



AUSTRALIAN HOTELS
ASSOCIATION



3 December 2021

The Director,
Permanent Migration Planning and Policy Section
Department of Home Affairs
Parliament House
Canberra ACT 2600
By email: migration.policy@homeaffairs.gov.au

Dear Sir/Madam

RE: Planning Australia's 2022-23 Migration Program

This submission to the Director, Permanent Migration Planning and Policy Section intends to address the primary questions relating to the size and composition of the permanent Migration Program, noting the challenges presented by Covid-19 and trends identified in the Australian Population Statement and the 2021 Intergenerational Report. It is a joint submission including the views of the Australian Hotels Association, Tourism Accommodation Australia and the Accommodation Association.

1. 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 with shared views and responsibilities of the Accommodation Association (AAoA)

The size of scope of our members includes:

- Over 6000 businesses
- Generating \$12,000,000,000 economic benefit
- Directly employing 270,000 workers
- Supporting 50,000 community groups.

2. Recommendations

This submission makes the following recommendations for 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 continue to work more than 40 hours per fortnight until June 30, 2023;
2. That cooks (ANZSCO occupations 351411) are added to the Priority Migration Skilled Occupation List;

3. That skilled migrations in the following occupations are provided with a maximum stay of four years and a pathway to permanent residency: Café and Restaurant Manager, Hotel or Motel Manager, Accommodation and Hospitality Manager nec., Cook, Pastry Cook, and Hotel Service Manager.
4. That an ANZSCO review is undertaken as soon as possible to ensure the 2022-23 migration program and skills lists are responsive to the needs of the labour market.
5. That the Skilling Australians Fund levy be halved to \$600 per year for small business and \$900 for large business for each sponsored temporary migrant.
6. That the Skilling Australians Fund levy be refunded in all cases where a skilled migration application is not successful.
7. That the Skilling Australians Fund levies generated from the licensed hospitality and accommodation industry are spent on skills development in the licensed hospitality and accommodation industry.
8. That the maximum validity of the 485 visa Graduate Work Stream be increased from 18 months to two years.
9. That the permanent migration cap is increased to 210,000 per annum and the distribution between skilled and family migrants be restored to 2/3 to 1/3.
10. That further investigation and consideration is given to the approval of industry labour agreements to reputable industry organisations with high levels of industrial compliance among their membership.

3. The Need for Skilled Migration

Hiring Australian workers is always first priority for hospitality businesses. It is cheaper, more reliable and sustainable solution to workforce shortages. However, not for want of trying, labour shortages following Covid-19 are now at record highs in the licensed hospitality and accommodation industry.

Research shows that the following reasons combine to create substantial labour market gaps across our industry:

- Limited applicants with sufficient skills, education and experience¹
- Closed borders to Working Holiday Makers and International Students,
- Competition from other sectors that were not closed due to lockdowns²
- Ongoing pipeline of new accommodation and food services businesses
- Seasonality of demand in regional areas; and
- A lack of interest and brand damage in careers in hospitality and tourism.³

For these reasons, licensed hospitality and accommodation businesses rely on the migration system to secure skilled and unskilled workers when they are unable to source a local worker.

Further, the current training system is not providing the pipeline of Australian workers required for our industry. For the quarter to June 2020, total apprentice and trainee commencements in Australia declined 35.8%. Total completions declined 24.4%. The total number of apprentices and trainees in-training at 30 June 2020 was 266,565, down 4% from one year earlier. Amongst the biggest decreases in apprenticeship commencements was food trade workers, which at 5090 for 2019-20 has decreased 52% since its 2014 high of 10,671.

¹ 2019 Employment Projections – Labour Market Information Portal

² Above

³ Colmar Brunton report, 2016

A pipeline of local workers to fill future skills shortages requires skilled workers today to help train and mentor Australian apprenticeships and trainees. If businesses cannot source sufficient and reliable workers, they cannot operate to the full capacity. This is currently happening with hotels and restaurants restricting hours of operations and occupancy levels due to labour and skills shortages. This also jeopardises the jobs of other workers employed in the business.

Addressing the long-term skills shortages in key occupations in the licensed hospitality and accommodation industry (chefs, cooks and management employees) will take time as there are insufficient numbers of Australians currently ready, willing and able to fill these positions. Nor is there a sufficient number in the apprenticeship or trainee pipeline.

