Service Skills Victoria

Industry Change Drivers Report
(2006 Service Industry Qualitative Data)

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Executive Summary

The Australian service industries covered in this report are tourism, hospitality, wholesale, retail and personal services. These industries were the major generators of jobs and job growth in the decade to 2004, mainly due to individual wealth doubling in the last two decades, resulting in greater demand for services and luxury commodities. These same areas are projected to be at the forefront of job growth for the next decade. As the economy grows, the standard of living rises; this in turn increases demand for services resulting in the service industries becoming an even more significant part of the economy.

Strong growth, together with increased global competition and demographic challenges, will compel industry and individual businesses to make skill development a high priority business strategy. The business imperative to achieve greater efficiency and innovation will result in demand for ongoing training and retraining with an expectation of high quality training outcomes.

A significant trend is the convergence of some sectors, with a continual blurring of the boundaries as the number of enterprises that cover two or more sectors steadily increase. A major contributor to this is the rise of “experience purchasing”, where customers are demanding increased integration of products and services. This is reflected in the growth of retail tourism and products such as spa resorts. In the long term, as the distinctions between sectors and even industries dissolve pressure on future workforce arrangements is likely to emerge. The seeds of this change are already being witnessed in the retail/wholesale sectors.

The requirement of skills to be transferable, as well as training arrangements to be flexible will be essential. In addition, the frenetic pace of change may mean that some skills will not stay relevant for long, especially those which entail specific product knowledge and technology. Therefore institute based training will need to be more dynamic and focus on the application of skills and knowledge. Although training in AQF levels II and III will remain fundamental in most sectors, changing requirements of the sector will mean the breadth and depth of training will also continue to expand and become more complex. This is driving the demand for workplace learning incorporating one on one mentoring as well as group learning in a workplace context. Additionally, with changing demographics, growth in non standard employment and strong growth of SMEs along the major growth corridors, training demand and markets will grow and change.

The “staging post” syndrome has often been seen as the cause of a “skills leakage” from the service industries, with the accompanying analysis that resources allocated to service industries training are not optimised. As the employability skills debate gathers pace and industries recognise that “all businesses are service businesses” the transferability of service skills to other industries will be recognised as an investment in skills development across the economy.

The main changes from the 2006 Industry Change Drivers Report to this report are:

- Convergence of the spa/beauty and retail/wholesale sectors
- More detailed information on the growth in the pharmaceuticals sector
- Technological advances in the retail and floristry sectors
- Increasing awareness and impacts of climate change, especially water use
- Flexible work arrangements, management styles, recruitment and retention strategies required for engagement of mature age workers to address falling participation rates
- Updated information on work choices legislation, OH&S and VISA requirements
- More specific information in Question 4, including a Key Qualifications table

Where appropriate and when available, the most current data sources were used to write this report.

Purpose of the report

The purpose of this report is to examine major change drivers shaping Victoria's service industries and the probable implications these drivers may have on skills and training required by industry over the next 10 years and beyond.

Information contained in the report will inform and assist the State Government Office of Training and Tertiary Education (OTTE) to moderate purchasing decisions regarding future training needs in Victoria. The report is also intended to assist individuals and organisations involved in workforce development and planning in the service industries.

Service Skills Victoria, in writing the report, has undertaken consultations with industry associations, enterprises, unions and government agencies as outlined in Appendix 1.

Industry Profile

The Australian service industries covered in this report are tourism, hospitality, wholesale, retail and personal services. The majority of employment in the service industries in Australia is in the retail and the hospitality, which are also expected to lead employment growth over the next 10 years.

> Retail and Hospitality will lead employment growth in the next 10 years.

The wholesale, retail and personal services (WRAPS) sectors comprise a diverse mix of businesses ranging from hairdressers and beauty salons, florists, community pharmacies, funeral directors and cemeteries and crematoria to large national retailers and wholesalers. The WRAPS sector was the largest employer in Australia during 2001-02; its dominance is forecast to continue with approximately 1.8 million people employed in the sector by 2009-10. The retail sector is the largest employer of females, youth, part time and casual workers in Australia; a trend that has accelerated since 2001 (as indicated in ABS Labour Force Survey data). Within the Australian retail sector, 59% of the total revenue in 2003 came from the food retailing and hospitality sectors[1]. December 2006 data suggests that this proportion still holds.

The Victorian WRAPS sectors are predominately comprised of small to medium sized enterprises (SMEs), defined as businesses that employ less than 25 people. A substantial percentage (95%) of all Victorian retail businesses are defined as SMEs. The large retailers, who represent only 1% of all businesses, employ approximately half the workforce and generate 51.9% of sales revenue in the state[2]. ABS Labour Force Survey data shows that between August 2001 and August 2004, employment in occupations specific to the WRAPS sector grew by 3.3% or 9,251 jobs.

Nationally, retail trades generally account for 40% of household consumption which, in turn accounts for 60% of real GDP. The retail sector is also an integral part of Victoria's service industries, employing approximately 15% of the Victorian workforce. Victoria's share of the Australian retail market by turnover increased to around 24% in 2003 and has remained relatively constant since (to December 2006), with 25% of all retail businesses Australia wide located in Victoria. In December 2006 total turnover for the retail industry in Victoria was $5724 million[3].

The tourism and hospitality sectors include accommodation, restaurants, cafes, bars, catering, gaming, meetings, events, conferences, attractions, tour operations, tourist information services, tour guiding, cultural tourism and caravan park operations. Like the WRAPS sector a substantial percentage (83%) of all Victorian tourism and hospitality businesses are defined as small to medium-sized enterprises[4].

In 2003/04 tourism and events activity in Victoria contributed $10.9 billion or 5.3% of Gross State Product and employed 159,000 people or 6.6% of the State's workforce[5]. A characteristic of the tourism industry workforce is the significant level of part - time/casual employment (54.6%), as indicated in the 2004 ABS Labour Force Survey data. This is also evident in the hospitality sector where 58.6% of the workforce is part-time and a high percentage of the workforce is female.

The number of visitors to Australia is forecast to grow by 5.5% from 2006-2015, with the highest proportion of visitors expected from China, India and Indonesia respectively. The visitation from China is forecast to rise by 15.7% from 2006-2015, with India at 15.6% and Indonesia 11.6% in the same period.

Victoria in particular is in an excellent position to capitalise on the growth in the Tourism and Events industry with an average annual growth rate forecast to be 4-5%. This growth rate, if continued for the next 10 years, will raise the industry's share of GSP to 7-8% and will create an additional 66,000 jobs[5].

Q1. What are the major change drivers impacting the industry and its sectors currently and over the medium and long term future?

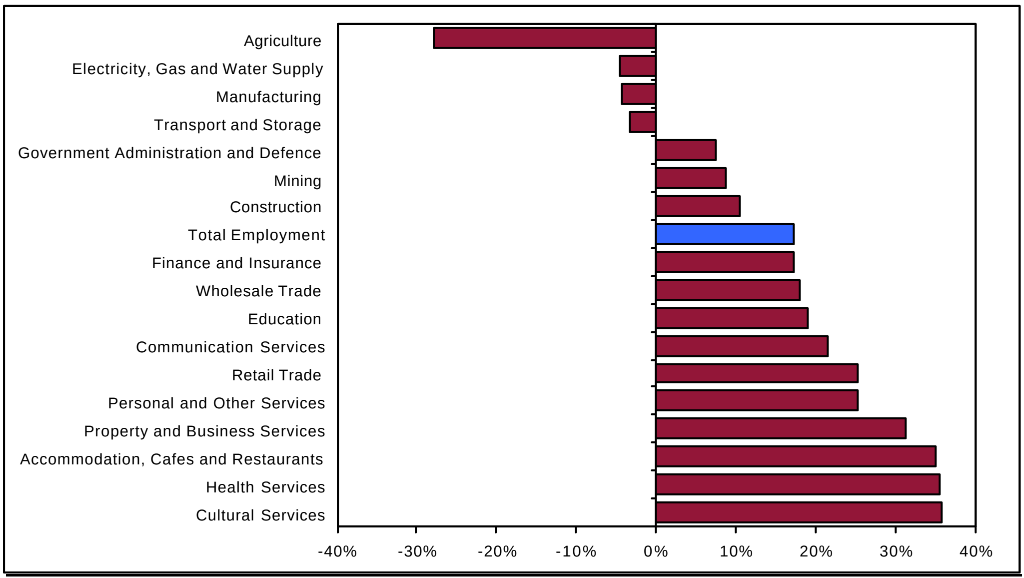
Economic drivers

Victoria has experienced significant economic growth over the past ten years and continues to perform above expectations with increased employment and low inflation. Victoria's gross state product has been growing at an average rate of 4.8% outperforming the national average growth rate of 3.9%.

