



Restaurant
& Catering

Joint Standing Committee on Migration inquiry into migration in regional Australia

R&CA Submission

September 2019

RESTAURANT & CATERING AUSTRALIA

Restaurant & Catering Australia is the national industry association representing the interests of more than 47,000 restaurants, cafés and catering businesses across Australia. R&CA delivers tangible outcomes to small businesses within the hospitality industry by influencing the policy decisions and regulations that impact the sector's operating environment.

R&CA is committed to ensuring the industry is recognised as one of excellence, professionalism, profitability and sustainability. This includes advocating the broader social and economic contribution of the sector to industry and government stakeholders, as well as highlighting the value of the restaurant experience to the public.

Cover images courtesy of Tourism Australia:

Top (left corner): Aqua Dining Restaurant, Milsons Point, Sydney, Anson Smart.

Top (right corner): Hutchings Camps Pty Ltd, Paperbark Camp, Jervis Bay, NSW.

Middle (centre): Pretty Beach House, Bouddi Peninsula, NSW, Anson Smart.

Middle (top): Cruise Bar, The Rocks, Sydney, NSW, Anson Smart.

Middle (bottom): Tourism Australia, Hunter Valley, SDP Media.

Bottom (right corner): Tourism Australia, Balmoral Beach, Sydney, NSW, Ellenor Argyropou.

Bottom (left corner): Tourism Australia, Byron Beach Café, Byron Bay, NSW, Hugh Stewart.



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INTRODUCTION

The Restaurant and Café Industry in Regional Australia is dependent on migrants to be able to survive. These migrants are particularly needed both for permanent settlement and to satisfy the significant demand for temporary and seasonal work, both skilled and unskilled.

R&CA notes for the purposes of accessing the migration system, the Department of Home Affairs classifies Regional Australia to include all of Australia except the metropolitan areas of Sydney, Newcastle, the Central Coast, Wollongong, Melbourne metro area, the greater Brisbane area, Gold Coast and Perth and its surrounds. A new definition of eligible regional areas is to be released in November 2019. All migration pathways are accessible to the regions but there are also regional specific visas that are available to fill the significant gap in population and skills in the regions.

R&CA has long been of the view that regional migration is vital to filling skill shortages in regional areas and thus should be encouraged, and regional growth strategies that create jobs and attract both internal and overseas migrants are critically important. The Temporary Skills visa is the key mechanism by which our members in regional Australia meet skills shortages in their businesses, however R&CA is of the view that to further encourage migration into the regional Australia, a pathway to permanency must be made available to resist the churn of migrants meeting skills gaps that will remain long after their visa expires.

The overall objective of a temporary skilled migration program is to ensure that it meets the needs of the labour market where Australian workers are not available; and that businesses, no matter where they are located have the skills they need, when they need them, in order to survive, grow and employ. The program thus needs to be flexible enough to service any skills requirements across the country. In principle, temporary skilled visas are intended to be particularly responsive to the business cycle and adjust very quickly to market conditions.

A well-managed temporary skilled migration system will facilitate Australia's economic prosperity and contribute to the success of our society as a whole, particularly in the regions, by creating permanent jobs and growth through businesses that employ temporary migrants. It is also an important transition pathway into permanency is made available to assist businesses in filling skills shortages that exist into the long term and encourage skilled migrants to settle in regional Australia.

The temporary skills shortage visa (TSS) is the main visa category for temporary skilled migrants to enter Australia. All migrants under this stream are sponsored by an employer and thus as stated above are responsive to the business cycle and current needs of the business. The TSS visa comprises of a short-term, a medium to long-term and a labour agreement stream.

R&CA also believes that a key component to encouraging migration into the regional Australia is through reform of the Skilling Australians Fund (SAF) Levy. The continued existence of the training levy in its current form will exacerbate the impact of acute skills shortages and act as a handbrake

on the economic growth and development of the tourism and hospitality sectors, this is compounded by the financial and time resources required as part of submitting a TSS-visa application represents a significant impost for small businesses which is compounded by having to submit multiple applications if their initial application is unsuccessful.

Finally, R&CA recommends options to expand current international education option in regional Australia to overseas apprentices who may wish to undertake their skills training in Regional Australia and then encourage those skilled workers to remain in regional Australia.

