, so are paid less per hour than non-trainees until they have completed their training.⁵

Training Package	Qualification Details	Title of apprentice on training contract	Nominal term (months) Full Time	Part Time	School Based	Training Providers
Retail Services Training Package	SIR20216 - Certificate II in Retail Services	Trainee	12	Y	Y	Kentucky Fried Chicken Pty Ltd Trading as: KFC McDonald's Australia Ltd
Retail Services Training Package	SIR30216 - Certificate III in Retail	Trainee	12	Y	Y	Kentucky Fried Chicken Pty Ltd Trading as: KFC McDonald's Australia Ltd
Tourism, Travel and Hospitality Training Package	SIT30622 - Certificate III in Hospitality (supersedes SIT30616)	Trainee	24	Y	N	

Adjustment to Minimum Wage and Superannuation

Many fast food workers are paid minimum wage rates. From 1st July 2022, the National Minimum Wage has increased by \$40 per week, which amounts to an increase of 5.2%. The award minimum wages will increase by 4.6%, which are subject to a minimum increase for adult award classifications of \$40 per week and based on a 38-hour week for a full-time employee.⁶

Under recent changes to the Superannuation Guarantee (Administration) Act (1992), an employee's superannuation fund will now be 'stapled' to them. The concept of superannuation stapling is that the super arrangement is attached to the individual and therefore when they change employment, their superannuation arrangements go with them.⁷ This is

particularly important for young people working the fast food industry as these jobs are often their first in the workforce.

The sector's current challenges

The current labour market

Fast Food operators are currently operating in a disrupted labour market. Many operators are experiencing labour shortages, particularly adults and university students who normally work shifts during the day. The CBD restaurants are finding it very difficult to source workers as they relied heavily on international students prior to Covid. The labour shortage is particularly pronounced in regional areas (particularly Broome and Esperance) where some operators are having to alter their opening hours due to lack of staff to run the restaurants.

Some fast food operators are offering new staff \$1000 sign on bonuses and refer-a-friend incentive schemes in order to attract staff.⁸

Price increases and supply chain issues

CPI data released by the ABS has identified that the cost of take away and fast food has increased by 2.1% in the June quarter, compared to an increase of 0.5% for restaurant meals.⁹

In June 2022, a string of major Australian fast food chains were forced to make changes to their menus amid a lettuce supply shortage across the country. The wet weather in south-east Queensland meant growers lost one crop and struggled to plant the next one as freezing temperatures set in. The nationwide shortage and subsequent soaring price of lettuce temporarily changed the way the companies filled their burgers, wraps and sandwiches, for example KFC changed their burger recipe and mixed cabbage with their lettuce.¹⁰

Many Fast-food chains are grappling with inflation and rising costs as a result of workforce shortages and the war in Ukraine affecting fuel prices. To cope with pricing pressures, many chains are increasing prices and eliminating deals and promoting pricier items and combos with higher margins. KFC are planning on lifting prices for a third time in 2022. The third price rise will likely be 1 to 2 per cent, following similar increases in January and June.¹¹

Plastics Ban

The enforcement of state government stage 1 regulations to ban single-use or disposable plastic items started on 1 July 2022 for all items except for cups, which starts on 1 October 2022. These changes have required fast food operators to source alternative packaging, often at a higher cost.¹²

Emerging Industry Developments

Healthier options

Many consumers of fast food are demanding dairy and meat substitutes. The per person consumption of dairy and meat substitutes in Australia was 20 grams per day in 2020-21, up a total of 29 per cent from 15 grams per day in 2018-19. About 17 grams of consumption per person per day came from dairy milk substitutes like soy milk or almond milk.¹³

Plant-based milk may soon fill half of all drinks in Australia as dairy alternatives skyrocket in popularity, with oat milk leading the charge. Two years ago, oat milk was 0.2 per cent, now it accounts for 20 per cent of the market.¹⁴

All fast food outlets have released meat free options on their menus. Technological innovations mean new plant-based products are becoming increasingly available, and the growing number of vegans and flexitarians is creating a bulging market for plant-based meat replicas. However, it is not just vegans driving the trend. Instead, non-vegans are helping fuel the plant-based boom by trying to cut down on their meat, fish, and dairy intake.¹⁵

Competition from External Sources

Supermarkets have expanded their range of home-cooked meal replacements and heat-and-serve products such as pastas and prepared meals. These retailers have emerged as one-stop shops that provide consumers with fast, affordable and high-quality food. Many of these products are substitutes for traditional fast food. Traditional convenience stores have also attempted to access this market by expanding their fast food options, such as pre-made sandwiches, salads and baked goods, targeting commuters seeking on-the-go meals. Moreover, the rising popularity of healthy meal plan delivery services, such as HelloFresh and Youfoodz, represents an emerging source of external competition, as consumers can easily opt for these calorie-controlled and easy to prepare meals instead of purchasing traditional Fast Food.

