



JUNE 2006

CHEF: OCCUPATIONAL SKILL SHORTAGE ASSESSMENT

Current Situation: Genuine skill shortage and recruitment & retention difficulties

Short-term Outlook: Genuine skill shortage and recruitment & retention difficulties

1 Executive Summary

1.1 Results from the 2005 Survey of Employers who have Recently Advertised suggest employers have had difficulty in filling chef positions in New Zealand. Only 51% of positions were filled within ten weeks of advertising and there were only 1.6 suitable applicants for every advertised chef vacancy. This report considers these survey results in the context of trends in the demand for and supply of chefs.

Table 1: Employer Survey Indicators, 2005

	Fill Rate	Average Number of Suitable Applicants
Chefs	51%	1.6
All Trades Surveyed	37%	1.0

Source: Survey of Employers who have Recently Advertised, Department of Labour.

1.2 The demand for chefs has grown strongly (in the order of 6% per annum) over the last four years on the back of strong population growth, a strong tourism industry, and robust economic growth. An increase in the number of overseas visitors coming to New Zealand and strong growth in disposable income has seen an increase in the number of people dining out. Continued population growth and projected growth of 4.7% in the number of overseas visitors coming to New Zealand over the next five years suggests that growth in the demand for chefs will continue.

1.3 The number of newly qualified chefs through training increased from 338 in 2001 to 448 in 2005. This equates to a training rate of 4.1% in 2005. While this training rate is relatively high, occupational detachment drains chefs out of job market. Employers surveyed in SERA mentioned that many chefs leave the occupation because of low pay, the physical demands of the work, and the unsocial working hours.

1.4 Due to the on-going disparity between the levels of supply and demand, the Department of Labour has assessed the chef occupation as experiencing a **genuine skill shortage**. As occupational detachment remains an on-going issue

for chefs, the occupation has also been assessed as experiencing **recruitment and retention difficulties**.

- 1.5 New Zealand is experiencing a slowdown in both economic growth and population growth (as net migration falls from record levels in 2003) that will lead to a subsequent slowing in growth of private consumption. It follows that growth in demand will continue, but perhaps ease from the high levels experienced in recent years. Since the number of enrolments for relevant qualifications has not grown markedly, the number of trainees achieving a relevant qualification in the future is not likely to increase by enough numbers to meet the growth in demand for chefs. The Department of Labour therefore predicts shortages to persist in the short-term.

2 Introduction

- 2.1 The purpose of this report is to investigate skill shortages for chefs in New Zealand.
- 2.2 The following section presents key findings from the Department of Labour's (the Department's) *Survey of Employers who have Recently Advertised* (SERA). This survey provides an indication of employer's success in filling advertised vacancies for chefs as well as other information on their recruiting experiences. The next two sections investigate trends in the demand for, and supply of, chefs. The penultimate section presents some of the issues that arise from the matching of demand and supply in the labour market, such as wage rates. Finally, the 'Assessment' section considers all the information presented in the report and provides a view on whether the occupation is in shortage, and if so, the type of shortage being experienced. A short-term outlook for the shortage situation is also offered.



- 2.3 Further background to this occupational report, including a discussion of the methodology; a glossary of terms; and an overview of the Department of Labour's (the Department's) *Survey of Employers who have Recently Advertised* (SERA), including the survey questionnaire, can be found in the 'Background and technical note' at <http://www.dol.govt.nz/publications/jvm/trades/2005/background.asp>.

2.4 **Chefs in New Zealand**

- 2.4.1 Chefs (code 51221 in the New Zealand Standard Classification of Occupations [NZSCO]) prepare, season and cook foodstuffs for consumption in hotels, restaurants, or similar institutional eating establishments. Chefs also plan and price menus and assist in purchasing supplies and stock control.

2.4.2 This report focuses specifically on chefs and excludes cooks (NZSCO code 51222) from the analysis. While the nature of chefs and cooks work is similar, and people often use the terms 'chef' and 'cook' interchangeably, chefs generally have a higher qualification than cooks, and perform a much larger and more complex range of duties.