Testimony from AHA & TAA Members

Regional Hotel Owner, VIC: "We have had great difficulty in finding qualified chefs to work at our tavern and also our hotel. Placing advertisements in the paper constantly results in getting zero people answering the ads. In the end we have employed cooks who are not qualified to fill the gaps."

Emirates One&Only, NSW "Wondering if you could help us?" We are trying to put a taskforce together from other One&Only properties around the world. This would be for a three-month period, we are 89% Nov and 90% for December, currently we are 40 colleagues short to handle the volume. Something needs to be done, we have been suffering for the past 16 weeks being closed. A chance to make up some lost revenue and now we won't be able to deliver expectations. Could you help us fight the battle?

Hotel, Mansfield VIC: "We have taken over 6 months to fill a chef position and are still looking for front of house staff in all areas paying above award rates."

Hotel, Ceduna SA: "Of note, qualified Australian chefs in particular are extremely hard to source and at times we are left having to utilise contracted chef's flown in from Darwin to come to Ceduna to relieve our staff until we can fill the void in our team. During this time there is the added expense of getting them here and home again as well as the increased pay rates whilst they are working."

Hotel, Coober Pedy SA: "Being in such a remote location it is very difficult to source labour, even locals within the Australian labour market. We will often need to use a recruitment agency to assist us in sourcing candidates, which brings with it significant recruitment costs. We have recruited a few managers from a recruitment agency with a cost of \$3,000 to \$5,000 per staff member, but unfortunately due to the remoteness of our location they may only stay with the business for 3 to 4 months."

Coral Coast, WA: "Our trade fluctuates wildly due to being a tourist beachside playground, attracting families and fishers during school holidays, long weekends etc. The problems we face include: a fluctuating need for casual workers; a significant lack of local workers forcing us to attract workers from elsewhere; and a shortage of affordable accommodation. Most of what is available during the busy tourist

season is offered at Airbnb prices. This means we need more casual staff sourced from elsewhere. We normally employ uni students on break and overseas tourists on visa but recently these have not been available to us.

Hotel, Canberra ACT:

“Post-COVID there has been a loss of confidence in the hospitality sector. Staff are choosing to work 3+ casual jobs across different industries, instead of taking permanent roles in hospitality, to retain some form of financial security. This staff shortage is compounded by the lack of international students, who made up to twenty percent of our team. This has left a huge gap in our market as evidenced on Seek, with Canberra’s major hotels and outsourced housekeeping companies constantly advertising. Due to the inability to fill permanent positions, the hotel’s occupancy continues to be restricted due to these ongoing staff shortages.”

4. 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.

a. 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.

b. Employment Levels

Employment levels in the Accommodation and Food Service industry have not recovered to the pre-COVID levels. As at 16 October 2021, the number of payroll jobs in our industry is 17.4% lower compared to 14 March 2020. This decrease is most pronounced in NSW (down 23%), Victoria (down 32%) and the ACT (down 46%), but is also being felt in Queensland, Tasmania and South Australia.⁴ 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 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;

⁴ Australian Bureau of Statistics 2021, [Weekly Payroll Jobs and Wages in Australia; week ending 16 October 2021](#), accessed 29 November 2021

- 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 hotels of 3247 workers.

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

5. 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.

6. Subclass 500 Student Visa

International students are an important source of labour for the hospitality industry. At August 2021, there were 336,701 international students in Australia.⁵ By comparison, the number of international students in Australia in July 2019 was 639,000. Until international students return in their previous numbers, the number of international students in Australia will continue to decrease as student leave Australia following the completion of their students without being replaced by new arrivals. For example, 96,420 international students arrived in Australia in January 2020, while only 480 arrived in January 2021. These factors combine for a significant reduction that exacerbates the labour and skills shortages in industries such as hospitality that depend on international student workers.

International students were 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 June 2021 relaxed this requirement and allowed international student visa holders to work more than 40 hours per fortnight in the hospitality, tourism and accommodation sector. 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 afflicted the hospitality industry, and that the available number of international students will take time to return

⁵ Department of Home Affairs 2021, *Planning Australia's 2022-23 Migration Program Discussion Paper*

to pre-covid numbers, the AHA, TAA and AAoA seek that international students working in the hospitality industry (including accommodation) be permitted to work more than 40 hours per fortnight up until June 2023.

By being permitted to work more hours, this extension of 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.

