



JOINT STANDING COMMITTEE ON MIGRATION: Inquiry into the Working Holiday Maker program

Tourism Accommodation Australia and Australian Hotels Association Submission



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EXECUTIVE SUMMARY

Tourism Accommodation Australia (TAA) and the Australian Hotels Association (AHA) welcome the opportunity to make a submission to the Joint Standing Committee on Migration's inquiry into the Working Holiday Maker Program.

As the peak industry bodies representing pubs, 3, 4 & 5 star hotels, motels and serviced apartments, TAA and the AHA have been long-standing advocates for the Working Holiday Maker program.

Anecdotally, the Working Holiday Maker (WHM) program encourages cultural exchange and closer ties between countries. The program serves as a two factor contributor to the tourism industry, particularly in regional Australia, via:

1. WHM are key contributors to the labour force, especially within regional Australia
2. WHM are high value travellers, spending an average of \$10,100 per trip [TA Factsheet](#)

The evolution of COVID-19 in Australia, has seen a mass departure of Working Holiday Makers. With the figure of WHMs returning to their home countries projected at 50,000 as of June 2020, this decline will certainly hinder the industry's ability to recover.¹

Historically, WHMs are key to filling tourism industry roles, especially in regional Australia, where local workers are usually not available and activating and supporting regional economies. Whilst the health response to COVID-19 has been necessary, it has not only forced the closure of regional businesses but ensued a complete tourism shutdown.

The impact of COVID-19 and effective response has had wide spread effects on Australian tourism businesses and workers, inclusive of WHMs. As previously stated, although there has been a somewhat mass departure, many WHMs remain in Australia due to the border closures.

Our submission calls for government to recognize the importance retaining and attracting Working Holiday Makers as a vital element to our COVID-19 recovery. Working Holiday Makers have the ability to re-activate regional tourism economies and support local business with industry labour and skills.

¹ (ABC, 2020)

SUMMARY OF RECOMMENDATIONS

- Increase the age range of working holiday maker accessibility from 18 – 30 years to 18 – 35 years in all countries where bi-lateral arrangements exist.
- Create a clear pathway allowing working holiday makers to transition to Skilled Migration Visas
- Reduce the cost of Visa Application Charges during COVID-19 recovery to enhance the attractiveness of Australia as a working holiday maker destination, including the removal of Passenger Movement Charges
- Streamline and simplify the online working holiday maker application process
- Expedite and prioritise processing of visas which have been disrupted as a result of COVID-19
- Expedite and prioritise processing of COVID-19 Pandemic Event Visas
- Reassess the criteria of the COVID-19 Pandemic Event Visa to extend to those working in tourism and hospitality
- Extend the period a working holiday maker can remain with any single employer from 6 months to up to three years
- Reduce or waive the application fee for second and third year visas of current working holiday maker who have remained in Australia during COVID-19
- Extend the criteria of essential services to include Tourism and Hospitality industries
- Lower the working holiday maker tax rate from 15% to 10%
- Allow working holiday makers to early access a maximum value of \$10,000 from their Australian Superannuation in the 2020 – 2021 financial year
- Decrease the working holiday maker superannuation tax fee from 65% to 30%
- Adequate funding be provided to Tourism Australia to produce a restart working holiday maker campaign to attract new working holiday maker applications post COVID-19

AUSTRALIAN HOTELS ASSOCIATION (AHA) & TOURISM ACCOMMODATION AUSTRALIA (TAA)

The AHA and TAA are the peak industry bodies representing Australia's tourism hotel accommodation and hospitality industry. Our membership is diverse and serviced by a network of branches based in every state and territory, plus a Canberra-based National Office.

Our membership is diverse and represents licensed businesses from small bars, restaurants, taverns, pub-style hotels through to three, four and five-star international accommodation hotels and resorts located in each state and territory.

Our role is to represent the best business and commercial interests of our members through services, advocacy and policies that reflect the best interests of our members. We are committed to ensuring the future development and growth of the sector within Australia's vibrant tourism industry.

The AHA and TAA recognises the importance of working with government departments and stakeholders and we have a demonstrated history of achievement in working with national, state and local government agencies, law enforcement agencies, educators, universities, and other organisations.

THE PURPOSE OF THE WORKING HOLIDAY MAKER PROGRAM

The Working Holiday Maker visa program fosters people-to-people links and cultural exchange between Australia and partner countries. Accessible to young people (aged 18 – 30 years or 35 years for Canada, France & Ireland) from certain countries may apply for one of two visas: the Working Holiday (subclass 417) visa and the Work and Holiday (subclass 462) visa program.