The major job growth, in Australia over the next decade will be in the service industries.

Tourism, accommodation, cafés and the retail and personal services sectors were the major generators of jobs and job growth in the decade to 2004. This growth was mainly due to individual wealth doubling in the last two decades, resulting in greater demand for services and luxury commodities. These same areas are projected to be at the forefront of job growth for the next decade. As the economy grows, the standard of living rises; this in turn increases demand for services resulting in the service industries becoming an increasingly significant part of the economy as indicated by the Access Economics chart below (Figure 1).

Figure 1: Victoria's job growth by sector (2004-2031)



(Source: Macroeconomics Outlook:November 2005)

Access Economics projects faster job growth in the service sectors than in the goods sectors (farming, manufacturing and mining). Within the service industries, the fastest growth is seen in 'luxuries' such as cafes and restaurants and cultural services, or in demographic driven areas such as health.

According to the Victorian Tourism Industry Council (2006) strong growth is forecast for the tourism industry over the next 10 years, caused predominantly by an increase in international visitation and average yield[6]. The tourism industry is currently a key contributor to Victoria's wealth and employment and, with the appropriate investment in training and development, this contribution will continue to grow. Additionally, Melbourne is becoming an increasingly popular destination with tourists and tourism is vital to the health of the city's retail sector[7].

Forecast international visitation to Victoria is 1.4 million visitors in 2006 to 2.2 million by 2010[8]. The industry is predicted to experience an annual compound growth of 4-5% over the next 10 years, lifting the industry to 7-8% of GSP and creating an additional 66,000 jobs[5].

The continued popularity with consumers of Low Cost Carriers (LCCs) within the domestic Australian market has changed domestic tourism demand particularly where they have a regional presence. However, the emergence of international low cost carrier routes, such as Jetstar flying to many Asian and Pacific destinations in 2006, and the competition of these destinations combined with volatile fuel costs have contributed to a national decline in domestic tourism. Volatile petrol prices have particularly affected the caravan sector, which relies on 'drive by' business to sustain the operation of many parks. Consumers are choosing to drive shorter distances and stay in the one place longer, contributing to the emergence of larger tourist parks with a diverse range of facilities.

The Asian region is forecast to be the primary source of international visitor growth to 2016[5]. Specifically, the expansion of the outbound Chinese tourism market will continue to affect Victoria's tourism and retail sectors, which in turn will drive the demand for skilled labor in these sectors. The Chinese share of international visitors to Victoria is predicted to rise from 9% to 19% from 2006 to 2016[5]. As the Chinese are the highest spenders of all international visitors to the state, and 29% of tourism employment is in retail trade, the implications for growth in this sector are also significant. The Indian market is emerging as a key inbound tourist market for Victoria, with a growing middle class that has disposable income to spend on travel. There were more than 53,500 Indian visitors to Australia in 2004, with 32 per cent visiting Victoria[9].

The Asian region is forecast to be the primary source of international visitor growth.

The general driver of consumer and customer service demand is a key influence on the service industries as a whole. As consumer expectations rise, attitudes, tastes and demands change, and marketplaces become increasingly competitive. Industry must respond with a higher focus on innovation and service delivery, and this must be reflected in the skills of the services workforce. The overall drive for higher efficiency and productivity to meet consumer demands will also affect employment trends.

In the retail sector, while the absorption of wholesaling functions by retailers and growth in a number of service areas within retailing will bode well for this industry, operators will be affected by rising operational costs. As was the trend in the five years to 2006-07, numerous retailers will undertake a review of costs in a bid to pass efficiencies onto consumers. However, rising levels of internal and external competition will impact on gross margins and profitability[10].

Underlying economic, demographic and social trends will increase profits in the Australian pharmaceutical industry in the immediate to medium term future. In particular, an ageing population, changing community attitudes to health and skin care, various psychological motivations and continued product development and innovation are expected to contribute to the continued strong growth of the industry. Overall, growth in industry revenue is expected to average 5.4 percent per annum to reach an estimated $12,400 million by 2009-10[11].

Sectors within the service industries are converging, with a continual blurring of the boundaries as the number of enterprises that cover two or more sectors steadily increase. A major contributor to this is the rise of "experience purchasing", where customers are demanding increased integration of products and services such as spa resorts.

The Spa and Wellness industry has experienced strong growth with spending in the industry forecast to increase from $200million in 2002-03 to $60 billion in 2015 (including cosmetic procedures and complementary medicines). Spas are also experiencing growth through diversification; combining beauty and wellness with retail and tourism with spa retreats and specialised products on the increase. The increase in 'medi-spas' from only 4 in Australia in 1997 to more than 300 in 2003 is also supported by the emergence of a combined approach to cosmetics and pharmaceuticals. Spa and culinary packages are also on the increase[12].

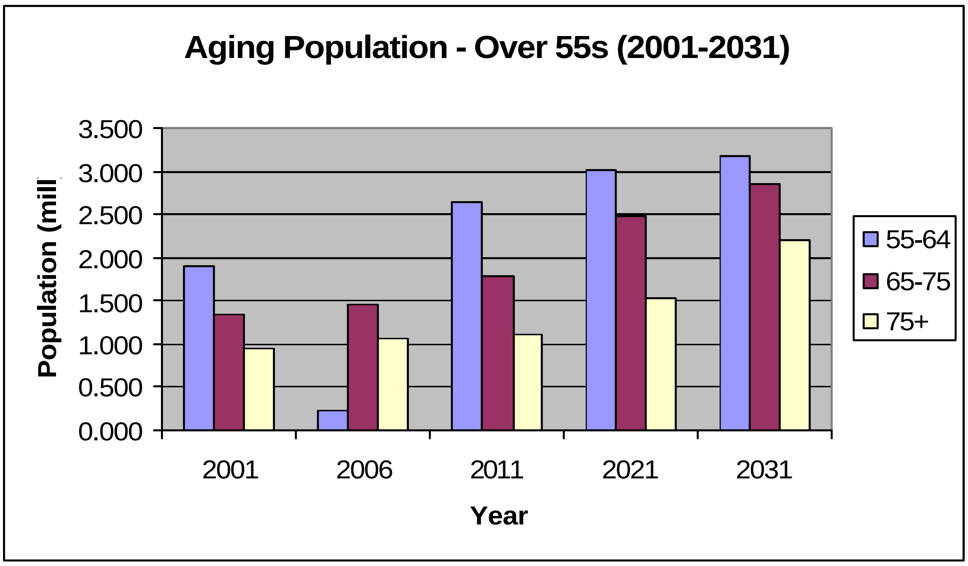
In the funeral sector, feedback from employers has indicated an increase in cremations, greater specific services tailored to cultural groups and growth in "one service" business models. In addition, an increase in imported products and the impact of low cost funeral markets will put greater pressure on this sector[13].

The hospitality, beauty, hairdressing and floristry sectors in particular face increased pressure from rising demands of consumers. Consumers dictate what they pay for services and, in hairdressing in particular, large salons can remain competitive however micro businesses must try to compete on a pricing and skills level. In the floristry sector, pressure on profit margins, the ongoing competitive nature of the business and the impost of the growers markets all impact the profitability of the businesses[14].

Demographic drivers

The service industries, particularly the retail, hospitality and culinary sectors, are shown by Industry Risk Indicators to be highly vulnerable to changing demographics. Two key determinants of an industry's risk profile are relative levels of retention/turnover and reliance on a steady flow of 'young' labour, which is in decline. Between 1998 and 2016, Australia's population is forecast to increase by 3 million people, or 16% with 94% of this growth is predicted among people aged over 45 years of age[15]. More specifically, between 2001 and 2031 those aged between 65-74 years of age will have increased by 113% and those 75 years and older by 131%. This will contribute overall to the 55+ age group making up 33% of the population in the year 2031 (see Figure 2).