7. Changes Required to Aid the Long-term Recovery

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

- Providing listed occupations on the STSOL with a pathway to permanent residency
- Providing the ABS with adequate funding to undertake a review of the ANZSCO
- Reductions in the Skilling Australians Fund Levy, and the revenue collected from the hospitality industry re-invested into apprentices and traineeships in the hospitality industry
- Improvement in visa processing times
- Increase the permanent migration cap to 210,000 per annum
- Further investigate the potential of industry labour agreements

8. Skills Lists and the Needs of the Accommodation and Hospitality Industry

a. Short-Term Skilled Occupation List

As demonstrated above, the licensed hospitality and accommodation industry is suffering an unprecedented amount of skills and labour shortages. Hiring Australian workers is always first priority for hospitality businesses. It is cheaper, more reliable and sustainable solution to workforce shortages. Not for want of trying, the current labour demand in our industry cannot be met by Australian workers.

As this situation has markedly deteriorated throughout the pandemic, it was still the reality before COVID-19 that the licensed hospitality and accommodation sector had difficulty finding staff in many occupations. The main occupations affected by persistent labour and skills shortages were (and continue to be):

- Café and Restaurant Manager (141111)
- Hotel or Motel Manager (141311)
- Accommodation and Hospitality Manager nec. (141999)
- Cook (351411)
- Chef (351311)
- Pastry Cook (351112)
- Hotel Service Manager (431411)

Labour and skills shortages in these positions persist because these occupations are listed on the Short-Term Skilled Occupation List. (The exceptions to this are Chefs which are on the Medium-Long

Term Strategic Skills List, and Hotel Service Managers which are not on any skills list.) This STSOL provides no pathway to for a skilled migrant to access permanent residency and only permits maximum stays of two years, which increases to four years if an international trade obligation applies. Prospective skilled migrants are generally unwilling to relocate to Australia for only two years with the potential to become a permanent resident.

While the AHA, TAA and AAoA support Traffic Light Bulletin consultation process the STSOL, the persistence of skills shortages in the above occupations means the list is not achieving the intended objective of the skilled migration program. As above, this objective is to attract highly employable workers to Australia in order to meet workforce needs that cannot be met by the local labour force.

Given the demonstrated immobility of the labour market over recent years, when a business is experiencing a skills shortage in a certain occupation it is immaterial whether or not there is also a national or regional skills shortage in that occupation. That skills shortage experienced at the business level is constraining business productivity and broader economic activity. The STSOL needs to be able to capture this nuance.

Given that the first priority of the accommodation and licensed hospitality industry is always to fill labour and skills shortages from the local workforce, businesses in the accommodation and licensed hospitality industry need a STSOL that can meet their labour needs when a local worker cannot be sourced. AHA, TAA and AAoA believe this can be achieved by providing skilled migrants in the above occupation with a maximum four year stay and a pathway to permanent residency.

b. ANZSCO Review

One of the pillars of labour market statistical infrastructure is the Australian and New Zealand Standard Classification of Occupations (ANZSCO). This infrastructure underpins a wide range of labour market data, including information from the Census, and is used for job outlook information and to regulate which occupations are eligible for migration programmes.

For all occupations experiencing technological progress, the nature of work and job roles are constantly evolving. ANZSCO not only identifies new jobs, but it also appraises the duties within their job and assigns an appropriate skill level. Despite significant changes to both the economy and employment market, including new jobs driven by technological changes as well as developments to the level of skills needed in certain jobs, ANZSCO has only been reviewed and revised twice since its introduction in 2006. A major review of ANZSCO is long overdue.

However, the Australian Bureau of Statistics (ABS) have claimed for several years that they are unable to commence a review due to labour and resources constraints and competing priorities. Regular review of major statistical infrastructure such as the ANZSCO needs to be built into the normal operating budget of the ABS. Further, the ABS has not committed to a review in the future, only that it will be considered post the 2021 Census process. Concern over the current state of ANZSCO is shared across many stakeholders and industry associations.

An out-of-date ANZSCO denies fair access to important migration programs and unreasonably complicates the regulation of the program due to the need for work-around style caveats in order that needs are best met. It is recommended that an ANZSCO review is undertaken immediately to ensure future migration programs are responsive to the needs of the labour market.

9. The Cost of Sponsorship

a. Reduction in the Skilling Australians Fund

There are high economic and productivity costs to seeking out an employee from overseas.

Employers who utilise temporary skilled migration are forced to pay significant amounts of money to sponsor a skilled migrant. This is akin to a tax on business productivity. The average cost to hotels of employing a person on a STSOL visa averages \$6,100 with a maximum of approximately \$9,000. For a MLTSSL visa, the cost averages \$6,500 with a maximum of approximately \$11,000.⁶ As these businesses cannot source suitably skilled Australian workers, these costs are unavoidable.