2.4.3 The Department estimates that there were approximately 10,900 chefs employed in New Zealand in 2005. According to 2001 Census data, the ethnic composition of chefs is different to that of the general population. A much greater proportion of chefs are either Asian or are of 'Other' ethnicity (20%) compared with in all occupations (5%).

2.5 **Note on Occupational Classification**

2.5.1 Household Labour Force Survey and External Migration data from Statistics New Zealand are only available at the 3-digit occupational level, with chefs falling in the 3-digit category *housekeeping and restaurant service workers*. As chefs comprise only a very small proportion of this broader group (15% in the 2001 Census), trends in employment and migration cannot be assessed through these sources.

3 **Survey of Employers who have Recently Advertised**

3.1 This section presents the key SERA findings of employers' experiences in recruiting chefs.

3.2 The SERA allows the Department to gain insight into skill shortages by investigating how difficult it is for an employer to fill a vacancy. A fill rate is the proportion of vacancies included in the SERA sample which were filled with an adequately qualified and experienced person within ten weeks of advertising. Occupations with fill rates lower than 80% are typically regarded as being in shortage while fill rates lower than 40% usually indicate that the occupation is in acute shortage.

Table 2: SERA Results Chefs and All Trades Surveyed, August 2005

	Number of Employers	Number of Vacancies	Fill Rate¹	Average Number of Suitable Applicants per Vacancy
Chefs	83	105	51%	1.6
All Trades Surveyed	885	1480	37%	1.0

Source: Survey of Employers who have Recently Advertised, Department of Labour.

1 The 'All Trades Surveyed' fill rate and average number of suitable applicants per vacancy figures were both weighted to compensate for any under or over sampling of individual trade worker occupations in the 2005 survey.

3.3 Results from the 2005 SERA show that only 51% of chef vacancies included in the survey were filled within ten weeks of being advertised in 2005. The fill rate for chefs was above the fill rate for all trade surveyed occupations (37%). There was an average of 1.6 suitable applicants for each chef vacancy compared with an average of 1.0 for all trade occupations.

4 Demand for Chefs

4.1 This section investigates trends in the demand for chefs and the factors underlying these trends. Demand is measured by the number of chefs required by employers at current wage rates.

4.2 *Historical Demand*

4.2.1 There has been strong demand for chefs in recent years on the back of strong population growth, a strong tourism industry and robust economic growth. Between 2001 and 2005 population growth was strong (averaging 1.4% per annum) driven by record net migration. Between 2001 and 2005 there has been a 25% increase in the number of overseas visitor arrivals, increasing the demand for chefs as many tourists dine out. In addition, strong growth in people's disposable income over the last few years has led to more people eating out.

4.2.2 The majority of chefs are employed in cafés and restaurants, so employment growth in this industry should give indicative figures of the demand for chefs. Employment in the café and restaurant industry grew by 6.0% per annum in the four years to 2005 (see Table 3). This level of growth was greater than the total employment growth in the economy of 2.7% over the same period.

Table 3: Annual Average Employment of Café and Restaurant Workers, 2001-2005, December years (000's)

	2001	2002	2003	2004	2005	Annual Growth in Employment
Café and Restaurant Workers	46.5	50.3	52.7	55.7	58.7	6.0%

Source: Business Demography Employee Count, Statistics New Zealand.

