



AUSTRALIAN HOTELS
ASSOCIATION



2 March 2021

Committee Secretary
Joint Standing Committee on Migration
PO Box 6021
Parliament House
Canberra ACT 2600
By email: migration@aph.gov.au

Dear Sir/Madam

RE: Inquiry into Australia's Skilled Migration Program

This submission to the Joint Standing Committee on Migration's Inquiry into Australia's Skilled Migration Program from the Australian Hotels Association and Tourism Accommodation Australia addresses the terms of reference 1(a) and 2. A supplementary submission will be made addressing the remaining terms of reference.

Introduction

The Australian Hotels Association (AHA) is an organisation of employers in the licensed hospitality and accommodation industry registered under the *Fair Work (Registered Organisations) Act 2009*. Our diverse membership includes pub-style hotels, bars, taverns, restaurants plus accommodation hotels and serviced apartments in each state and territory. The AHA's accommodation members are represented by Tourism Accommodation Australia (TAA), a division of the AHA.

The size of scope of our members includes:

- Over 5000 businesses
- Generating \$12,000,000,000 economic benefit
- Directly employing 270,000 workers
- Supporting of 50,000 community groups.

Recommendations

This submission makes the following recommendations for expeditious implementation in order to aid the hospitality and accommodation industry's pandemic recovery:

1. That international students working in the hospitality industry be permitted to work more than 40 hours per fortnight;
2. That cooks and chefs (ANZSCO occupations 351411 and 351311) are added to the Priority Migration Skilled Occupation List;
3. That hospitality (including accommodation) is listed as a critical sector for the purposes of the subclass 408 Temporary Activity visa;

4. That subclass 417 Working Holiday and subclass 462 Work and Holiday visa holders be able to work in tourism and hospitality in rural and remote areas of Australia to qualify for their second or third year WHM visa;
5. That Working Holiday and Work and Holiday visa holders working in tourism be able to work for the same employer for more than 6 months in rural and remote areas of Australia.

Ongoing Impacts of the COVID-19 Pandemic

While the full economic impact of the coronavirus pandemic is yet to be quantified, it is undisputed that the hospitality industry was and continues to be one of the industries most adversely affected.

i. Debt Levels

In the months following 23 March 2020 during which the hospitality industry was forcibly closed, employers in the hospitality industry accumulated significant debt while at the same time having severely constrained revenue opportunities. Most rent and loan repayments were either deferred or recapitalised, which has had the effect of delaying and extending financial hardship beyond the initial six months of the pandemic.

Managing this debt hangover is of principal concern to the AHA. Debt-to-Equity ratios Interest-Cover ratios in the hospitality industry are at unsustainable levels. While debt can be managed by increasing revenue, unfortunately revenue opportunities remained constrained by an exacerbated labour and skills shortage.

ii. Employment Levels

Employment levels in the Accommodation and Food Service industry have not recovered to the pre-COVID levels. As at 30 January 2021, the number of payroll jobs in our industry is 11.5% lower when compared to 14 March 2020. There is now insufficient labour supply in the hospitality industry, which has been caused by multiple factors:

- Previous employees finding new employment in alternative industries less exposed to the financial impacts of COVID-19, and are now unwilling to return to the hospitality industry;
- Fewer international students still remaining in Australia and a negligible number of new arrivals;
- Many skilled migrants left Australia at the beginning of the pandemic, following advice from the Commonwealth Government;
- Many working holiday makers left Australia at the beginning of the pandemic, following advice from the Commonwealth Government.

In a recently conducted nationwide survey of AHA members, 73% of responses reported that their business is suffering financially because of a shortage of skills. 56% of responses reported labour and skills shortages in the cook occupation (ANSCO Code 351411), while 66% of surveyed members reported shortages in the chef occupation (ANSCO Code). Across NSW alone, TAA estimates a labour shortage in accommodation hotels of 3247 workers.

It will be impossible for the hospitality to return to its pre-COVID levels of revenue and productivity while the supply and availability of skilled labour remains so constrained.