POLICY RECOMMENDATIONS

Recommendation 1 – Addressing Skills Shortages in Regional Australia

- a) That skilled occupations in the hospitality industry be available for temporary as well as permanent migration in regional Australia, and that all temporary skilled visas for regional Australia provide a pathway to permanency.
- b) That Café and Restaurant Managers (ANZSCO 141111), Chefs (ANZSCO 351511) and Cooks (ANZSCO 351411) be added to the medium-term skills list for Temporary Skill Shortage subclass 482 Visas and remove existing caveats stopping certain classes of restaurants and cafés from accessing these skills.
- c) Commission the Australian Bureau of Statistics (ABS) to conduct a comprehensive and wide-ranging review of the existing Australian and New Zealand Standard Classification of Occupations (ANZSCO) codes list with immediate effect.

Recommendation 2 – Skilling Australians Fund (SAF) Levy Reform

- a) That the levy be reduced to a minimum of \$600 per year for small business for each sponsored temporary migrant.
- b) Expand refund provisions associated with TSS-visa applications so that businesses are refunded the SAF levy in the event of any unsuccessful applications, regardless of the reasons involved.
- c) Investigate non-upfront payment options for the SAF levy should be made available to small businesses employers when processing applications.

Recommendation 3 – Investing into VET & Training in Regional Australia

- a) Provide further opportunities for international student apprenticeships accessing the subclass 407 visa to remain in Australia as a skilled migrant at the completion of their training.
- b) Work with and better promote regional education institutions to attract greater numbers of international student apprentices to the regions.
- c) Develop education infrastructure and appropriate support structures to retain apprentices and in the regions after completion of study.

Restaurant, Café & Catering Industry in Regional Australia

The R&CA Industry Benchmarking Report is an industry-based survey of business conditions in the restaurant, café and catering industry. The survey monitors key trends in business costs, profitability, labour and skills shortages, as well as the general business environment. The survey is distributed to café, restaurant and catering business owners and senior managers across Australia.

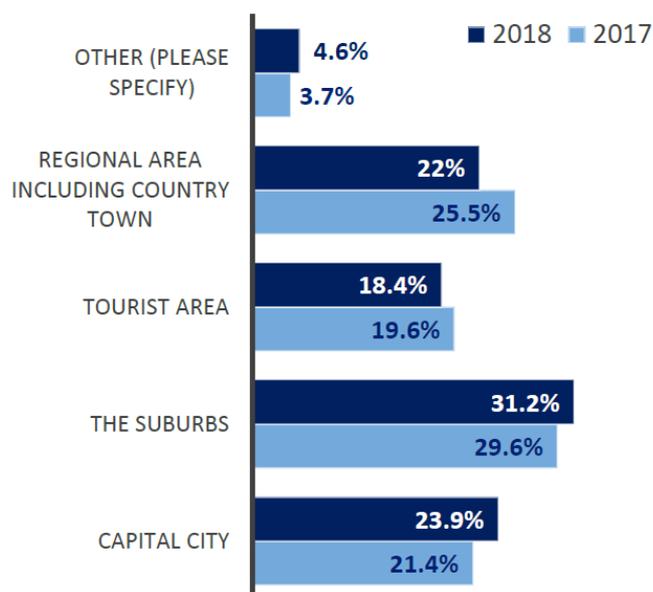
Businesses from New South Wales (24.8 per cent) and Victoria (23.4 per cent) represented the largest number of respondents to the 2018 survey. 16.5 per cent of participants indicated they operated businesses in Queensland in the 2018 survey compared to 14.9 per cent in the 2017 survey. South Australia accounted for 17.9 per cent of all responses in the 2018 survey which decreased from 22.3 per cent in the 2017 survey.

An almost identical number of respondents from Western Australia (7.8 per cent) participated in the 2018 survey as they did in the 2017 survey (7.9 per cent). The 2018 survey had respondents located in every Australian State and Territory with Tasmania (4.6 per cent), the Australian Capital Territory (1.8 per cent) and Northern Territory (0.9 per cent) all represented in the results. 2.3 per cent of businesses indicated they operated in more than one Australian State or Territory which is roughly similar to the 2017 survey.