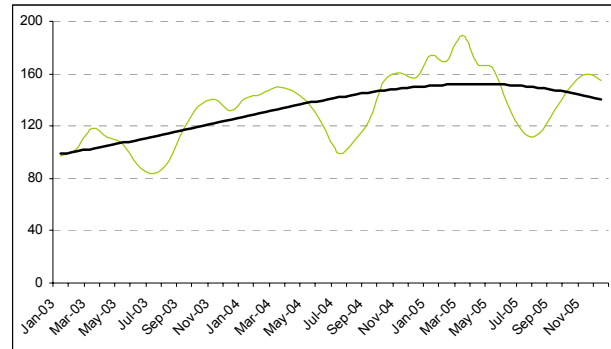
4.3 *Future Demand*

4.3.1 The demand for chefs is likely to continue growing over the short-term. The Tourism Research Council of New Zealand forecasts that the number of international visitors coming to New Zealand will increase by an average of 4.7% per annum between 2005 and 2011. Likewise, domestic tourism, which includes overnight trips and day trips, is expected to increase by 1% per annum and 1.3% per annum respectively from 2005 to 2011. However, while the demand for chefs is expected to continue growing, New Zealand is experiencing a slowdown in both economic growth and population growth (as net migration falls from record levels in 2003) that will lead to a subsequent slowing in growth of private consumption. Consensus forecasts from the New Zealand Institute of Economic Research suggest that private consumption will increase by 1.8% in 2006/07 and 2007/08, down from 4.1% in 2005/06. It follows that the demand for chefs is expected to continue growing, but perhaps ease from the high levels experienced in recent years.

4.4 **Changes in Market Conditions**¹

4.4.1 The Department's Job Vacancy Monitor shows an upward trend for chef vacancies for the most part of the last three years (see Figure 1). While the number of advertised vacancies for chefs appears to have eased in the past year, the number in the three months to December 2005 was still 18% higher than in the three months to December 2003. The café and restaurant industry is strongly affected by visitor seasonality, with the highest business activity occurring during the summer and the lowest during the winter. These seasonal effects were reflected in the job vacancy trends.

Figure 1: Number of Advertised Vacancies for Chefs



Source: Job Vacancy Monitor, Department of Labour.

5 **Supply of Chefs**

5.1 This section investigates the various sources contributing to the supply of chefs. Supply is measured by the number of people willing and able to work as chefs at current wage rates.

5.2 **Training - National Certificate (Level 4) Qualifications and Equivalent**

5.2.1 This section investigates the growth in supply of *fully qualified* chefs through training. It considers two sources of supply:

1. The award of the National Certificate in Hospitality (Professional Cookery) Level 4 by the Hospitality Standard Industry Training Organisation (HSITO). This is the nationally recognised qualification for chefs which is designed by HSITO to meet needs of employers of chefs in the hospitality industry.
2. The award of the National Certificate in Hospitality (Professional Cookery) Level 4 or the award of qualifications which are deemed to be equivalent to the National Certificate in terms of level and number of credits by other providers such as polytechnics.

5.2.2 Total enrolments for the National Certificate in Hospitality (Professional Cookery) Level 4 or other equivalent qualifications has fluctuated from year to year around an average of 789. However, the enrolment for the Hospitality Standard Industry Training Organisation (HSITO) sponsored training increased gradually from 14 in 2001 to 89 in 2005 (see Table 4). The number of people achieving a relevant qualification was 448 in 2005, up significantly from 338 in 2001 (see Table 5).

¹ Analysis of the Job Vacancy Monitor suggests that it is an indicator of change in labour market tightness, or change in the degree of difficulty of recruiting staff. An increase in vacancies typically indicates increasing difficulty in recruiting staff and vice versa. While changes in demand usually dictate changes in labour market tightness, it can also be affected by changes in supply conditions, such as a rise in net migration.

Table 4: Number of Trainees Enrolled for the National Certificate in Hospitality (Professional Cookery) Level 4 and Other Equivalent Qualifications

	National Certificate in Hospitality (Professional Cookery) Level 4 (HSITO)	National Certificate in Hospitality (Professional Cookery) Level 4 and Other Equivalent Qualifications (Other Providers)	Total
2001	14	710	724
2002	22	847	869
2003	34	702	736
2004	58	737	795
2005	89	736	825

Source: Tertiary Education Commission. Some figures were estimated by the Department.

Table 5: Number of Trainees Achieving the National Certificate in Hospitality (Professional Cookery) Level 4 and Other Equivalent Qualifications

	National Certificate in Hospitality (Professional Cookery) Level 4 (HSITO)	National Certificate in Hospitality (Professional Cookery) Level 4 and Other Equivalent Qualifications (Other Providers)	Total
2001	1	337	338
2002	2	381	383
2003	1	394	395
2004	2	402	404
2005	11	444	455

Source: Tertiary Education Commission. Some figures were estimated by the Department.

