

Submission to The Joint Standing Committee on Migration

Inquiry into the Working Holiday Maker program

Beth Orton, Research Officer, and Professor Stephen Howes, Director, and Development Policy Centre, Crawford School of Public Policy, Australian National University

Summary

This submission will focus on the Working Holiday Maker (WHM) visa as a major supply of seasonal labour to Australia's horticulture sector. Through analysis of WHM visas granted, we will show that there is an increasing shift in demand for the WHM visa from middle income partner countries and that the WHM visa is increasingly becoming an agricultural visa. With this comes increased risks of exploitation. We propose greater promotion and focus on the Seasonal Worker Programme to address the barriers for employer participation and to deliver a well-managed and responsive 'seasonal worker' scheme that also supports households and communities in the Pacific.

Recommendations

Recommendation 1: Explicitly recognise that the Working Holiday Maker program is a major source of labour for regional Australia, and, in particular, seasonal labour for the horticulture sector.

Recommendation 2: Avoid further increases to the WHM 462 visa subclass caps to slow the further morphing of the WHM visa into an unregulated agricultural visa.

Recommendation 3: Discontinue the third-year WHM visa.

Recommendation 4: Greater promotion and focus on the Seasonal Worker Programme (SWP) as a source of seasonal labour to Australian horticulture so it can better meet the demands and needs of employers, and provide increased opportunities for workers from the Pacific and Timor-Leste to make remittances to their families and communities.

Recommendation 5: COVID-19: Managed Pacific Labour mobility pathways should be pursued with interested Pacific countries to meet peak season labour demand and support Pacific island households and communities.

Australia's Working Holiday Maker (WHM) program – supplying seasonal labour in horticulture

According to an OECD 2019 report¹, Australia was the most popular destination for working holiday makers, compared to other OECD countries with similar programs, and received 44 per cent of all working holiday makers across 10 OECD countries. However, when comparing designated 'seasonal worker' programs in OECD countries, Australia received only eight per cent of designated 'seasonal workers', ranked 9 against 13 OECD countries, with the highest proportion of seasonal workers going to Poland, United States, and Canada.

The ease of access for Australia's horticulture sector to the relatively unrestricted WHM program for its seasonal labour supply in contrast to the high-level of government oversight of, and limited flexibility within, the Seasonal Worker Programme (SWP), has seen the numbers of WHMs working in horticulture increase since the introduction of the second-year WHM visa in 2005-06, and notably, since access to the second-year visa was made available to a broader range of partner countries in 2016-17 (explained further in the analysis that follows).

Data from the Department of Home Affairs (DHA) on WHM visas granted provides a strong indication of the level of demand by citizens of partner countries for Australia's WHM program and how the visa program is used to supply seasonal labour to horticulture in regional Australia.

The first-year WHM visa is promoted² as a 12-month holiday visa, with work and study rights, for 18 to 30³ year olds from partner countries for work, travel, and cultural exchange. However, the second-year (and more recently the third-year) visa is a deliberate policy decision to direct WHMs to work in regional Australia, primarily in horticulture, and to extend their stay in Australia.

As shown in Figure 1, the number of WHMs travelling to Australia, on the first-year WHM visa, fell for six years in a row between 2012-13 and 2018-19, by a total of 24 per cent. The top five WHM first-year visa holding countries – United Kingdom, France, Germany, South Korea, and Taiwan – accounted for 34 per cent (nearly 50,000 less visas) of this drop in visas granted. In 2019-2020, up to the time when the Australian Government introduced the closure of its international border to temporary visa holders from 20 March 2020⁴, the decline in first-year visas granted was on track to continue with the number of first-year visas granted down by 20,982 compared to the same nine-month period (July to March) in the previous year.

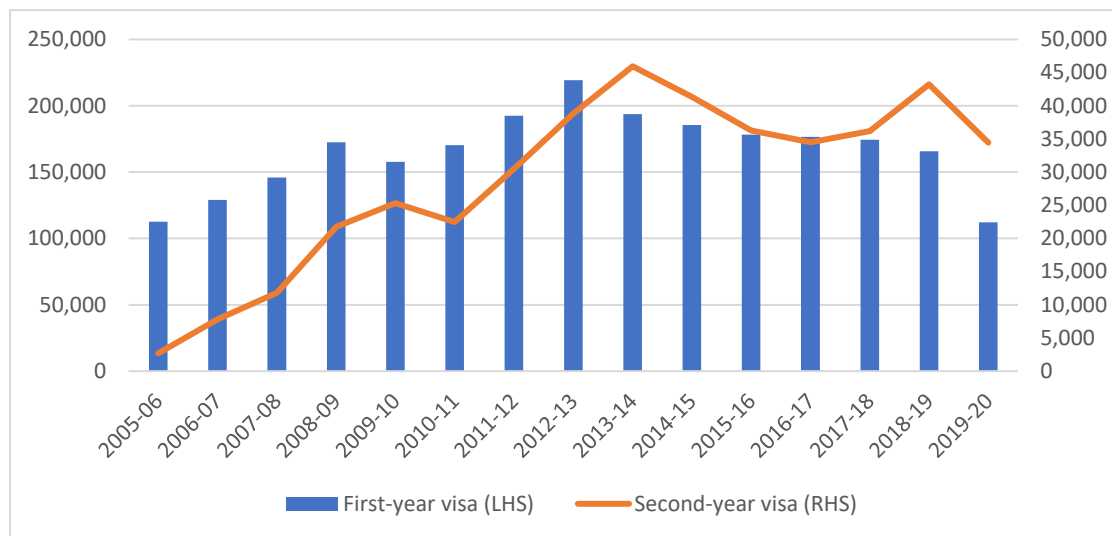
¹ [OECD](#) 2019, p.27

² [Department of Home Affairs](#), 2020

³ Citizens of Canada, France and Ireland are eligible aged 18 to 35.