Businesses located in suburban areas represented the largest group of respondents to this year's survey at 31.2 per cent, up from last year's result of 29.6 per cent. Businesses located in a capital city represented the second largest group of respondents at 23.9 per cent, followed closely by operators located in a regional area (22 per cent). This was closely followed by 18.4 per cent of businesses which indicated that they operated in a tourist area.

A further 4.6 per cent of businesses reported operating in 'other' locations, including beaches, city fringes, sports stadiums, university campuses and a combination of regional, suburban and tourist areas.

A full breakdown is shown in the figure opposite. *Source: R&CA 2018 Benchmarking Report.*



ADDRESSING SKILLS SHORTAGES IN REGIONAL AUSTRALIA

Many of R&CA's previous representations to governments at both a state and federal level have focussed on the chronic skills shortages affecting the ability of hospitality owners to operate sustainably and successfully. The sector already makes a significant contribution to national employment outcomes, one is projected to become even more prominent in future years, with the sector expected to grow by 11.9 per cent to May 2023 - the greatest jobs growth out of any industry subsector of the Australian economy.

According to the most recent projections from the Department of Jobs and Small Business, the café, restaurant and takeaway food sector will create a total 74,700 jobs by May 2023. When represented in percentage terms, the sector is projected to experience 11.9 per cent growth in the total number of positions over this five-year period. In terms of individual hospitality sector occupations, a large proportion of the growth in the hospitality sector can be attributed to the demand for the skilled positions of chefs, cooks and café or restaurant managers. Demand for each of these three key hospitality sector occupations is expected to grow significantly over the five years to May 2023. As shown below, projected growth in the number of cooks, chefs and café or restaurant managers is expected to reach double-digit growth of 13.6 per cent, 16.7 per cent and 13.9 per cent respectively.

Unit Group Code	Occupation	Employment level May 2018 ('000)	Department of Employment Projections		
			Projected employment level May 2023 ('000)	Projected employment growth five years to May 2023	
				('000)	(%)
3514	Cooks	45.5	51.8	6.2	13.6
3513	Chefs	100.8	117.5	16.8	16.7
1411	Cafe or Restaurant Managers	69.4	79.0	9.7	13.9

Source: Department of Jobs and Small Business (2018) Occupation Projections to May 2023.

Current Skills shortages felt by Restaurant, Café and Catering Industry

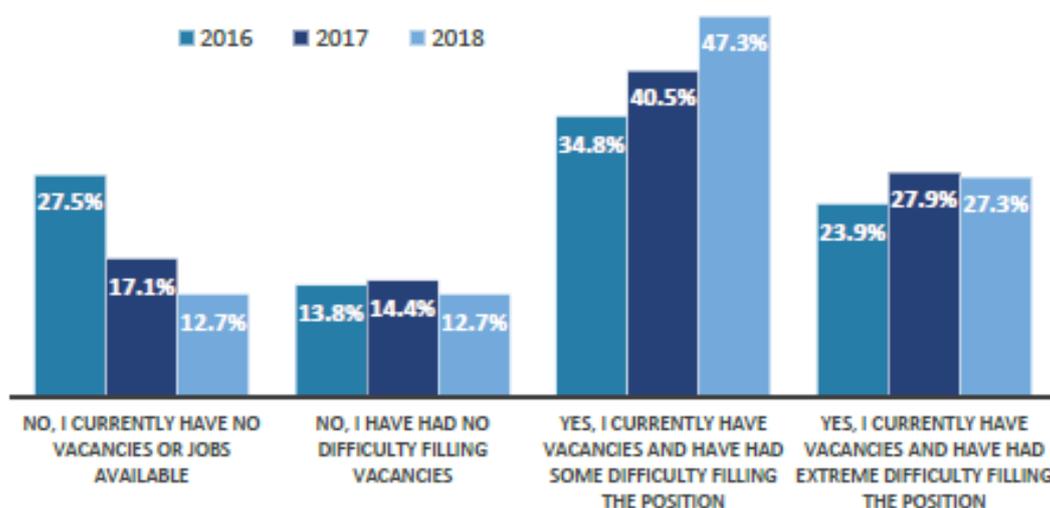
Employers amongst the hospitality sector have reported increased difficulties in filling key vacancies in their businesses, with respect to the highly skilled professions of chef, cook and café and restaurant managers.