Figure 2: Aging Population



Source: Macro Economics, 2006

In Victoria specifically, the age groups of 60-69 years, 70-84 years and 85+ will experience a cumulative rise of 217% from 2001 to 2031. This will mean in 2031, people aged over 60 years will make up 29% of Victoria's population. The movements in population will lead to considerable workforce changes, pressure on economic growth and increased pressure on Government spending[16].

There were 132,300 deaths registered in Australia in 2003. This figure is set to rise significantly from 2015 when the first baby boomers reach 70[17]. Some stakeholders within the funeral sector predict the death rate to increase 10 – 15% to 2015 while sector data states that growth in the industry will be stable for the next 5 years[18].

Additionally, Australia's aging population will drive consumer spending and turn the baby boomers into the fastest growing, most powerful and highly lucrative, yet overlooked, group of consumers in the nation[19]**.** Greater demand by this segment will be placed on services such as community pharmacies, as the baby boomers age, and health and complementary medicines become a priority.

> The aging population and the decline in the percentage of young people in the workforce will lead to an increased emphasis on retention strategies.

The aging population and the decline in the percentage of young people in the workforce will lead to an increased emphasis on retention strategies and being an employer of choice. Within the service industries, the aging workforce combined with low retention rates and the shift in young employees' expectations and attitude to work will put further pressure on labour markets. This changing attitude, particularly from the Generation Y employees, includes a perception of not what they [as employees] can do for the company, but what the company can do for them. In the travel industry, as fewer younger people are being attracted to work in the sector, independent agencies as well as franchise chains are at a higher risk of as lose a large percentage of members. Within many of the service industries, the reluctance to take on workers with little or no experience acts as a catalyst for them to move to other industries[20].

Increased community wealth will lead to a rise in leisure purchases, especially from the affluent, newly retired baby boomer lifecycle segment. This segment is the wealthiest, highest educated and healthiest segment to ever move through the Australian population. The product and service demands of this segment as they move from "do it yourself" (DIY) to "do it for me" is resulting in significant growth in the personal services sector, particularly areas such as beauty.

A significant trend is the integration of health and beauty retail. As one of the largest retail segments, health and beauty retailing in Australia amounted to $8.8 billion in 2004, up 13 percent on 2003 and representing 4.8 percent of total retail sales for the year. Technological innovations, new product developments and increased household consumption expenditure on cosmetics, perfumes, soap products, other toiletries, medicines, medical aids and therapeutic services also underpin this industry growth[19].

Social drivers (incl Values and Attitudes)

Community perception of the service industries is currently that many service jobs are "staging posts" prior to the determination of a career direction, creating the "transitional" component of the service industries workforce. This perception, when combined with the low wages and long, inconsistent hours attributed to the service industries, creates a barrier to entry as well as contributing to high staff turnover and increased training costs for employers.

There is a need to counter the perception that employment in the service industries, particularly in tourism and retail, do not offer a career path and opportunities for advancement. Strategic marketing initiatives have been developed to assist to counter this perception, but are yet to have a significant impact on the younger, emerging workforce.

General lifestyle choices will also drive the changing business environment; for example, the shift toward eating at home for a special occasion and eating out more regularly.

Traditionally, when consumers have lower disposable income, spending on products within the service industries is often the first to be reduced. Recent Sensis consumer surveys have shown that at 78% home cooked meals are more popular than takeaway at 10% with only 9% of the survey respondents citing that dining out was a more popular choice[21].

Technological drivers

The use of technology within a business enhances the goals of the business through increased and improved efficiency, business partnerships and transactions. Technology will also allow a business to reduce costs, expand markets and will enhance the overall customer experience. The internet will continue to provide increased global marketing opportunities for businesses, irrespective of their size, and will enhance the development of a global market place immensely. From an employer's perspective basic computer knowledge is essential to remain competitive.

Increased use of technology has been particularly evident in the retail sector, with higher uptake of consumer focussed e-business tools in retail and technology driving growth in the food service industry. Supermarkets in particular are using technology to assist in merchandising, distribution and sales. Examples include: advanced barcode technology, self checkouts, self scanning hand sets and universal scanners which will total the bill and automatically deduct payment from the nominated account. The increased use of online grocery shopping services may lead to reduced traditional staffing roles[22], although online shopping hasn't been embraced across all retail sectors. The internet continues to create new demand for online processes in the tourism industry for information and booking services e.g. touch screen information ports used in visitor information centres[5]. In 2005, 63% of all internet users across Australia gained travel information via the internet, while 29% used travel agents. Additionally, caravan park marketing and operations have needed to become more sophisticated to accommodate the demand for on-line enquiries and bookings. Caravan parks have been slow to take up "business to business" e-technology.

In the hospitality sector, new products and innovations and trend setting kitchen equipment are changing the service environment. Food safety is a particular growth area as equipment is required to be more cleanable, reliable in temperature readings and safe. Within both the retail travel and hospitality sectors the 'people element' is still popular and critical to the success and function of the service. As fully automated systems have the danger of a loss of creativity, it is suggested that this technology will not replace trained staff[23].

In the floristry sector, the number of sales that are conducted online is substantial and has lead to an increase in overall sales and online floristry businesses. In the gaming sector, trends in the increase of internet gaming, the introduction of Betfair and automated gaming systems may lead to less staff being required at gaming venues**.** The merging of the beauty and medical industries is also driving a need for specialist skills within the beauty sector for the operation of highly technological medical equipment within beauty salons e.g. intense pulsed light hair removal systems and dermalogical procedures.

The traditionally slow uptake of technology within some sectors can be seen as a direct symptom of a conservative approach to new technology, often as a result of a lack of knowledge and understanding, and the high proportion of small businesses in the sector. Therefore, a requirement for increased awareness of innovations and new technologies within the service industries is apparent[24]. Those SMEs keen to remain competitive will need to adapt elements of e-commerce across their businesses.

Environmental drivers

Extreme environmental events, such as bushfire and drought, are common in Victoria and are often naturally occurring and uncontrollable. The consequences of these events to the service industries are substantial. Although often not preventable, the outcomes of an event such as the 2006 Grampians and Gippsland Region bushfires can devastate an entire community, its industry and therefore employment of locals.

Climate change is increasingly becoming a very real environmental issue globally. It is now widely accepted that the planet is becoming warmer through increased human activity, sea levels are rising and we are experiencing more volatile and unpredictable weather[25]. Environmental sustainability will become increasingly significant for business, as a cost issue, as a consumer demand issue and as businesses commit to environmental sustainability as a business principle. Dealing with related issues such as drought, water and energy restrictions and managing waste will also become a key feature of the skills required by all service businesses.

Increased business and community awareness of environmental issues and sustainability is, in many regions, viewed as integral to the success of the service industries. This is manifested in, for example, the growth of nature-based/eco tourism operations and the adoption of environmentally friendly policies by supermarket chains. These developments, in turn, improve awareness in the community even further. The effects of climate change, if not combated effectively and on a regional, national and international scale, will have most effect on the tourism industry. Attractions in Australia such as its distinct wildlife, diverse natural landscapes and marine environments are already threatened and if lost, will result in catastrophic outcomes for the tourism industry and in turn, the hospitality and retail sectors.

> Increased business and community awareness of environmental issues and sustainability is viewed as integral to the success of the service industries.

Additionally, in the tourism industry, in order for the growth the industry is experiencing to be maintained there needs to be a willingness to invest in initiatives which support the development of alternative fuel technologies for airlines. Some airlines, such as Virgin Blue, are setting fuel emission targets and changing operational processes in order to be sustainable[26]. As carbon taxes become a reality, such initiatives will become imperative.

The retail sector has lead the trend in re-usable bags to replace plastic ones, with the process being in place in all major supermarkets, and many independent ones, across Victoria. Implications from this trend are requirements of businesses to provide training and education for customers and employees regarding OH&S issues such as not over filling and proper handling at the register.

Water shortages are a major driver of the sustainable practices of all sectors in the service industries. In 2005, Australia recorded its hottest year on record and in Victoria high monthly temperature averages in 2006, combined with 'very much below average' rainfall for the year, continue to put pressure on water resources[27]. In the caravan industry, drought has already had a marked effect on caravan parks situated on lakes, rivers and wetland areas. Many of these businesses are in areas where vineyards and other such enterprises have been established, and the increased demand for water has further reduced lake levels traditionally used for recreation. A number of these caravan park businesses will fail unless lakes increase in their water levels[28].