5.2.3 The training rate for chefs is given in Table 6. This indicator provides an approximate measure of the rate at which the supply of fully qualified chefs can potentially grow through training. The training rate is calculated by expressing the number of trainees achieving the relevant qualification as a percentage of total employment in that occupation. The training rate for chefs has steadily increased since 2001 and is estimated to be 4.2% in 2005. The 2005 training rate for chefs was higher than the average training rate of 3.3% for all trades analysed by the Department. By way of comparison, the average training rate for chefs in New South Wales, Australia² in the three years to June 2005 was 1.9% - lower than the training rate in New Zealand over the last three years.

² Australian national level estimates of training rates are not available.

Table 6: Training Rate for Chefs, 2001-2005

	Chefs	All Trades ³
2001	3.5%	2.0%
2002	3.6%	2.2%
2003	3.8%	2.2%
2004	3.9%	2.7%
2005	4.2%	3.3%

Source: Department of Labour.

5.4 Migration

5.4.1 As chefs only represent about 15% of the broader 3-digit group *housekeeping and restaurant service workers*, it is difficult to assess the effects of migration on the chef workforce. However, the data for the broader 3-digit group shows that between 1998 and 2005 there has been a net outflow of *housekeeping and restaurant service workers* indicating it is more than likely migration has not had a positive effect on supply for chefs. Employers interviewed in the 2005 SERA mentioned that there were many chefs leaving the country for better incomes and work experience.

5.4.2 The number of people issued with temporary work permits provides an indication of the importance of short-term immigration for chefs. In the year to June 2005, 2,384 temporary work permits were issued for people to work as chefs in New Zealand (see Table 7). This was the third highest number of short term entrants for any occupational category, and indicates that short-term inflows of immigrants are a significant component of this occupation.

Table 7: Number of Chefs Issued with Temporary Work Permits, 2002-2004

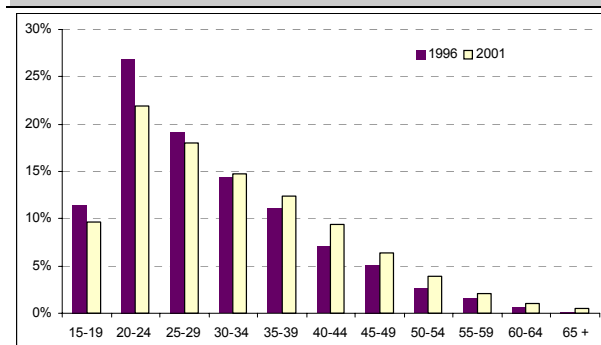
	2002/03	2003/04	2004/05
Temporary Work Permits	1225	1942	2384

Source: Immigration New Zealand.

5.5 Retirements

5.5.1 The Department estimates that approximately 0.3% of the chef workforce retires each year (assuming a retirement age of 65). This equates to about 33 chefs per annum. This is much lower than the average retirement age for all trade occupations (1.3%), suggesting that chefs often do not stay in

Figure 2: Age Profile of Chefs, 1996-2001



Source: Census of Population and Dwellings, Statistics New Zealand.

³ The training rates for 'all trades' were calculated for the 14 trade occupations that were examined in-depth using data from the SERA Intensive 2005. As the composition of occupations being examined changes from year-to-year, so will the training rates.

the occupation through to retirement at the age of 65. Census data shows an ageing of the chef population occurred between 1996 and 2001 (see Figure 3). The percentage of chefs under 30 years of age decreased from 58% in 1996 to 50% in 2001, while the proportion in all age groups over 30 increased. This supports the comments of some employers who were surveyed in the 2005 SERA who said that young people do not like to enter this occupation. As the chef workforce ages, the number of chefs retiring each year will increase.

5.6 **Occupational Detachment**⁴

5.6.1 Employers were asked in the SERA 2005 if they thought chefs left the occupation to go and do something different more or less than in other occupations. Seven out of the eight respondents said chefs leave the occupation more than in other occupations. No respondents said chefs leave the occupation less than in other occupations, and only one respondent said chefs leave the occupation at the same rate as in other occupations.