In order to address this problem, R&CA has long argued that Australia's immigration framework must be adjusted to enable hospitality businesses to operate in a sustainable and successful way. In this regard, the structure and design of Australia's immigration system needs to encourage the

attraction of overseas talent rather than prevent it. In R&CA’s view, the process of hiring skilled overseas workers in key hospitality sector occupations should be a simple and inexpensive process for small businesses to undertake. R&CA argues that recent policy measures of the Federal Government have achieved precisely the opposite outcome in imposing stricter visa regulations on key skilled hospitality sector occupations and increasing the costs imposed on small businesses for hiring foreign workers.

Evidence collected from R&CA’s member businesses has shown a steadily increasing level of difficulty in recruiting for job vacancies within their businesses over the past 3 years. According to data from R&CA’s 2018 Industry Benchmarking Report, 47.3 per cent of business-owners reported experiencing ‘some’ difficulties in filling positions, compared to 34.8 per cent in 2016 and 40.5 per cent in 2017. An additional 27.3 per cent of respondents also reported experiencing ‘extreme’ difficulties in filling staff vacancies. In total, almost three-quarters (74.6 per cent) of business-owners experienced either some or extreme difficulty in filling job vacancies. R&CA would anticipate this number to increase in the 2019 survey as skills shortages affecting the sector continues to intensify. A breakdown of the data collected in R&CA’s 2018 Industry Benchmarking Report overviewing employers’ recruitment difficulties is contained in below.

Figure: Hospitality Businesses’ Difficulty in Filling Job Vacancies Compared to Last Financial Year

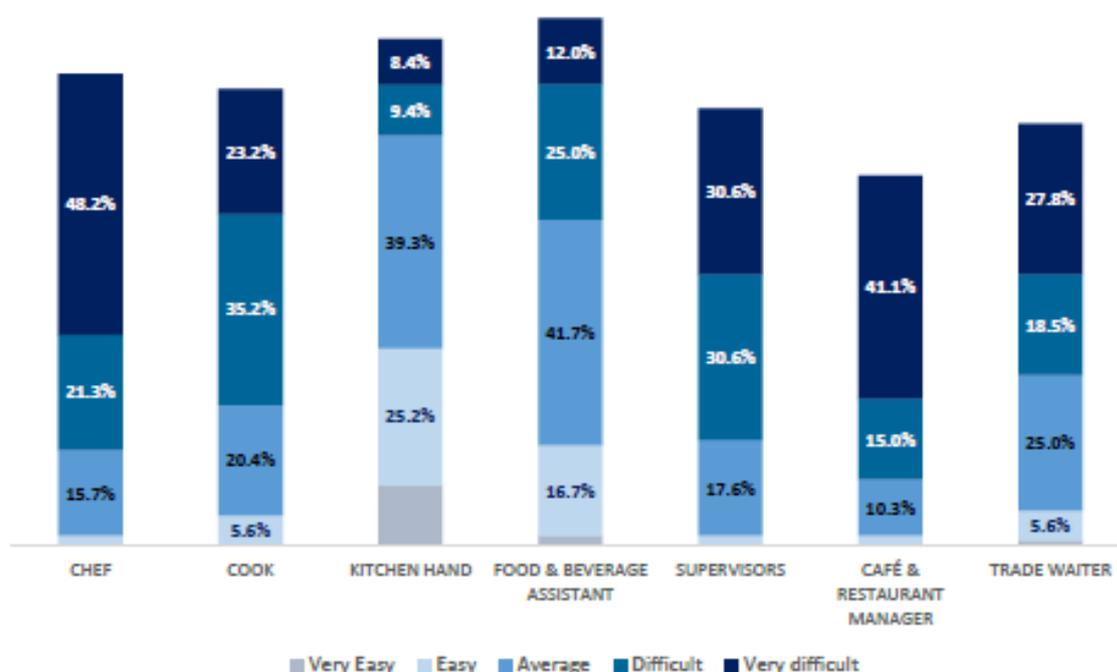


Source: R&CA 2018 Benchmarking Report.