In order for the service industries to become competitive on a consumer level as well as sustainable environmentally, no sector can afford to ignore the effects of water shortages. Tourism, hospitality and retail will all be affected by water shortages with regional tourism a major concern. In the floristry sector, water shortages and restrictions will impact directly on quality of flowers and cost of purchasing them.

> Tourism, hospitality and retail will all be affected by water shortages with regional tourism a major concern.

Sustainable planning, water saving practices and the implementation of environmental policies within business plans are essential for every business in the service industries from micro businesses to large organisations.

Workforce drivers

The trend toward a more globally mobile workforce is already, and will continue to have an impact on employment and skills needs in the service industries. The emergence of a more transient workforce that has transferable skills is imminent, brought on by the demographic and social changes within Australia, the region and the world. This will create an increased requirement for national workforce policies to accommodate these changes through flexibility in the migration of workers and the transferability of skills.

Other drivers that will increasingly influence the service industries employment, training and skills environment are the introduction of longer trading hours, competition with other industries for skilled labour, multiple job handling, the increasing availability of labour hire and the trend for people to remain in the workforce longer, but in varied roles, industries and locations.

Major drivers that will affect the service industries workforce composition is the move towards casual and part time work arrangements and away from permanent work (see Figure 3) as currently half of all the casuals in the Australian workforce work in the service industries[29]. Examples of these shifts in employment arrangements can be seen in the tourism and hospitality sectors with major shifts in the composition of the workforce. In August 2003 the number of part time employees in the industry was almost 53%, up by 10% from 1987-88. Within the Tourism sector, Tourism Alliance Victoria (2006) reported that of their surveyed members, 69% of respondents indicated that casual positions were the most difficult to fill[30].

In 2003, part time employment within the service industries, as a proportion of total employment in the sector, was highest in the food-retailing sector (68.7%) followed by tourism and hospitality (52.9%) and retailing (51%)[31]. Some retail companies, on the other hand, are aiming to reduce the number of casuals they employ and increase the number of permanent employees, as retention and cost reduction strategies.

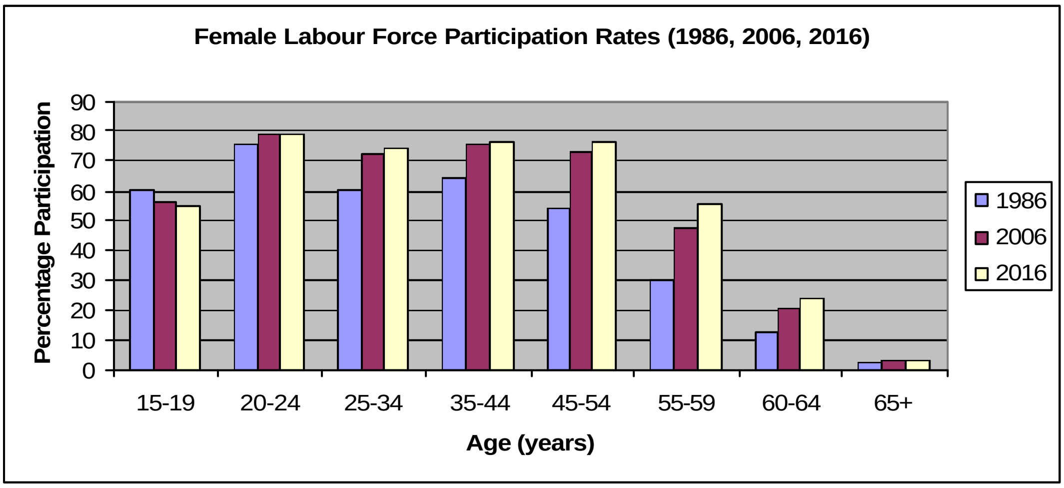
Half of all the casuals in the Australian workforce work in the service industries.

Figure 3: Labour Force Structure - Casualisation of the Workforce

Source: ABS Labour Force Projections, 1999-2016

As labour supply becomes critical, the segments that will be the focus for increasing participation rates will be the under employed, older people and women re-entering the workforce (see Figure 4).

Figure 4: Female Labour Force Participation Rates (1986, 2006, 2016)



Source: ABS Labour Force Projections, 1999-2016

More than 80% of projected growth in the labour force to 2016 will be in the 45+ age group. The least wealthy 40% of the baby boomer segment appear to hold less than 7% of all wealth held by those aged 65+ years thus they will be required to continue to work. This segment has also been proven by new research to be willing to participate in training as well as personally investing in their skill development[32]. The research reported that 66% of 40-60 year olds have completed some form of training that will assist their career path.

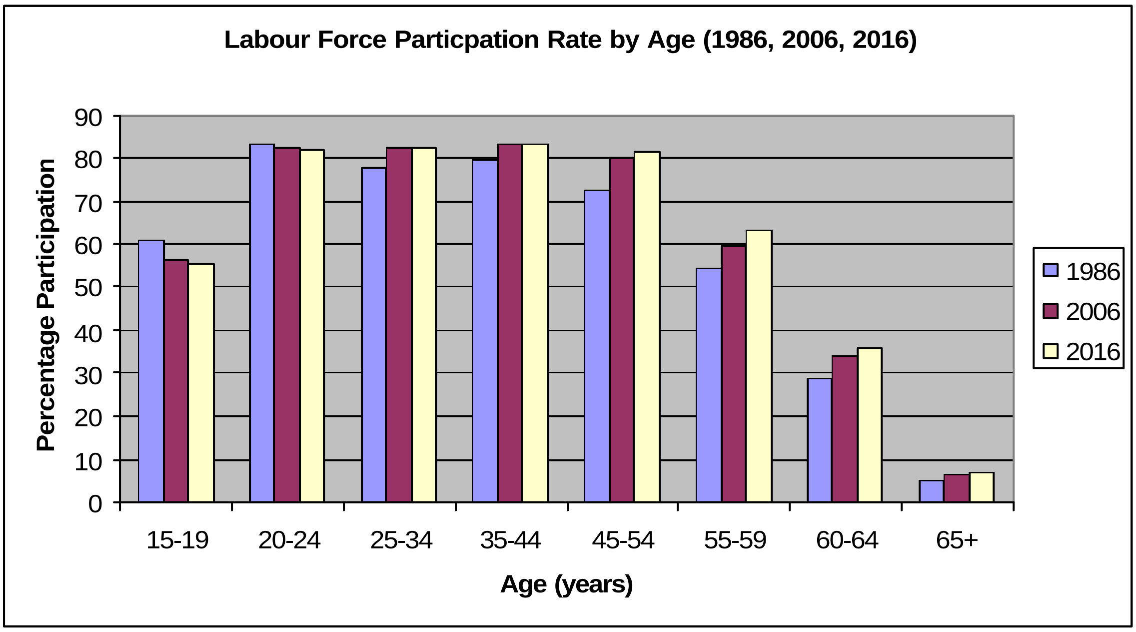
Older workers re-entering the workforce could be a great source of skilled labour, however, this group may encounter problems of not being hired due to work cover issues. Many age pensioners, however, may have no choice but to work part-time as they will only be partially superannuated. Attracting seniors to the workforce will increasingly depend directly on their wealth as of those in the 55+ age group in 2031, 45% will not be superannuated. This segment therefore will be a major source of labour for the service industries over a 20 year period. The funeral sector is expected to directly benefit from the growth in the older workforce as employees in this sector are required to be experienced & mature[13].

The way the workforce is managed will require increased flexibility to allow these groups to fill skills gaps, a need that will have to be addressed through changes in government policy and employer attitudes. In order for employers to create opportunities for the groups 're-entering' the workforce, there may be a need for government assistance, such as removing the requirement to withhold income tax at marginal rates on second jobs.

In order to re-engage workers into the service industries, the attitude of employers toward the expectations of their employees will also need to change. With increasingly sophisticated consumers, employers are expecting employees to be able to relate and communicate effectively with the consumers, often with little or no training. This approach will need to change.