5.6.2 This suggests that occupational detachment has an impact on supply for this occupation. Employers mentioned that this could be because of factors such as hard work, long and anti-social hours, and low pay. Employers also mentioned that some go overseas for more experience and better pay.

6 **Matching of Supply and Demand**

6.1 This section considers some of the issues that arise from the labour market matching of the supply of chefs with the demand for chefs.

6.2 **Salaries**

6.2.1 Chefs wages are low compared to other trades. The Labour Cost Index (LCI) measured an average hourly wage of \$14.62 for chefs in June 2005 compared with an average for all trades workers of \$19.81 (see Table 8). According to the LCI, wages of chefs increased by 2.1% in the twelve months to June 2005, compared with 4.8% in all trades. Employers surveyed in the 2005 SERA indicated that low pay was one of the causes of recruitment and retention difficulties.

*Table 8: Average Hourly Wage Rates for Chefs*⁵

	2004 June	2005 June
Chef	\$14.32	\$14.62
All Trades	\$18.90	\$19.81

Source: Labour Cost Index, Statistics New Zealand.

⁴ 'Occupational detachment' refers to individuals who choose not to continue practising in their occupation but retain a connection to the occupation (e.g. move into a management or supervisory role, or retain professional registration), or who leave the occupation entirely (e.g. by changing occupation or withdrawing from the labour market).

⁵ The data shown from the LCI are unadjusted mean hourly rates. Caution should be taken with interpreting this information due to the relatively small sample sizes, particularly at the occupational level. Furthermore, the LCI is designed to measure changes in, rather than the actual level of, wage and salary rates.

7 Assessment

7.1 This section considers all the information presented in this report on employers' recruitment experience, supply and demand trends, and matching issues and offers a view on whether there is a shortage of chefs and the type of shortage. A short-term outlook for the shortage situation is also offered.

7.2 The demand for chefs has grown strongly over the last four years on the back of strong population growth, a strong tourism industry, and robust economic growth. An increase in the number of overseas visitors coming to New Zealand and strong growth in disposable income has seen an increase in the number of people dining out. Average annual employment growth of 6.0% between 2001 and 2005 in the café and restaurant industry provides evidence of a strong increase in the demand for chefs. The growth in supply of chefs has been slow in comparison to the strong growth in demand. In 2005, the supply grew by 4.1% through training while growth through training was even lower in previous years. Although temporary work permit holders have added to the workforce, growth in demand has exceeded growth in supply, and a shortage of chefs has resulted. This gap between supply and demand indicates that the shortage of chefs is a **genuine skill shortage** (see Box 1 for definition).

Box 1: Skill Shortage Definitions

Genuine Skill Shortage

Occurs when employers have difficulties filling their job vacancies because there are not enough individuals with the required skills in the potential labour market to fill the positions on offer.

Recruitment and Retention Difficulty

Occurs when there is a considerable supply of individuals with the required skills in the potential labour market but they are unwilling to take up employment at current levels of remuneration and conditions of employment. Retention problems are often a major contributor to this condition.

7.3 In addition, **recruitment and retention difficulties** have exacerbated the shortage of chefs in New Zealand. Occupational detachment appeared to be a particular issue for chefs, with employers mentioning that many chefs leave the occupation because of low pay, the physical demands of the work, and the unsocial working hours. Many employers also thought that young people were less attracted to this occupation than other occupations. The combined effect of the two types of shortages is reflected in the low fill rate of 51%.

7.4 Continued population growth and projected growth in the number of overseas visitors coming to New Zealand suggests that the demand for chefs will continue. However, New Zealand is experiencing a slowdown in both economic growth and population growth (as net migration falls from record levels in 2003) that will lead to a subsequent slowing in growth of private consumption. It follows that the demand for chefs is expected to continue growing, but perhaps ease from the high levels experienced in recent years. Since the number of enrolments for relevant qualifications has not grown markedly, the number of trainees achieving a relevant qualification in the future is not likely to increase by enough to meet the growth in demand for chefs. The Department therefore foresees shortages, at best, easing only slightly in the short-term.

For queries regarding this report please contact tribhuvan.shrestha@dol.govt.nz or info@dol.govt.nz.

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