R&CA’s 2018 Industry Benchmarking Report indicated that the most difficult position to fill over the 2016-17 financial year was chef with almost half of all operators (48.2 per cent) reporting that filling chef vacancies in their businesses was ‘very difficult’. A further 21.3 per cent of operators stated that they had experienced some difficulty in recruiting for chefs. Café or restaurant manager vacancies were also amongst the most significantly difficult vacancies to fill with 41.1 per cent of survey respondents reporting extreme difficulty and a further 15 per cent reporting some difficulty.

Finally, the position of cook also saw 23.3 per cent of operators experience extreme difficulties in filling vacancies with 35.2 per cent reporting some difficulty. A complete breakdown of all hospitality positions and the corresponding level of difficulty in filling vacancies amongst those positions is represented below. Given the importance of these positions in filling vacancies, R&CA strongly urges the Commonwealth Government to address these difficulties through targeted investment in skills, training and immigration programs as part of the 2019-20 Budget.

Figure: Hospitality Businesses' Difficulty in Filling Key Occupations Over Past 12 Months



Source: R&CA 2018 Benchmarking Report.

Current approaches are not bridging the skills gap

The 2017 changes to Australia’s skilled migration system have made it increasingly difficult for regional businesses to look to both permanent and temporary migrants to fill critical skill shortages. Business within the restaurant, café and catering sector have struggled to utilise this new system to meet the skills gaps in their businesses.

R&CA is greatly concerned at recent evidence showing a significant decline in the number of skilled visa both in terms of those lodged as well as those granted. This decline has been particularly acute since the implementation of the Temporary Skills Shortage (TSS) which was first announced in April 2017 and commenced in March 2018. According to the most recently available statistics published

by the Department of Home Affairs, as of 30 June 2018, the size of the overall TSS (and residual subclass 457 visa) program has substantially decreased when compared to previous period in 2016-17. When comparing the lodgement of primary visa applications over the two-year period, there has been a total decline of 28.4 per cent, with 54,820 applications received in 2016-17 compared to 39,230 in 2017-18. The number of applications granted also declined from 46,480 in 2016-17 to 34,450 in 2017-18. These trends illustrating the decline in skilled visa applications, both lodged and processed, can be seen in Figure 6 below.

Figure : Summary of Primary Visa Applications Lodged and Granted in 2016-17 and 2017-18

	2016-17 at 30/06/17	2017-18 at 30/06/18	% difference
Primary applications lodged	54,820	39,230	-28.4%
Primary applications granted	46,480	34,450	-25.9%
Number of primary visa holders in Australia	90,590	83,470	- 7.9 %

Source: Department of Home Affairs (2018) Temporary resident (skilled) report 30 June 2018 - summary of key statistics and trends.

R&CA is also concerned that a significant proportion of this decline in visa applications and subsequently those approved has occurred amongst key hospitality sector occupations. For instance, amongst the occupation of cook, there has been a 37.9 per cent reduction in the number of primary visas granted in 2017-18 compared to those in 2016-17. R&CA believes that this decline is attributable to the failure to include cook as an occupation on the MLTSSL, with visa applicants instead applying for the occupation of chef which has been included in the MLTSSL, thus providing a pathway to permanent residency.

To address the chronic skills shortage in regional Australia of Cooks, Chefs and Café & Restaurant Managers, R&CA recommends that these occupations be added to the medium-term skills list for Temporary Skill Shortage subclass 482 Visas and the government remove existing caveats stopping certain classes of restaurants and cafés from accessing these skills.

R&CA also argues that the significant increases in the costs associated with the current skilled visa system, particularly those associated with the Skilling Australians Fund levy have created a powerful disincentive for visa-seekers and sponsoring employers for these hospitality positions. The significant reduction in overseas skilled migrants in positions such as chefs has further compounded

the skills shortage problem affecting the hospitality industry.

Figure 7: Primary visas granted – top four occupations

Nominated Occupation	2016-17 to 30/06/2017	2017-18 to 30/06/2018	% Difference from last program year as at 30/06/2017	2017-18 as % of total program
Developer Programmer	2,120	1,640	-22.4%	4.8%
ICT Business Analyst	1,640	1,390	-15.0%	4.0%
University Lecturer	1,330	1,360	2.2%	3.9%
Cook	2,170	1,350	-37.9%	3.9%

Source: Department of Home Affairs (2018) Temporary resident (skilled) report 30 June 2018 - summary of key statistics and trends.