Although experiencing record low unemployment levels, labour force participation rates in Australia are low compared to other countries, particularly amongst women with families and those aged over 55 years[30]. Over the next ten years, participation in the workforce by the 55-59 year old segment will grow considerably, which will assist labour shortages (see Figure 5).

Figure 5: Labour Force Participation Rate by Age (1986, 2006, 2016)



Source: ABS Labour Force Projections, 1999-2016

Other areas of concern are that the skill shortages plaguing the service industries are set to continue in the key service sectors of hospitality and retail. On a management level, demographic changes will result in the majority of entry level employees being in the "Generation X" subset, however, a high percentage of employers and managers will continue to be in the "Baby Boomers" segment. Therefore, an emerging need will be ensuring managers are adequately trained to be effective in the complex task of leading employees who span across generations.

Attraction and retention of skilled labour will remain an issue for the service industries in the future. These key elements of a successful and productive workforce are influenced greatly by many factors, including remuneration and leave entitlements[31]. Specifically, attraction of younger workers into the services industries will be a key challenge as sectors will need to meet the different needs of the younger generations.

> Attraction and retention of skilled labour will remain an issue.

The trend toward improved work life balance is reflected in the increasing recognition that workers have families, responsibilities, interests and aspirations. For example, a survey of members by the Shop, Distributive & Allied Employees' Association (SDA) in 2005 revealed that 9% of members wanted to work fewer hours, mainly for study and family reasons. It should also be noted that, in the same study, 32% of members indicated a preference to work more hours, largely in order to earn more money. In the floristry industry, the requirement of extended business hours to remain competitive may be hampered by remuneration not matching those hours and employees seeking higher remuneration for their time.

Government intervention and development policy drivers

Statutory changes that affect the service industries such as IR legislation, new and/or changed licensing requirements, OH&S, migrant VISA requirements and duty of care obligations will continue to have significant impact on workforce arrangements and work practices and processes. The Victorian funeral sector for example is facing sweeping changes due to a recent parliamentary inquiry into the industry. The outcome of the inquiry may impact on the level and types of skills needed across the funeral sector, as well as addressing issues such as the take up of training. Additionally, increases in unnecessary regulation remain a burden on small businesses. Although some areas of government have acknowledged the difficulties associated with over regulation, proactive strategies to reduce this burden are required.

Public infrastructure investment is a major driver of tourism and retail growth. Developments in Victoria such as the Geelong bypass, Frankston freeway and the new convention centre in Melbourne will allow further growth in the Great Ocean Road, Mornington Peninsula and CBD areas for service sectors. Government assistance in attracting private investment to regional areas will be essential as the growth in the tourism, retail and hospitality industries will require approximately $69 billion of private investment Australia wide over the next ten years to be sustainable. Without this level of investment in infrastructure, the industry and employment growth will be hampered, resulting in a lower economic contribution from these sectors particularly in regional areas.

> Attracting private investment to regional areas will be essential for industry and employment growth.

Government and industry based strategies such as the “Maintaining the Advantage: Skilled Victorians” government initiative, the 10 Year Tourism & Events Industry Strategy, Victorian Tourism Industry Professionalism and Excellence Initiative and the Melbourne 2030 Strategy are drivers for the service industries. In particular, these strategies help to drive the development of retail projects for designated growth corridors in Victoria. Major shopping centre operators are using this strategy as a blueprint for future planning and development within growth corridor areas.

Work Choices legislation is likely to encourage more non-award based industrial arrangements. In areas dominated by small business, it is more likely that such arrangements will involve cashing out entitlements and less likely to provide entitlements such as penalty rates and paid maternity leave[33]. Whilst some sectors of the service industries, notably retail, are characterised by some large corporate operators, by and large the industries are dominated by small businesses employing staff on relatively low wages. In this environment, it can be expected that, despite record low levels of unemployment, wage levels will remain low and businesses will have more opportunity to introduce flexibility into industrial arrangements. Such an outcome will make the resolution of labour and skill shortages even more complex.

Welfare to work government policies are intended to increase the accessibility and number of single parents and disabled people in the workforce. This segment of the workforce is attracted to the service industries due to the perceived flexibility available and (in some situations) the low level of qualifications required and will require specific training, support and management processes to be retained in the service industries. These policies have already seen a significant shift of people from welfare to the paid workforce.

In July 2006, the Migration Regulations 1994 were amended to increase the amounts of time that the holders of both the Working Holiday (Subclass 417) and Work and Holiday (Subclass 462) visas will be able to work and study. The changes now allow the visa holders to work with the same employer for a period of six months, from the previous 3 months. Under the changes, the study training limitation was extended from 3 months to 4 months. These changes will ensure that relevant employees are able to be retained in an industry for up to 6 months with the one employer contributing to productivity and skill development. Additionally, changes to the Temporary Business and Employment visa (Subclass 457) introduced in April 2005 allow the visa to be applied for in Australia or overseas, making the process easier for both applicants and employers and providing a simplified pathway for Australia’s services industry to gain skilled labour from overseas, in the absence of domestic short term solutions.

A concerning trend that is emerging, particularly in the hairdressing and cookery sectors, is the use of the Student Visa, Vocational Education and Training (Subclass 572) to gain entry into Australia, with a significant number of holders having no intention to continue working in the industry in which they are trained. This is a rare example of immigration compounding the skills shortage issue by people using certain qualifications in the vocational training system to gain residency then leaving the industry. The end result is the allocation of significant training resources with no impact on skill shortages.

> A greater priority needs to be given to international aviation policy development and advocacy to deliver more direct flights to Victoria.

The tourism industry, including the hospitality and retail sectors, is highly dependent on convenient and frequent air access for domestic and international visitors[5]. In Victoria particularly, tourism growth has been stunted by the federal government's strict open skies policy which has prevented some overseas carriers from landing in Melbourne, resulting in frustrated promotional campaigns and restrictions on the supply of potential tourists[34]. The recently released 10 year plan for Tourism in Victoria states that "70% of Victoria's tourism growth over the next decade is forecast to come from international markets, so increasing the number of direct international flights to Melbourne is obviously critical to our tourism success"[5].

Within the gaming sector, a major trend to impact the Victorian services industry is the de-regulation of gaming venues in other countries, especially within the Asian region. This will impact the Victorian gaming sector as the attraction of gaming venues such as Crown Casino may not be as strong to those markets.

Recent changes to the Casino Control Act in Victoria will require all businesses with gaming table and gaming machines to have staff undertake the Responsible Service of Gaming course, as well as additional learning outcomes. This will mostly affect clubs and pubs with gaming machines, with courses for new staff required to be completed within 6 months of employment and all existing staff to undertake refresher courses every 3 years. The compliance requirements to work in the gaming sector, although an excellent means to ensure staff remain current and competent in industry practices; will not be consistent between states. With an increasingly mobile workforce, this will only hamper the sector's access trained staff Australia wide.

The introduction of smoking bans in Victoria in July 2007 will also have an effect on the gaming, hospitality and tourism industries. The law will disallow smoking in enclosed licensed premises (including gaming rooms) and some outdoor dining or drinking areas, depending on coverage and size. As a result of these new laws, training for employees on the new laws and the enforced restrictions will be required.

Geographical and regional drivers

Increasing community wealth, particularly concentrated in the baby boomer cohorts, and consequential demand to visit/live in coastal areas is creating major growth corridors along the Surf Coast/Geelong and Bass Coast regions. This will lead to greater demand for services in these regional areas as local business and investment opportunities arise especially for retail. In turn labour demand will be concentrated within, and around, these areas creating increased employment opportunities and a need for skilled labour.

In 2003/04 tourism was worth $3.4 billion to regional Victoria's economy, 31% of the state's total tourism output and employed 61,000 people, or 0.24% of the total Victorian workforce. This represents a 27% increase from 1997-98. The Great Ocean Road and Mornington Peninsula regions are experiencing the highest growth in employment, as shown from their share of direct tourism employment growing by 21.5% and 24.1% respectively from 1997-98 to 2002-03[19].

The forecast for growth, not only in these two high performance regions, but state-wide is strong. The tourism and retail sectors are viewed as major contributing factors to the regeneration of regional areas through the creation of partnerships between other local businesses, organisations and people and, more directly, through the creation of jobs. In the Wodonga, Mildura, Wimmera, Grampians and the Bendigo regions retail trade accounts for 15-17% of employment, however these regions are consistent with the others in Victoria in that retail positions, especially casual, are the hardest to fill.