Both visas allow young people to travel in Australia for extended periods and to support themselves during their stay via short-term employment in Australian industries. The partnership between Australia and the external country allow for the reciprocal access of young Australians to travel and work under similar arrangements.²

Due to the programs attractiveness and demand to International Visitors, the program has evolved over time, most recently lifting caps on Argentina, Malaysia, Portugal and Singapore and establishing the Work and Holiday arrangements with Ecuador and Greece.

In 2019, the criteria of age for various partner countries was expanded from 18 – 30 years to 18 – 35 years. TAA and the AHA endorse the expansion of age range to 35 (from 30) in all countries where bi-lateral arrangements exist.³

RECOMMENDATION

- Increase the age range of WHM accessibility from 18 – 30 years to 18 – 35 years in all countries where bi-lateral arrangements exist.

THE VALUE OF THE PROGRAM TO AUSTRALIA'S ECONOMY, INCLUDING TOURISM SECTOR

Considering the majority of the WHMs cumulative \$3.2 billion spend in year ending March 2019 was spent on accommodation, food and drink, the program was considered highly valuable to the tourism sector pre-COVID. This figure suggests that WHMs are likely to spend 22% more on average per trip than other youth travelers. Despite the fact WHM stay an average of 151 nights it is clear that their travel spend is dispersed across local economies as 42% of WHMs visiting between 3 and 7 locations whilst 22% visit more than 8 locations during their Australian visit.

² (Affairs, 2019)

³ (Affairs I. -H., 2020)

According to the data reported by Tourism Research Australia, a total of 306,500 WHMs arrived in Australia for the year ending March 2019. In this study, hospitality was noted as one of the top employment avenues for WHMs.

The two fold contributions of WHMs to industry workforce and travel spend elevates the status of the WHM program from *valuable* to the tourism sector in a pre-COVID world to *invaluable* and a lucrative element to the reactivation of Australian Tourism in the wake of COVID-19.⁴ Working Holiday Makers have the ability to re-activate regional tourism economies and support local business with industry labour and skills.

IMPACTS OF COVID-19

With high levels of cancellations and postponed trips, many Australian regional towns and tourism destinations were decimated by the 2019 bush fire season. With regional tourism a vital element attracting both domestic and international visitors, the impact of the bushfire was catastrophic on regional tourism economies.

There has been no opportunity to reprise as the tourism sector was one of the first industries to experience the impact of COVID-19 with the Chinese Travel Ban instated in February followed by a more complete tourism shutdown, restrictions on interstate travel and the mass cancellation of conferences and events.

These operating conditions, whilst necessary to control the spread of the COVID-19 virus, has bought the hotel industry to its knees, with many businesses temporarily closing and standing down the majority of their workforce. Various businesses have been able to weather this unprecedented storm due to JobKeeper and international visitor quarantine business however many have dipped into business reserves and personal savings to remain somewhat afloat. In order to revive and kick start the visitor economy, it is imperative industry receives sustainable and tailored government support.

POTENTIAL ECONOMIC IMPACTS ON REGIONAL ECONOMIES

The latest figures from the National Institute of Labour Studies at Flinders University found that WHMs created 23,000 jobs in the Australian economy and spent two and a half times more than they earned, again reinforcing the high value of the WHM travel spend.

⁴ (Australia, 2017)

WHMs consistently provide adequate support, especially in regional Australia, as the peaks and troughs of seasonal labour needs are in motion. The WHM program effectively place young and mobile workers into regions fulfilling these labour needs when it is most valuable. Such seasonal work is not suitable for young Australian's who seek longer-term employment or navigate their career trajectory. As the pandemic restricts free movement and travel, WHMs in regional Australia are prime to provide labour and skills to local businesses.

AUSTRALIAN RESIDENTS UNABLE TO FILL LABOUR SHORTAGE

As reported in TAA NSW's 2019 Labour Benchmarking Study, the industries pre COVID-19 environment forecasted that 0.43 employees are required per accommodation room. The Tourism Investment Monitor revealed that there are 53,227 rooms in the pipeline (recorded as at 2018) from 305 projects. This projected a need for at least 22,887 additional workers ($0.43 \times 53,227 = 22,887$). As recorded in 2017, there were 88,800 directly employed accommodation workers. Hence, 22,887 additional workers represented a 26% increase of the workforce in the coming years.

By 2020, the broader tourism sector was predicted to witness a shortfall of 150,000 workers. By May 2024 Accommodation and Food Services employment was projected to increase by 91,400 (or 10.0 per cent), supported by strength in both domestic and international tourism as a result of the lower Australian dollar and an expanding middle class in Asia. The Cafés, Restaurants and Takeaway Food Services sector is projected to make the largest contribution (of 77,400 jobs) to employment growth of any industry sector.