Finally, although recently the Government has also expanded the Designated Area Migration Agreements (DAMAs) with seven DAMAs now in place - Northern Territory, the Goldfields, WA, Great South Coast, VIC, Adelaide City and Regional SA, Orana, NSW and Far North Queensland, Since a majority of the newly negotiated DAMAs are yet to be operational, it remains to be seen how effective the DAMAs will be in alleviating the skills needs of the regions.

However, although regional agreements that cater to the specific needs of the regions are welcome, early feedback suggests that small and regional businesses find that DAMAs are not a silver bullet and the cost to employers is prohibitive and the process of the nomination lengthy. The DAMA itself has not made the migration process simpler for the sponsoring business.

A pathway to permanency is needed

Pathway to permanency was a fundamental strength of Australia's skilled migration system. This allows the migrant to put down roots in the regional community, making them less likely to then migrate to the cities. As we have seen, the employer nominated category of visas are the most effective for regional migration.

However, with the 2017 changes to the skilled migration program, this pathway to permanency has been removed for a number of occupations eligible for the TSS visa, including those in industries that are important to the regions such as accommodation and food services. Although there is a separate list (ROL) that allows employers from regional Australia to access additional occupations,

the removal of a pathway for important occupations has severely affected the flow of migrants to the regions.

Retaining the consolidated sponsored occupations list (CSOL), which was by-and-large a list of all skilled occupations on the ANZSCO, as the basis for employer nominated temporary and permanent migration, and to deal with integrity issues on an occupation basis through caveats rather than by national skills analysis is a much more responsive approach to meet regional skill needs within the hospitality industry in Australia.

Review of ANZSCO Codes

R&CA argues that a comprehensive and wide-ranging review of the ANZSCO codes list must be urgently completed and should be one of the key policy recommendations arising out of this inquiry. Since the introduction of this system in 2006, the ANZSCO codes have only been reviewed twice. Given the rapidly changing nature of jobs and the Australian workforce and the importance of the ANZSCO codes in determining visa applicants' eligibility for various skilled migration programs, R&CA argues that this Review is of the utmost necessity.

In a particularly frustrating outcome, the Australian Bureau of Statistics (ABS) recently decided against conducting a review of the ANZSCO codes list in August 2018, a decision which was heavily criticised by significant employer and business groups across the country.¹ The ABS has failed to even commit to a review of the ANZSCO codes list in the future, only committing to considering a review at some point following the next Census schedule to be conducted in 2021. It remains highly unlikely therefore that a Review of the codes will be conducted until after the results of the 2026 Census, meaning that a period of 15 years will have elapsed since the last major review of jobs in the economy will have been conducted.

In R&CA's view, the decision not to conduct a review of the ANZSCO codes must be overturned and that the ABS should be allocated sufficient funding resources in order to conduct a proper review with immediate effect.

Skilling Australian's Fund (SAF) Levy Reform

R&CA has expressed significant concerns regarding the training levy imposed on sponsoring

¹ Australian Chamber of Commerce and Industry (ACCI) (2018) *Bureau of Statistics out of touch with workforce change*, Media Release, 14 August.

employers as part of the Commonwealth Government's \$1.5 billion Skilling Australians Fund (SAF). R&CA believes that the continued existence of the training levy in its current form will exacerbate the impact of acute skills shortages and act as a handbrake on the economic growth and development of the tourism and hospitality sectors. R&CA believes that the implementation of the SAF levy has already had a material impact since its commencement on 12 August 2018 and that there will be further deleterious effects on the hospitality industry unless significant changes to the levy are made.

R&CA argues that it is unreasonable to expect small businesses of any size to absorb the heavy financial burden of this training levy, let alone small businesses operating on very low margins and will lead to the closure of businesses. In the café, restaurant and catering sector, over 92 per cent of businesses are small businesses employing 19 people or less. Whilst the structure of the training levy distinguishes between small and large businesses, the upfront and ongoing costs of employing foreign workers will make it almost impossible for small businesses to access the skilled labour they need and will exacerbate existing skills shortages across the tourism and hospitality industry.