Regional development and employment growth may encourage younger people to remain in regional areas and contribute to their local area with a consequent requirement for flexible training delivery to accommodate the demand for a skilled service industries labour force. The accessibility of training for younger people in regional towns and rural areas is a concern of the service industries in regional Victoria.

With low accessibility to training facilities near the regional towns that are in need of trained staff, younger people are forced to move further a field to seek training and often do not return with their skills. In regional and rural areas, tourism business development and expansion in particular are being hampered by staffing issues[30].

Q2. What are the industry and enterprise responses (now and in the future) to the impact of these change drivers?

Economic drivers such as globally competitive markets coupled with an aging population, low labour force participation rates and a continual increase in consumer service expectations will create greater pressure for industries to increase productivity gains through innovation.

The underlying motivation directing enterprise strategies to respond to change drivers is essentially to maintain and improve the competitive position of the business within its domestic and/or international market. Sector strategies share a similar aim in that they are essentially directed to minimise the influence of domestic and/or international market distortions which threaten the continuing viability of sectors within the service industries.

The implementation of such strategies can vary somewhat in the response to particular change drivers by various sectors within the industry. Some of the smaller sectors of the service industries are largely reactive to external influences, tending to respond to the immediate rather than having a cohesive approach to problem solving.

Changes in business practices and investment

There is substantial growth in franchises and, according to a 2003 report by the University of Sydney, "The growth of the franchise looms as a possible major development over the next 10-15 years, spiking demand for non-owner managers and supervisors, and forcing owner/managers in family and partnership-run operations to improve cost efficiency and service". This has been driven, particularly in retail, by a competitive market place and the need to achieve ever greater business efficiencies. In the caravan and tourist park sector, there has been a steady increase of participation in cooperative and franchise marketing groups to attract consumers away from other forms of holiday accommodation.

> The service industries are made up of a mix of traditional and new business models.

Rationalisation in some sectors such as retail and hospitality will continue as competition increases in an already crowded market place. In addition to rationalisation some medium to large enterprises are focusing on niche products and services and seeking more cost-efficient management structures through expansion to multiple service outlets (under separate or common brands) eg Coles Myer/Woolworths. Major companies are also diversifying into other retail sectors outside of their traditional areas as a means to grow their business and compete eg Woolworths' expansion into pubs and liquor with it's acquisition of ALH (Australian Liquor and Hospitality).

A significant trend developing both globally and in the Australian health and beauty sectors is the steady growth in market share enjoyed by supermarkets. Stimulating this trend is supermarkets' increasing range of, and shelf space made available to, health and beauty products. Growth in supermarket market share has been assisted in recent years by a reduction in the legislative controls governing the sale of health and beauty products. The major supermarket chains are further pushing the Federal Government to reduce these controls to make pharmacies an integral part of their retail format[19], although recent decisions have prevented such a move, at least for the time being.

In the tourism sector, the high consumer demand for diversity in product and price has lead to lower end accommodation investing in a variety of options and facilities to gain market share. An example is tourist parks installing greater numbers of cabins in order to provide weather-proof holiday alternatives for consumers. Increases in trends such as this are a response of industry to lessen the seasonal effect of the market and flatten-out income streams. Additionally, investment in infrastructure in response to the growth in tourist numbers and demand for special events will support the projected growth in the tourism, events and retail sectors.

Environmental awareness and the adoption of sustainable business practices are becoming more apparent across the board, particularly in service sectors heavily reliant on environmental assets. This is in response to market demands and as a reaction to compliance requirements. In order to remain competitive in the face of these drivers, service industry businesses are increasingly implementing environmental strategies and undertaking planning and education for staff and customers. The design of new accommodation, in particular high end market hotels, is also changing due to consumer and environmental pressure, an example being the phasing out of spa baths in hotel bathroom design due to their high water usage. As environmental and energy efficient products and destinations become more preferred by the market, adaptation by the industry may result in small business instability with risk of failure and increased consolidation.

Sophisticated recruitment and retention strategies are becoming a major business priority, mainly for large employers. These companies have recognised this as a key challenge for the service industries and are implementing improved people management systems such as performance management, succession planning, vertical and lateral movement, reward and recognition, feedback on performance and structured career planning strategies to retain their staff. Accor Hotels are combating the attraction and retention issues for their hotels through the introduction of a 12 month Graduate Management Traineeship where graduates are fast tracked into management training through the completion of studies and paid on the job training.

In the housekeeping sector, there is an increased use of contractors to provide staff as a response to labour shortages and leading hospitality staffing agency Compass Group are moving away from using agency staff, having established their own internal labour hire company as a more cost effective resource. Labour shortages have increased overseas labour sourcing in hospitality, particularly for trade chefs, due to industry image and demographic and workforce changes making it difficult to attract and retain staff in this discipline.

The service industries lead in customer service and other “employability” skills, and are beginning to utilise these high standards as a competitive advantage against other industries when competing for the young, diverse and increasingly transitional workforce of the future. An example of a sector strategy that aims to harness this advantage is the “Tourism Excellence Strategy”[35] currently being developed in the tourism sector.

Compliance with increased government regulation is becoming a more significant issue across the service industries. Due to the high proportion of small businesses, owner/operators traditionally have difficulty in effectively conforming to complex legislation and regulation. As the industrial regulation arrangements increase flexibility, trading hour extensions and non-award staffing arrangements will subsequently affect business practices and management techniques. In order for businesses within the service industries to support growth, responses will need to include increased pressure on governments to support consistency in laws across states e.g. Responsible Service of Alcohol, Responsible Service of Gaming, S2 & S3 drugs sales and food safety requirements. Industry pressure will also increase on government to change aviation policy to support the tourism, hospitality and retail sectors.

Employers’ responses to the current trends in the Australian labour force include heavy investment in professional development of staff and volunteers, as determined by the needs of the industry and visitors, specific and ongoing volunteer training and professional development, and the increased awareness of and participation in workforce development initiative such as the Melbourne Airport Developing Tourism Leaders

Awards. Crown Casino has increased investment in specialised trainers, for example culinary chefs, to mentor and train cooks to become chefs.

Increased industry and RTO linkages and external relationships are also emerging as a direct means to source employees, provide services and maximise funding opportunities. An example is Caravan Industry Australia linking with an RTO to provide specialised caravan park industry training, and an organisation which utilises an RTO in addition to providing recruitment services to the caravan park industry. Compass Group is also using external relationships to combat skills shortages, with a partnership arrangement with a Melbourne TAFE to deliver a traineeship program nationally, as well as currently investigating pre-employment programs in each state for operational needs.

Service/production methods

Enterprises, particularly in retail and hospitality, are embracing technology as there is a growing recognition that technology can lead to greater efficiencies in work practices and enhanced customer service experience.

Technology will continue to have a profound impact on the service industries resulting in changed work processes and practices, for example, within the gaming sector, there is an increase in hybrid games through technological innovation i.e. a blend of gaming machines with table games, leading to a reduced need for staff and increased productivity for gaming venues. Technological developments will also have implications on the labour market and training, especially in the area of skills related to the application of new technology in the work place. Additionally, the ability of workplaces to train staff and undertake human resource functions online eg annual leave and pay slips will have subsequent effects on staff training and business operations. The community pharmacy sector is showing an interest in vending machines that would allow consumers to pick up prescription medicines outside normal operating hours[19]. Within the hospitality sector, the increased consumer demand for available technology in hotel rooms will result in further outsourcing for IT support and training of staff. The growth in the use of the internet to place orders may reduce the need for shop fronts in floristry and other specialised retail sectors.

> New supply chain initiatives will mean a greater focus on skill development.

The impact of innovation and technology in logistics is, in turn, having an impact on the wholesale, retail and hospitality sectors. Major retailers and hospitality operators are outsourcing to specialist logistic companies and therefore reducing stocks throughout the value chain. This is creating a 'just-in-time' focus where easily transportable items such as groceries/fresh goods, textiles, clothing and footwear are being delivered directly to the shop floor, when required, and not stored in intermediate warehouses. These new supply chain initiatives will mean a greater focus on skill development in areas such as relationship and contract management for those working within these businesses. This will also see the integration of the wholesale sector into retail at one end of the value chain and distribution and logistics at the other.