COVID-19 Pandemic Recovery

The ability for the hospitality industry to recover from the COVID-19 pandemic and be sustainable in the years ahead is dependent on the following factors:

- Short-term financial relief and medium-term financial stimulus;
- State Governments easing of public health restrictions as the vaccine rollout continues;
- State borders remaining open, increasing consumer confidence in booking and undertaking domestic travel;
- Availability of sufficiently skilled labour in the short-term throughout 2021 and 2022.

The Commonwealth Government can expeditiously assist the hospitality industry by ensuring our industry has access to a sufficient supply of skilled labour throughout the pandemic-recovery period.

Intended Objectives of the Skilled Migration Program

The purpose of Australia’s skilled migration program is to attract highly employable workers to Australia in order to meet workforce needs that cannot be met by the local labour force. In the ongoing COVID-19 environment where international borders remain closed to most new arrivals, Australia’s skilled migration program is incapable of meeting this intended objective.

The COVID-19 pandemic continues to have a unique impact on the dynamics of labour participation in Australia.

In response to this unique impact, it is necessary to adjust the current migration policy settings in order to meet the skills needs of the hospitality industry and to aid in our economic recovery.

It is important that the visa policy settings permit the hospitality industry to leverage non-residents currently residing in Australia to meet the labour demand that cannot be met with Australian workers. It is also important that Australia continues to be able to attract the best and brightest culinary talent with cutting edge skills to ensure our hospitality industry remains internationally competitive.

To aid the hospitality industry’s recovery from COVID-19, changes should be applied to four areas of Australia’s skilled migration program:

1. Subclass 500 Student visa
2. Priority Migration Skilled Occupation List;
3. Subclass 408 Temporary Activity visa; and
4. Subclasses 417 and 462 relating to working holiday makers.

Subclass 500 Student Visa

International students are an important source of labour for the hospitality industry. At June 2020, there were 555,000 international students in Australia. This number has further decreased over the past 8 months as international students have left Australia following the completion of their studies, and this departing cohort has not been replaced by new intakes. By comparison, the number of international students in Australia in July 2019 was 639,000. This significant reduction increases the labour and skills shortages in industries such as hospitality that depend on international student workers.

International students are only permitted to work 40 hours per fortnight while their course is in session. However, in recognition of international students’ vital role as part of a sustainable labour mix, the Department of Home Affairs and the Australian Border Force in January 2021 relaxed this requirement and allowed international student visa holders to work more than 40 hours per fortnight in the agriculture, NDIS, aged care, and health industries. This relaxation was attributed to the exceptional circumstances caused by the COVID-19 pandemic.

Given that the exceptional circumstances caused by the COVID-19 pandemic have equally afflicted the hospitality industry, and that the available number of international students continues to decline with the ongoing international border closure, the AHA and TAA seek that international students working in the hospitality industry (including accommodation) be permitted to work more than 40 hours per fortnight. Such a change could be implemented immediately and need only be temporary.

By being permitted to work more hours, this temporary change will mean that international students can rebuild their depleted cash-reserves and are better equipped to support themselves financially during the pandemic-recovery period. As a consequence, the best and brightest international students will have the financial means to remain in Australia in the short and medium term and contribute to Australia's international competitiveness through the pandemic-recovery period.

Increasing the hours that international students can work each fortnight leverages non-residents currently residing in Australia to fill the hospitality industry's labour shortage, without the COVID-risk associated with international travel or quarantine requirements.

Recommendation 1

That the Department of Home Affairs and the Australian Border Force take a flexible approach to student visa holders working beyond their usual work limitations in the hospitality industry.

Priority Migration Skilled Occupation List

The Priority Migration Skilled Occupation List (PMSOL) identifies occupations which fill critical skills needs to support Australia's economic recovery from COVID-19. Visa applications with an occupation on the PMSOL are currently given priority processing.

As above, the current shortage of cooks and chefs is hampering the hospitality industry's ability to recover from the COVID-19 pandemic.

Listing cooks and chefs on the PMSOL will mean the hospitality industry will receive priority visa processing in instances where it is unable to find suitably qualified and experienced candidate from the domestic labour market.

This change can provide short-term relief to the labour and skills shortages in the hospitality industry while Australia's international border remains closed. It will ensure that throughout the pandemic-recovery period Australia's hospitality industry remains internationally competitive by providing a permanent residency pathway for the best and brightest skilled culinary professionals with cutting edge skills.