The projected increases included a need for:

- 8,900 Accommodation and Hospitality Managers (increase of 7.7%)
- 800 Hotel or Motel Managers (increase of 3.1%)
- 7,600 Café and Restaurant Managers (increase of 10.9%)
- 600 Hotel Service Managers (increase of 6.4%)
- 16,300 Chefs (increase of 16.1%)
- 3,800 Cooks (increase of 10%)
- 2,000 Bakers and Pastrycooks (increase of 6.4%)

As can be viewed in the table below extracted from the TAA NSW 2019 report, Accommodation and Food Services is set to experience the fourth highest growth in Regional Australia. Whilst these figures may no longer be accurate in the COVID-19 world we now live in, it is clear to see that the rebuilding of

the hotel industry will be labour intensive, especially in areas that local Australian workers are not interested in pursuing.

It is very clear to both TAA and the AHA that COVID-19 has had devastatingly negative impacts on labour market activity in Australia. We anticipate months, if not years of uncertain economic and employment conditions. Whilst the employment projections of 2019 do not reflect the impact of COVID-19 and it is difficult to reflect the current and predict future labour market conditions, it is hoped that industry will be able to return to its previous level of growth and demand for labour.⁵

2019 Regional Projections – five years to May 2024

Region	Capital City Australia	Regional Australia	AUSTRALIA
Health Care and Social Assistance	14.0	16.7	15.0
Education and Training	12.4	12.1	12.2
Professional, Scientific and Technical Services	16.8	9.7	15.1
Accommodation and Food Services	10.7	8.8	10.0
Other Services	7.5	8.3	7.4
Arts and Recreation Services	11.6	8.2	10.4
Construction	10.6	7.6	9.7
Administrative and Support Services	8.5	6.4	7.7
Public Administration and Safety	6.3	6.3	6.2
Financial and Insurance Services	4.5	5.5	4.6
Electricity, Gas, Water and Waste Services	4.5	4.3	4.4
Transport, Postal and Warehousing	7.8	3.9	6.6
Mining	9.7	3.6	6.2
Wholesale Trade	2.7	2.6	2.6
Retail Trade	6.1	2.0	4.8
Information Media and Telecommunications	-0.6	1.4	-0.3

⁵ (TAA, 2020)

Rental, Hiring and Real Estate Services	7.2	0.9	5.7
Manufacturing	-0.9	0.8	-0.4
Agriculture, Forestry and Fishing	-2.4	-0.9	-1.2
Total (industry)	9.0	7.1	8.3

FUTURE IMPACTS OF COVID-19

As experienced previous to COVID-19, the hotel industry, especially in regional Australia will face significant challenges when re-building their workforce with skilled and experienced employees. As it stands the industries' workforce comprises of a complex mix of local and overseas workers that are engaged across various contracts spanning from full to part time or casual. The WHM program assumes the ability of workers to contribute their skills and experience to regional Australian Businesses.

The TAA and AHA have dedicated much of pre-COVID-19 assisting industry in its plight to accessing and attracting skilled labour. As identified in the 2015-2020 Tourism and Labour Force Survey, there is a dire need for skilled labour in the industry.

If we are to build a pipeline of local workers to fill skills shortages in the wake of COVID-19 recovery, we require skilled workers today to help train and mentor Australian apprentices and trainees. For example, if a business cannot source a reliable, skilled and full time chef to service their needs, they effectively cannot reopen in many cases. This jeopardises the jobs of other workers who are employed at the business.

With industry primarily focused on reinstating their workforce and re-opening their properties, skilled and trained labour will be imperative to assist in the recovery efforts. If WHM have the necessary skills and experience, they should be able to transition to the skilled migration pathway, either through the employer sponsored stream of the independent stream.

This will allow businesses who have employed and trained WHMs to retain the employee during COVID-19 recovery, assuring stability and continuity in these uncertain times.