Retail travel is undergoing changes in the structure of existing distribution services, due to a more competitive online environment and merging sectors such as wholesale and retail. Some travel agents are responding to this challenging environment by focusing on niche markets such as the packaging of specialised tours and having a greater role in the provision of the product. This new role will demand a broader coverage of specialist skills in managing destination marketing, mainly through web networks, customer service and business management.

Increased consumer sophistication and a culturally diverse workforce will lead to changes in service methods for the industry, across all of the service sectors. This will lead to investment in human capital according to specific needs of sectors, their consumers and the composition of their workforce. An example is the Melbourne City Ambassador program, where a varied workforce across generations and cultures applies tourism knowledge and skills to assist the Melbourne tourism and retail sectors.

Workforce organisation

There has been a major shift in labour workforce arrangements away from full-time, standard hours and permanent work to part-time, casual, contract, temporary and other working arrangements. These arrangements allow some businesses, most notably SMEs, to have greater flexibility in staffing and to enable better yield management to hedge against unforseen downturns in the market.

Reliance on casual employees in the service industries is most often due to employers seeking to achieve both labour flexibility and the filling of job vacancies. In the hospitality sector, the trend toward a higher proportion of casuals in the workforce has significant implications for training effort, cost, turnover, company loyalty, brand and productivity[36]. These trends can be viewed as consistent across the industries.

As the population ages, the Australian labour market tightens and skilled labour is sourced from overseas, industry sectors will have to manage the increased generational and cultural diversity. The industry response to combat this trend will include the introduction of succession and career planning models, intensive training for both inexperienced staff and management staff as well as increased marketing efforts to both attract and retain staff.

Employers will also increase their partnerships with casual labour agencies, or develop their own, engage contractors to avoid direct employment costs, seek more sponsorship opportunities to engage overseas workers and offer flexible labour arrangements and management approaches. In the retail sector low unemployment levels and a lack of suitably qualified local candidates are driving employers to look overseas to fill vacancies in growth areas such as merchandise planning and buying. In hairdressing and cookery, candidates for permanent residency are using the training system to get the points required to gain long term entry to the country, but then pursue employment options outside the industry, thus not helping to alleviate skills shortages and testing the confidence of industry in the system. The development and use of successful apprenticeship and trainee attraction and pathway models will also be sought by employers in the events, caravan and hospitality sectors as a means to source and retain competent labour.

The service industries are well positioned to attract the youth cohort due to their ability to provide flexible work arrangements. Some businesses and industry associations recognise this opportunity and are developing workforce strategies based on an "employer of choice" concept, targeting Generation Y. There are however some exceptions, for example the funeral industry sector, which because of its operational nature seeks to primarily attract mature-aged people into its workforce.

Trends toward home based employment are also growing within some service sectors. This is particularly evident in hairdressing and the retail travel sectors. A major travel company, Harvey World Travel announced in 2005 that it was actively looking to employ home-based consultants in order to increase its network sales volume. This 'in-house workforce' concept is becoming a more realistic option, with advances in technology helping to make this work mode a cost effective solution to increasing market pressures.

In the long term as the distinction between sectors and even industries dissolve and the connections between companies, suppliers and customers grow, pressure on future workforce arrangements is likely to emerge, with a trend towards temporary projects and work teams that come together then disband when projects/tasks are complete. The seeds of this change are already being witnessed in the retail/wholesale sectors.

Q3. What are the implications of the industry's responses for skills needs in the industry (now and in the future)?

The need for efficiency and innovation will drive industry demand for a highly skilled workforce, which will in turn drive demand for ongoing training and retraining with high quality outcomes. The strongest drivers for skill development will continue to be innovation, product and service quality and ensuring service conforms to enterprise standards and provides a competitive advantage. Skill gaps within the existing workforce, in areas such as e-business, are becoming prevalent as industry embraces rapid changes and training packages evolve accordingly.

According to a state-wide tourism operator survey conducted by Tourism Alliance Victoria in 2006, 66.7% of those surveyed stated that the issue of skills shortages is greater than the issue of labour shortages. Of more concern from an industry development point of view is that 61.9% stated that they do not use Government training or employment schemes. This increased to 68.8% in metropolitan areas[30]. Businesses surveyed stated that skills gaps identified are evident in the areas of multi skilled workers, wine knowledge and also have problems with the retention of apprentice chefs.

Skill development will become a high priority business strategy.

Strong growth of the service industries together with increased global competition and demographic challenges will compel industry and individual businesses to make skill development a high priority business strategy and to engage in training to increase productivity and retain staff. There is a weight of evidence to support the notion that when employers invest in developing the skills and knowledge of their employees, attrition rates decline. There is a particular opportunity for training to play a greater role in assisting industry to address retention issues for example in Human Resource (HR) training for small business.

An aging workforce and increased competition between young entrants into the workforce in other industries will result in businesses promoting the fact they are flexible employers as "employers of choice" to the youth cohort. Equally, there will be widespread focus on the recruitment of mature age workers. Skills recognition for these older workers will become a common requirement and recognition services will be in high demand by industry.

The frenetic pace of change may mean that some skills will not stay relevant for long, especially those which entail specific product knowledge and technology. Therefore training will need to be more dynamic and focus on the application of skills and knowledge.

Service sector demands for higher level skills will grow.

Enterprise demands for higher level skills will grow in the areas of change management, project and contract management, marketing, relationship management and innovation. Change management skills are critical for businesses to adopt new working models to cope with pressures such as the ageing workforce, environmental changes and workforce legislation. Employer expectations of entry level training and skill requirements will rise, due to the service industries requiring multiple skills and higher customer service focus, to gain competitive advantage. Skill demands and expectations are especially high in the area of people management skills such as attraction, recruitment and selection, performance management, succession planning, reward and recognition. Additionally, increasing rates of pay in many industry sectors will assist businesses attract and retain quality staff. Further, few sectors in the services industry have defined career paths. Businesses that offer poor working conditions and remuneration for staff relative to other industries, and have no defined career path, will have higher staff turnover rates, in turn putting pressure on costs and sustainability.

Rapidly changing services and production methods are creating a trend toward a "decreased skill shelf life" leading enterprises to place less emphasis on recruiting people with existing technical skills and/or specific product knowledge. Essentially businesses are focusing on labour, capable of being deployed across multiple job roles with underlying technology, project management and customer service skills. The recruitment focus will be on generic skills applicable across sectors; these include "employability" or "soft" skills (communication, teamwork, problem solving, relationship management, initiative and enterprise, planning and organising, self management, capacity for continuous learning and application of technology). The merging of the wholesale and retail sectors has already resulted in the integration of the two training packages, a trend that can be expected to continue in the qualifications offered within the retail package.

Legislation and regulatory requirements will continue to significantly drive skill demand, particularly in community pharmacy, tourism, hospitality, retail, beauty and funerals. In a study, conducted by The Allen Consulting Group on skill development in large enterprises, business compliance remained a key business driver and priority.

Legislation and regulatory requirements will continue to significantly drive skill demand.

Currently in the service industries, the main shortages are in the areas of traditional trades i.e. hairdressing and commercial cookery, although there are also shortages in other occupational areas including food and beverage service and beauty. Shortages in all these areas are partly due to these sectors' rapid growth and, in the case of cookery and hairdressing, a move away from the traditional trades as a career option and low uptake of apprenticeship pathways. This is reflected in the growth of traineeships (generally non-trade areas) as opposed to "traditional trade apprenticeships" which have remained relatively static, particularly in the last 4 years.

Skill shortages in tourism are substantially affected by geographic location and environmental shocks such as bushfire and drought. Shortages of skilled personnel in particular regions include the Gippsland, Central Highlands and Great Ocean Road regions. It needs to be remembered that these shortages occur across the spectrum of employment in the industry and include entry level skills such as housekeeping and hotel/motel operations. There is a greater need for business planning, marketing and industrial relations knowledge and skills in order for small businesses in the services industry to remain competitive.

Q4. What is the relative importance of changing skills sets for training provision (now and in the future)?

The "staging post" syndrome mentioned as a social driver has often been seen as the cause of a "skills leakage" from the service industries, with the accompanying analysis that resources allocated to service industries training are not optimised. As the employability skills debate gathers pace and industries recognise that "all businesses are service businesses", the transferability of service skills to other industries will be recognised as an investment in skills development across the economy.