The SAF levy, as it stands, has created a strong disincentive for small businesses to invest in their own training programs as they are having to pay for it already through the mandatory SAF levy. The SAF levy is a cause of significant frustration to business-owners given that they are having to pay the levy to source the skilled labour they require to run their businesses yet are not seeing any concomitant increase in the availability of locally skilled candidates. The skills shortages are in fact worsening, despite the presence of the SAF levy, meaning that employers are having to pay twice to then train the staff themselves.

Whilst R&CA is not opposed to the Skilling Australians Fund itself, it is the Association's strong view that the \$1.5 billion should not be funded almost exclusively through the levy. Given that there is no guarantee that the levy will achieve that \$1.5 billion funding amount, R&CA argues that the Commonwealth Government should itself guarantee the SAF's funding investment at its current levels, regardless of the eventual amount ultimately generated through the levy. It is R&CA's view that the Committee should investigate a further commitment to funding any possible shortfall in funding for the SAF, whilst halving the current levy on sponsoring businesses.

Whilst R&CA strongly welcomed the refund provisions announced as part of the 2018/19 Commonwealth Budget, there is still a necessity to expand these provisions to cover all unsuccessful

applications. As it stands, employers are ineligible for refunds on the training levy if their application is unsuccessful, unless the visa is refused based on health or character grounds. The financial and time resources required as part of submitting a TSS-visa application represents a significant impost for small businesses which is compounded by having to submit multiple applications if their initial application is unsuccessful.

Investing into VET & Training in Regional Australia

Regional educational VET Training Providers offer students in the regions the opportunity to begin apprenticeships with easy access of their families and support structures. They contribute to regional development by fuelling the local economy by creating employment opportunities not just in skills in training, but in the wider economy and enrich the community through greater social and cultural enrichment opportunities. These providers can be further leveraged by attracting international apprentices to come to Australia and complete their training in regional areas.

There needs to be a focused strategy to attract international apprentices to regional vocational education providers. As at July 2018, there were 626,000 international students studying in Australia, 97 percent studying in our major cities, and 70 percent in NSW and Victoria combined. International students and apprentices also gravitate towards the capital regions due to its proximity to tertiary education centres and VET training providers, availability of part-time jobs, transportation and accommodation infrastructure and services, and pre-existing diaspora networks.

R&CA recommends that more be done to encourage international apprentices to complete their training in regional areas and that a pathway to skilled migrant visas be made available to those who do complete their training here. This would encourage the completion of these training courses and provide a pathway for these new skilled migrants to continue to work in Australia.

CONCLUSION

The health of the Restaurant, Café and Catering Sector in Regional Australia's directly tied to its ability to access skilled labour to fill established shortages such as for Cooks, Chefs and Café and Restaurant Managers. Although the 2017 changes to Australia's Visa system has made it more difficult to access these skilled occupations, an opportunity exists through this inquiry to remedy shortfalls in the current system by providing more opportunity for small businesses in the hospitality industry to access the skills they need to grow and run their businesses.

R&CA, as the peak body representing the Restaurant, Café and Catering Sector in Australia, has long been of the view that skilled occupations in the hospitality industry be available for temporary as well as permanent migration in regional Australia, and that all temporary skilled visas for regional Australia provide a pathway to permanency. By providing this pathway to permanency, businesses can plan for the long term by filling skills gaps that will exist across our economy for the foreseeable future. Another opportunity that exists is to provide further opportunities for international student apprenticeships accessing the subclass 407 visa by working to better promote regional education institutions to attract greater numbers of international student apprentices to the regions and providing these apprentices with opportunities to stay in Australia as skilled migrant following the completion of their training.

We also recommend that Café and Restaurant Managers (ANZSCO 141111), Chefs (ANZSCO 351511) and Cooks (ANZSCO 351411) be added to the medium-term skills list for Temporary Skill Shortage subclass 482 Visas and remove existing caveats stopping certain classes of restaurants and cafés from accessing these skills and in parallel, a comprehensive and wide-ranging review of the existing Australian and New Zealand Standard Classification of Occupations (ANZSCO) codes list be undertaken.

Finally R&CA believes that government can reduce the upfront cost of accessing skilled labour in regional areas for Restaurants, Cafés and Caterers by reducing the SAF Levy to a minimum of \$600 per year for small business for each sponsored temporary migrant, expanding refund provisions associated with TSS-visa applications and investigating payment flexibility options to help small businesses meet the up-front cost of accessing skilled labour.

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