These culinary professionals will assist in lifting the productivity of the hospitality industry to its pre-COVID levels, and aid in generating sufficient revenue to pay down the increased debt obligations caused by the pandemic.

Recommendation 2

That cooks and chefs (ANZSCO occupations 351411 and 351311) are added to the Priority Migration Skilled Occupation List.

Subclass 408 Temporary Activity Visa

The Subclass 408 visa allows holders to remain in Australia if they have no other visa options and are unable to depart Australia due to COVID-19 travel restrictions. If the visa holder is working in a 'critical

sector', the visa holder can remain in Australia for 12 months. If the visa holder is not working in a 'critical sector', the visa has a duration of 3 months and is not accompanied by any work rights.

Despite bearing the brunt of COVID-19 restrictions, the hospitality industry is not currently listed as a 'critical sector'. This means that for temporary visas that expire, such as the subclass 482 Temporary Skills Shortage – Short Term Stream visa, visa holders in the hospitality industry are no longer permitted to work and have to make arrangements to depart Australia within three months. Cooks are one such occupation where a labour and skills shortage is being reported by over 50% of AHA members, but the current visa framework requires these visa holders to leave the country at the conclusion of their visa. This requirement is exacerbating the hospitality industry's acute labour and skills shortages.

Listing the hospitality industry as a 'critical sector' is an immediate solution that will allow 408 visa applicants currently in Australia to fill critical labour shortages – or remain in their existing positions – in our industry for a further 12 months while they make arrangements to either depart Australia or transition to another visa subclass. Rather than bringing new skilled migrants into the country, this short-term solution leverages non-residents already residing in Australia. It has the added benefit there is no need to navigate the complexities and safety hazards of international travel and quarantine requirements.

Recommendation 3

That the hospitality (including accommodation) is listed as a critical sector for the purposes of the subclass 408 Temporary Activity visa.

Working Holiday Makers

Working holiday makers are a critical labour source for the hospitality industry. They possess skills currently demanded by hospitality employers. There are presently about 35,000 working holiday makers in Australia, a significant reduction from 141,000 in December 2019. Given the reliance of the hospitality on working holiday makers, this decline throughout COVID-19 has exacerbated the acute labour market pressures in our industry.

In November 2020, the Joint Standing Committee on Migration published its Final Report of the Inquiry into the Working Holiday Maker Program. The Final Report noted that the historical benefit of the Working Holiday Maker Program to the Australian economy is roughly \$3.1 billion annually. The Final Report also made the following recommendations:

- That working holiday maker visa holders should be able to work in tourism and hospitality in all hard-to-staff rural and remote areas of Australia as part of their 88 days or 6 months to qualify for their second- or third- year WHM visa; and
- That working holiday maker visa holders should be able to work for the same employer for more than 6 months in hard-to-staff rural and remote areas of Australia without asking permission in the tourism and hospitality industry.

In light of the exacerbated labour and skills shortages caused by COVID-19 and the hospitality industry's reliance on working holiday makers, the AHA urges the Government to implement these recommendations of the Joint Standing Committee on Migration as soon as possible. These reforms will make immediate inroads in alleviating workforce shortages faced by the hospitality industry, particularly in regional areas.

These reforms also have the benefit of allowing the hospitality industry greater access to a labour source that is already in the country and can be accessed immediately without the risks posed by international travel and quarantine.

Recommendation 4

That subclass 417 Working Holiday and subclass 462 Work and Holiday visa holders be able to work in tourism and hospitality in rural and remote areas of Australia to qualify for their second- or third- year WHM visa.

Recommendation 5

That Working Holiday and Work and Holiday visa holders working in tourism and hospitality industry be able to work for the same employer for more than 6 months in rural and remote areas of Australia without asking permission.

Conclusion

The AHA and TAA look forward to your favourable consideration of the above recommendations. We will prepare a supplementary submission responding to the remaining terms of reference. We are available to offer clarification or further detail on any aspect of this submission.

Yours faithfully



STEPHEN FERGUSON
AHA NATIONAL CEO



MICHAEL JOHNSON
TAA NATIONAL CEO