Transferability of service skills to other industries is an investment in skill development across the economy.

Increased demand for work based learning

In the service industries there are relatively low levels of post secondary education in many areas of the workforce. Although training in AQF levels II & III will remain fundamental, changing requirements of the sectors mean that the breadth and depth of the training will continue to expand and become more complex. This is driving the demand for workplace learning, incorporating one on one mentoring as well as group learning in a workplace context.

Growth in the small business sector, non standard employment and increased transient labour may lead to more targeted training approaches. This will have implications for flexibility in training delivery. Therefore the requirement of skills to be transient and transferable and of training to be flexible and geographically accessible will be essential. Programs to assist Registered Training Organisations in the application of flexible delivery will also be required.

Accommodating the training needs of an older workforce

Institute based training currently focuses on new entrants (18yrs to 24yrs+). With changing demographics, training demand and markets will change significantly. The VET sector will be required to design and deliver courses for older workers to meet their particular requirements such as management of the diverse range of students of varying age and training backgrounds and flexible course delivery to fit older people's more complex adult lives. Formal recognition of prior learning (RPL) will become vital to engage older workers in skills development opportunities provided by the VET system[37].

Industry and VET partnerships

Access to industry standard equipment will be imperative for learners to maintain currency in technical skills. Partnerships between industry and Vocational Education and Training (VET) providers will be a critical resource solution providing VET practitioners with increased understanding of new and emerging products and technologies. In addition, access to current industry equipment and practices will assist in meeting increased demand for VET to provide a simulated workplace training environment.

Up-skilling SMEs

Training for micro to medium sized businesses will become critical if they are to remain sustainable and competitive, particularly in regional Victoria. A major source of recruits for this industry is owner/manager roles. Major training needs will be in customer service and best practice, IT, compliance, risk and people management skills.

Greater portability of skills and qualifications

Industry will place pressure on the VET system to respond to an increasingly global labour market and subsequent labour mobility; greater emphasis will be placed on portability of skills and qualifications. Skills and qualification recognition systems will be critical to support mobility, innovation and the building of learning networks (informal and formal). An example of this is the European Union model, "The Europass" which is designed to support mobility of skills and qualifications across the Union. The hair and beauty industries are already moving down this path through the International Cosmetology Licensing Organisation (ICLO).

Broader definitions of RPL required

Recognition of Prior Learning (RPL) will need to integrate the outcomes of non-formal learning into the formal Vocational Education and Training (VET) systems. For example there will be an increase in vendor training (i.e. producer of equipment provides training for use of that equipment) as new technologies enter the workplace.

Growing importance of pre-apprenticeship programs, VET VCE in schools and VCAL due to demographic change

VET in Schools programs will be increasingly important pathways to alleviate skill shortages over the next decade. This approach will enable young people, particularly in regional areas, to be exposed to job opportunities at a local level to make an informed career choice. These programs will also provide local enterprise with the opportunity to promote their industry. Some enterprises within the service industries regard Vet in Schools as a priority training area and most agree that a greater priority needs to be placed on achieving consistent quality outcomes from these programs. On the other hand, the funeral, beauty and tourism sectors view VET in Schools as low priority as there are limited employment outcomes in those sectors.

Reduced barriers to training for businesses that operate nationally

The array of training jurisdictions and differing state and territory training implementation requirements faced by national companies is impeding take up of VET training. Future consideration will need to be given to reduce training implementation barriers for companies that operate nationally and to facilitate recognition of skills for an increasingly mobile workforce e.g. Responsible Service of Alcohol, Responsible Service of Gaming.

Training requirements for the services industry (current - 5yrs)
Retail (particularly food retailing) and hospitality will continue to lead the services with strong projected growth securing these sectors as the major employers in Victoria. There is a continued, and increasing, need for entry level training (Certificate II) across all sectors of the services industry. This will ensure that individuals have the base level skills required to work competently in any sector, and have the grounding to continue to higher level studies.

The specific requirements of training for the services industry, currently and over the next 5 years are outlined below, and summarised in Table 1. The training and qualification requirements have been assigned a high, medium and low ranking as to their immediate importance.

HIGH

- Hairdressing will continue to be a high training priority at Certificate III and IV, driven by the skill shortages in this field.
- Events industry requires a traineeship in order to complement the Cert II, III and Diploma in Events Management in providing on the job, entry level training.
- Certificate III in Hospitality (Commercial Cookery).
- Certificate IV and above in Hospitality (Commercial Cookery); need remains high to counter the demand for supervisory/management skills.
- There is a need for Certificate IV and above in Beauty as the Beauty sector will see an increase in practitioners becoming specialists following the beauty diploma qualification.
- Tourism and Hospitality will experience an increase in training demand not only at entry level but at Certificate IV and above in marketing/sales and events streams. Demand will be led by small to medium sized enterprises.
- The need remains high for supervisory/management skills in the retail sector, therefore in the higher level qualifications Certificate III and IV in Retail.

MEDIUM

- Greater regulation of the guiding industry increases the need for the higher level qualification Certificate III in Tourism (Guiding).
- Certificate II, III in Funeral Services: may see an increase in demand for training (although this sector is coming off a very low base) driven primarily by a possible increase in legislative and regulatory requirements.
- There is an increasing requirement for lower level training i.e. Certificate II in Floristry to fill entry level positions.
- The growth in the events industry in Victoria will require higher level skills in catering operations provided by the Certificate III in Hospitality (Catering Operations).
- Demand for training in retail travel at Certificate III (Retail Travel Sales) level may slightly decrease as new reduced licensing requirements are introduced in Victoria for Travel Agents.

LOW

- Due to the rationalisation of the retail and wholesale sectors, there will be less of a need for Certificate II & III Wholesale Operations.
- Rationalisation of retail travel sales and travel wholesaling will have a similar impact on the need for funding of Cert III in Tourism (Tour Wholesaling).

Table 1: Summary of Key Qualifications required to provide industries skills needs

Ranking Level	Training Required
HIGH	▪ Cert III & IV in Hairdressing ▪ Traineeship in Events Management ▪ Cert III & IV in Hospitality (Commercial Cookery) ▪ Cert III, IV, Diploma in Beauty ▪ Cert II, III & IV in Tourism & Cert II, III & IV in Hospitality ▪ Cert II, III IV in Retail
MEDIUM	▪ Cert III in Tourism (Guiding) ▪ Cert II in Funeral Services ▪ Cert II on Floristry ▪ Cert III in Hospitality (Catering Operations) ▪ Cert III in Tourism (Retail Travel Sales)
LOW	▪ Cert II & III Wholesale Operations ▪ Cert III in Tourism (Tour Wholesaling)

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APPENDIX 1: Service Skills Victoria Consultation 2006-07 Change Drivers Report

Industry organisations:

- The Pharmacy Guild of Australia
- Australian Funeral Directors Association
- Cemeteries and Crematoria
- Australian Retailers Association
- Master Grocers Associations
- Hairdressing & Beauty Industry Association (Vic)
- Australasian Spa Association
- Tourism Alliance Victoria
- Restaurant and Catering Victoria
- Hotel, Motel, Accommodation Association (Vic)
- Accommodation Getaways Victoria
- Australian Hotels Association
- Victorian Caravan Parks Industry Association Inc.
- Shop, Distributive & Allied Employees' Assoc.
- Australian Workers Union
- Liquor Hospitality Miscellaneous Union
- International Society of Special Events (ISES)
- Victorian Tourism Industry Council (VTIC)

Professional associations:

- Professional Executive Housekeepers Network
- Australia Culinary Federation

Enterprises:

- McDonald’s Australia
- David Jones
- Coles Myer
- Le Beau Visage
- Fem Skin Therapy
- Kings Funeral Services
- Geelong Cemeteries Trust
- Tobin Brothers Funeral Services
- Wine and Food Strategy Pty Ltd
- Compass Group Australia
- Accor
- HRM Sofitel Melbourne
- Crown Casino
- Peninsula Hot Springs
- Fleming Resources
- North Melbourne Florist
- In Full Bloom
- The Necropolis

Government agencies:

- Tourism Victoria
- City of Melbourne