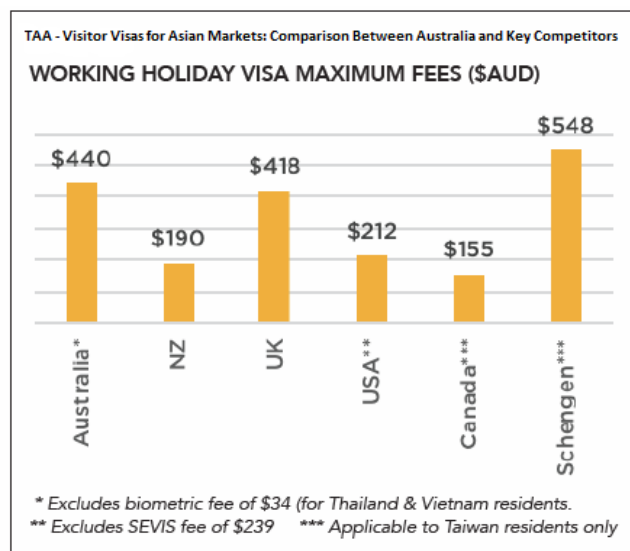
RECOMMENDATION

- Create a clear pathway allowing WHMs to transition to Skilled Migration Visas

EXISTING VISA CRITERIA AND CONDITIONS

VISA COSTS & PROCESSING TIMES

Consideration must be given to Australia's competitiveness as a destination for WHMs. In the wake of COVID-19 it is imperative that the cost of visa fees and supplementary charges, along with visa processing times be significantly lowered. (see Figure: 'Working Holiday Visa Maximum Fees').



TAA's research on *Visa Competitiveness in Asian Markets*⁶ showed visa fees are amongst the least competitive and processing times are also relatively uncompetitive when compared to the other destinations. The research also showed when all fees are added, including passenger movement charges, Australia is amongst the countries with the most expensive visa costs, along with the UK.

This research was conducted in a pre-COVID environment, after the fact, it is common knowledge that the processing times of WHM applications have significantly increased, further undermining its attractiveness to future and potential applicants.⁷

⁶ Tourism Accommodation Australia, *Visitor Visas for Asian Markets: Comparison Between Australia and Key Competitors*, May 2018.

⁷ (Affairs I. -H., 2020)

RECOMMENDATION

- Reduce the cost of Visa Application Charges during COVID-19 recovery to enhance the attractiveness of Australia as a WHM destination, including the removal of Passenger Movement Charges
- Streamline and simplify the online WHM application process

VISAS AFFECTED BY COVID-19

Since 20 March 2020, Australia has closed its international borders, only allowing return home travelers to enter the country. As a result it is assumed there may be a backlog of unresolved WHM applications. It is imperative that to assist recovery these applications be expedited and prioritized.

It is also assumed that the travel plans of WHMs scheduled to arrive to Australia post 20 March 2020 have not yet entered the country, these visas must be reassessed and the validity dates adjusted to begin from the date of their first day in Australia out of mandatory hotel quarantine.

Once international borders open, the competition of visas will be fierce between countries. Assuring that Australia's visa system is competitive on an international level will assist the recovery efforts of market-share in the restart period.

RECOMMENDATION

- Expedite and prioritise processing of visas which have been disrupted as a result of COVID-19

COVID-19 PANDEMIC EVENT VISA

TAA and the AHA welcome the COVID-19 Pandemic Event Visa. This measure allows WHMs the opportunity to remain in Australia, however the criteria for this visa is stringent and only accessible to those who are unable to meet the requirements a year Two or Three visa and are working in a critical sector.

The processing time for this visa is currently undefined. To ensure our WHMs remain engaged it is critical that the processing time for these visas are expedited also. The opening up of this particular visa's criteria would also assure that trained and skilled WHM are not charged for a Second or Third

year visa whilst they remain in the country due to border closures.⁸

RECOMMENDATION

- Expedite and prioritise processing of COVID-19 Pandemic Event Visas
- Reassess the criteria of the COVID-19 Pandemic Event Visa to extend to those working in tourism and hospitality

EXTENSION OF EXISTING WHM VISAS

The Working Holiday Maker Visa (subclass 417) is available for young people who want to holiday and work in Australia for up to 12 months. During this time, the visa holder can choose if they work full-time, part-time, casual, paid or voluntary, however this work is restricted to a period of six months with any single employer.

Within a COVID-19 environment it is imperative that second and third year Visas become available to existing Working Holiday Makers who work with the same employer. This allows the WHM to sustain their employment and financial stability during the tumultuous period of COVID-19. This also benefits the host employer who is able to provide continuity and stability for the business as they do not need to source a replacement for their WHM employee. The reduction or wavering of the application fees will ensure this remains an attractive option for WHMs who will eventually be able to cross the Australian border and return to their home country which will become a devastating loss within Australia local and regional hotel businesses who rely on the WHM workforce.

Currently, there are certain parameters allowing WHMs to work longer than six months with a single employer. These parameters do not include the tourism nor hospitality industry. Where TAA and AHA see an opportunity is around the regional requirement for the second and third years of the WHM visa. We seek to make hospitality/tourism an approved industry for specified work relating to eligibility requirements for a second or third working holiday visa. Regional members in particular need assistance with both skilled and unskilled migration, and at present WHM visas do not adequately assist with meeting workforce requirements.