Smartphone Apps

Over the past five-year period, the popularity of delivery apps has increased significantly. Consumers are increasingly relying on these platforms when ordering takeaway food, a trend which is forecast to intensify over the next five years. The KFC app and delivery services now make up 16.9 per cent of their total sales, up from 13.3 per cent a year ago.¹⁶ Households in Western Australia spend an average of \$33 on food deliveries per week.¹⁷

This trend is anticipated to benefit operators, as they can access online ordering platforms with significant customer traffic without investing in a website, ordering system or promotional activities. However, the positive impacts of these platforms will likely be limited. Commissions charged by online delivery apps are high, with some charging up to 35% of the order value. Despite these high commissions, operators are projected to continue providing services through these platforms, due to their popularity and concerns about falling behind competitors. The increasing popularity of these apps among Australian consumers is projected to limit profit margin growth over the next five years.¹⁰

A trial using drone deliveries has been under way in the past few months, with food cooked in a “dark kitchen” premises, which is not branded as KFC. The system is still being fine-tuned, as there were occasional pauses in the service when light aircraft were flying.¹⁸

We would like to hear from you

FutureNow is continually seeking input from stakeholders in the Western Australian Fast Food sector. If you are interested in providing further information about the workforce in this sector, please get in touch with the Industry Development Manager:

Melissa Harkins

Industry Development Manager – Hospitality, Events, Tourism and Travel

Mob: 0497 799 990

Email: mharkins@futurenow.org.au

Web: www.futurenow.org.au

References

All links accessed 29th July 2022

1. <http://my.ibisworld.com/au/en/industry/h4512/industry-outlook>
2. <https://edition.thewest.com.au/html5/Default.aspx>
3. <https://www.commerce.wa.gov.au/labour-relations/when-children-can-work-western-australia>
4. <https://www.greenleft.org.au/content/new-retail-and-fast-food-union-challenges-old-order>
5. https://www.afr.com/politics/federal/grill-d-billed-taxpayers-16-6m-for-hamburger-university-20220706-p5azj0?utm_medium=social&utm_campaign=nc&utm_source=Facebook&fbclid=IwAR1PjlcNmotmCXo3Zur-lzcq_PvMPzJXKQURkwugfT1ePq4bndFXs33SWumA&fs=e&s=cl#Echobox=1657260460
6. <https://www.fairwork.gov.au/find-help-for/fast-food-restaurants-cafes/fast-food-industry>
7. <https://www.hrmonline.com.au/payroll/superannuation-stapling-and-minimum-award-changes/>
8. <https://www.afr.com/work-and-careers/workplace/mcdonald-s-bids-for-workers-with-1000-sign-on-bonuses-20220724-p5b44p>
9. <http://clickau.actmkt.com/vh/052-c75c7ebf-d46f-40d0-b014-6d7603cb914e?e=nmahaad-fab-zaa4qapeaeaadgab2qa5aaouaheadfabxaa3yao4ac4adpabzaazyafyagcadvaa=====&s=A>
10. <https://www.abc.net.au/news/rural/2022-06-08/lettuce-shortage-continues-and-fruit-and-vegetable-prices-rise/101133906>
11. <https://www.afr.com/companies/retail/fast-food-group-kfc-to-lift-prices-for-a-third-time-in-2022-20220627-p5ax0i>
12. <https://plasticsbanwa.com.au/items/>
13. <https://www.abs.gov.au/media-centre/media-releases/australians-buy-more-dairy-and-meat-substitutes-2020-21#:~:text=%22Almond%20milk%20had%20a%20particularly,%2D19%20and%202020%2D21.>
14. <https://www.abc.net.au/news/rural/2022-05-22/plant-based-milk-set-to-take-over-cows-milk-in-australian-cafes/101023244>
15. <https://www.businessinsider.com/fast-food-chains-are-finally-taking-vegan-food-seriously-2022-1>
16. <https://www.afr.com/companies/retail/fast-food-group-kfc-to-lift-prices-for-a-third-time-in-2022-20220627-p5ax0i>
17. <https://www.canstarblue.com.au/stores-services/average-food-delivery-cost/>
18. <https://www.afr.com/companies/retail/fast-food-group-kfc-to-lift-prices-for-a-third-time-in-2022-20220627-p5ax0i>