The AHA, TAA and AAoA remain concerned at the quantum of the Skilling Australians Fund levy. In line with the Australian Chamber of Commerce and Industry, we recommend that the levy be halved to \$600 per year for small business and \$900 for large business for each sponsored temporary migrant.

More support for employers in regional areas (especially in the context of natural disasters) can be delivered through concessions such as waiving Skilling Australians Fund levies.

The AHA, TAA and AAoA also seek improvement in the refund scheme, which is only available in limited circumstances and argue that it should be available for all cases where the application has not been successful.

Revenue from the Skilling Australians Fund should be spent proportionally on the industries that are most contributing to it. For example, Skilling Australians Fund revenue extracted from employers in the hospitality and accommodation industry should be used to increase the number of apprenticeships and traineeships in the hospitality and accommodation industry. It should not be used in other industries.

Of equal concern is the length of time taken in processing, impacting hotel and employee productivity. It is acknowledged that Sponsorship Accreditation goes some way to addressing lengthy processing

10. Restore Permanent Migration Cap to 210,000 Places and Skill and Family stream Distribution to 2/3 – 1/3

Migration is both a substantial contributor to Australia's economic prosperity but it also the lifeblood of Australia's heritage and culture. Australia is a nation that is built on migration, as is our workforce and our economy.

The joint paper *Shaping a Nation*, authored by Treasury and the Department of Home Affairs, highlights the economic and fiscal benefits of a strong permanent migration program. The decision to reduce the migration intake by 30,000 to 160,000 sent a negative signal about the benefits of migration. Given the impact of stalling population arising from the pandemic, the negative impact of the reduction in migration places has been exacerbated.

AHA, TAA and AAoA view the temporary and permanent skilled migration programs as highly valuable components of workforce planning and development for the licensed hospitality and accommodation industry. Skilled migration is a vital tool that assists individual businesses who experience skills shortages as well as fill skilled gaps in the broader economy. When a business needs to expand or replace a departing worker, skill migration provides access to skilled workers that are not otherwise available. Without this option, the licensed hospitality and accommodation industry is negatively affected. This impacts on overall economic activity, and therefore reduces the job opportunities available to Australian workers.

⁶ TAA NSW 2019

From 2020-21 to 2022-23, the planning level for the permanent migration program has been set at 160,000 places. In 2023-24, this increases to 190,000 places. The AHA, TAA and AAoA recommend that planned permanent migration intake for 2022-23 should be increased to 210,000 places to support the current skills and labour shortage and coincide with the re-opening of the international border. Further, beyond 2023-24 the migration caps should be set according to the evidence of maximum benefit including an assessment of economic, fiscal and demographic outcomes. We believe 210,000 to be an appropriate level to maximise the benefits of migration while controlling overall migration levels. We are also of the view that the distribution between skilled and family migrants needs to be restored to two thirds versus one third.

11. Role for Labour Agreements

The Department of Home Affairs has encouraged industries and businesses to negotiate labour agreements. There is a clear role for labour agreements in the permanent skilled migration program to accommodate the needs of specific industries and enterprises where the need for skilled labour can be defined beyond the broader migration system in terms of occupation, salary and language level. AHA, TAA and AAoA supports the continued use of labour agreements, however we advocate for the process to be more streamlined.

The regulatory burden of labour agreements should be particularly considered in relation to infrequent users of small numbers. Often with streamlining, there is a great deal of emphasis on reliable, large, frequent users. However, equally there is minimal integrity concern around a business that seeks to add, on average, one or two migrants per annum for the course of the agreement.

A “labour-lite” agreement option should be considered for small businesses that have seen their occupation eligibility disappear or who need solutions to often niche concerns.

Consideration should also be given to the role that reputable industry organisations with high levels of industrial compliance among their membership can play through the development of industry labour agreements that target the skills and labour needs within specific industries.

12. Conclusion

The AHA, TAA and AAoA thank you for the opportunity to make such a comprehensive submission into this vitally important program. We look forward to your favourable consideration of the recommendations we have made in order to support the licensed hospitality and accommodation industry recover from the economic impacts of the coronavirus-induced recession. We are available to offer clarification or further detail on any aspect of this submission.

Yours faithfully

STEPHEN FERGUSON
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