⁸ (Affairs H. , WHM Employed in Pandemic Event Visa, 2020)

RECOMMENDATION

- Extend the period a WHM can remain with any single employer from 6 months to up to three years
- Reduce or waive the application fee for second and third year visas of current WHM who have remained in Australia during COVID-19
- Extend the criteria of essential services to include Tourism and Hospitality industries

WORKING HOLIDAY MAKER FINANCIAL NETWORKS

BACKPACKER TAX

Alike all Australians, WHMs are required to pay tax and submit a tax return each year they are working in the country. However, unlike Australian citizens, WHMs are subject to a separate taxation structure. This structure requires WHMs to pay 15% tax on earnings up to \$37,000 whereas Australian Citizens are exempt of tax up to \$18,200 and then are charged 19% up to \$37,000.⁹

Based on earnings of \$37,000 per year, a WHM would pay \$5,550 in tax whilst an Australian Citizen would be required to pay \$3,572. In this instance a disparity of 55% exists between the tax paid by WHMs and Australian Citizens. This structure may undermine the competitive nature of the WHM program within global audiences.

As high value travelers and spenders, WHMs contribute to both local and regional Australian economies. The lowering of tax impositions may prompt even greater spending, injecting cash into much needed regional economies reactivating their tourism sectors.

Should the WHM tax rate drop from 15% to 10% this would decrease the disparity that exists between tax paid by WHMs and Australian Citizens to 3.5%. This structure would certainly become more attractive to potential WHM applicants.

RECOMMENDATION

- Lower the WHM tax rate from 15% to 10%

⁹ (ATO, 2020)

EARLY ACCESS TO SUPERANNUATION AS COVID-19 FINANCIAL SUPPORT

TAA and the AHA welcome the allowance of Visa holders accessing up to \$10,000 of their Australian Superannuation in the 2019 – 2020 financial year.¹⁰ Unlike Australian Citizens, this community is unable to access financial support via the JobKeeper or JobSeeker stimulus. In order to retain current WHM to apply for a second or third year Visa this offer should be available for the 2020 – 2021 financial year.

RECOMMENDATION

- Allow WHMs to early access a maximum value of \$10,000 from their Australian Superannuation in the 2020 – 2021 financial year

DEPARTING AUSTRALIA SUPERANNUATION PAYMENTS (DASP)

Although employers are required to make super contributions on behalf of their WHM employees there is again a disparity that exists between the taxable rates between WHMs and Australian Citizens. At present, the current Australian Citizen Superannuation tax rate sits at 15% up to \$25K whilst from 1 July 2017 Working Holiday Maker superannuation payments are taxed at 65%.¹¹

Upon the completion of their Visa WHMs are able to access their superannuation however based on a year's earnings of \$37,000 this payment may be as low as \$1,230. The reduction of the WHM superannuation tax rate would provide a competitive edge and promotional element enhancing the program's attractiveness in a highly competitive post COVID-19 market.

Should this tax drop from 65% to 30% this would see the same WHM access a payment of \$2,460 upon their departure, a much greater attractive figure.

RECOMMENDATION

- Decrease the WHM superannuation tax fee from 65% to 30%

¹⁰ (Affairs H. , WHM Employed in Pandemic Event Visa, 2020)

¹¹ (ATO, 2020)

GENERATING DEMAND FOR WHM POST COVID-19

Since 2010, Tourism Australia has highlighted Australia as a premier destination for Working Holiday Makers. Over time, various campaigns have been released to further reinforce Australia's position as a WHM destination that has successfully appealed to youth markets.¹²

As previously stated, the Working Holiday Maker program will become highly competitive in a post COVID-19 environment as countries aim to attract high value WHMs. To ensure Australia remains a highly desirable destination for WHMs it is imperative Tourism Australia, along with the collaboration of industry work to produce a new campaign that is agile and respectful of the *new normal* that is ensued in a post COVID-19 Environment.

RECOMMENDATION

- Adequate funding be provided to Tourism Australia to produce a restart WHM campaign to attract new WHM applications post COVID-19

CONCLUSION

TAA and the AHA welcome the focus of the Committee's inquiry into the Working Holiday Makers program. TAA and the AHA members are part of the wider tourism sector, providing one-of-a-kind Australian memories in our regional pubs and unique experiences in our accommodation. It is vital to their – and ultimately, Australia's – success as part of COVID-19 recovery to have access to a Working Holiday Makers due to their ability to re-activate regional tourism economies and support local business with industry labour and skills.

¹² (Australia, New working holiday maker campaign launches, 2020)

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