⁴ Prime Minister of Australia – [Media Release](#) 19 March 2020

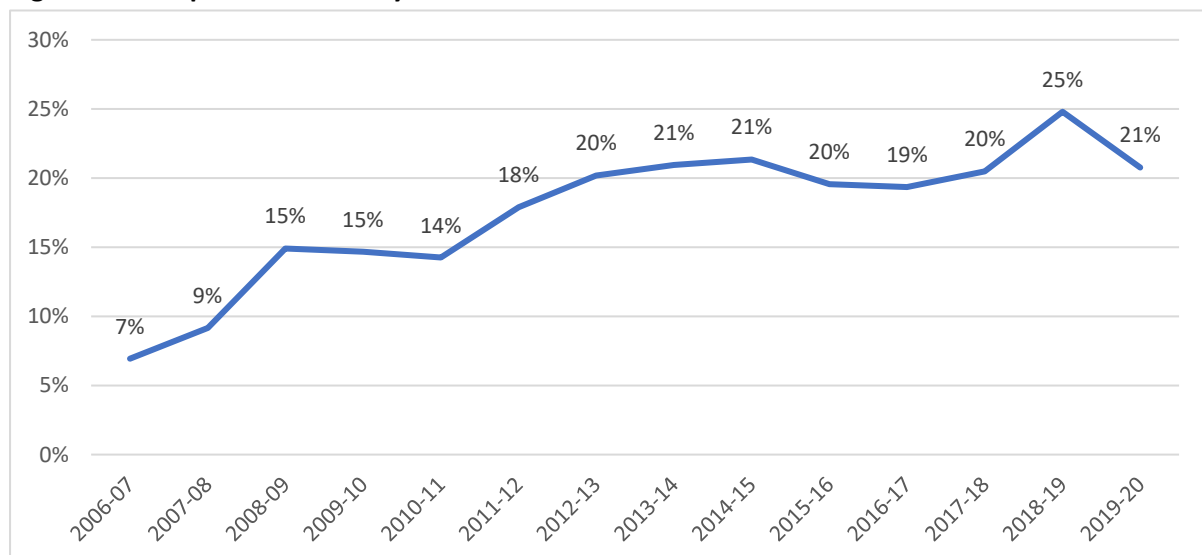
Figure 1: Number of first- and second-year Working Holiday Maker visas granted



Source: [Department of Home Affairs](#) 2020. First-year visa approvals were suspended due to the closure of Australia's international border to temporary visa holders from 20 March 2020.

When the second-year visa was introduced in 2005-06, uptake (applications granted) of the visa followed the upward trend in first-year visa uptake until 2012-13, then numbers started to decline alongside a reduction in first-year visa numbers. From 2016-17 second-year visa numbers start to increase again. This shows a direct response to the availability of second-year visas to a broader range of partner countries via the 462 visa subclass and a greater willingness of citizens of these partner countries to work in regional Australia and on farms. The COVID-19 pandemic has seen these numbers reduce. However, in 2019-20 uptake of the second-year visa remained relatively high despite the lower numbers of WHMs remaining in Australia (there were 28,350 less WHMs in Australia on the first-year visa in March 2020 compared to March 2019⁵).

Figure 2: The uptake of second-year visas



Source: [Department of Home Affairs](#), 2020. Second-to-first year ratios (uptake) is calculated as the number of second-year visas granted in a year relative to the number of first-year visas granted the year before.

⁵ Department of Home Affairs 2020 – [Temporary visa holders in Australia](#)

If we compare second-year to first-year visa numbers in the same year, 2019-20 shows a record high of 31 per cent (the previous year was 26% and the previous peak was 24% in 2013-14) and an increasing proportion of WHMs in Australia on second-year visas. While 32 per cent fewer WHMs decided to come to Australia in 2019-20 compared to the previous year, only 20 per cent fewer WHMs already in the country decided to work in regional areas and extend their stay in Australia.

Greater insight into the use of the WHM visa as a form of seasonal labour supply to the horticulture sector comes from analysis of the differences between the two WHM visa subclasses, 417 and 462.

The 417 (Working Holiday) visa is available to passport holders from 19 high income⁶ countries⁷ and the 462 (Work and Holiday) visa is available to passport holders of 25 countries⁸, nine of which are middle income countries⁹.

417 visas numbers are uncapped, while 462 visas (with the exception of the United States) have specific country caps of between 100 to 5,000 visas granted each financial year. Based on the DHA's WHM visa lodgement statistics ¹⁰, the demand for 462 visas from middle income countries typically exceeds the allocated cap, while the cap for high income countries is often not met. The high demand from this former group of countries in the 462 visa subclass is also in spite of the additional stricter eligibility criteria for 462 visa applicants, such as completion of at least two years' undergraduate study, passing a functional English assessment, and for the majority of countries, a letter of government support.

The second-year visa was introduced for 417 visa-holders in 2005 for 3-months' specified work in eligible regional areas¹¹, but only became available to 462 visa holders in November 2016 and then only in return for three months' work in the Northern Territory, and north of the Tropic of Capricorn in Queensland and Western Australia. In November 2018, 462 second-year visa eligibility was extended to the same regional areas specified for the 417 visa subclass.

Using this distinction between 417 and 462 visas, we can see two trends that explain the rise in second-year visas despite an ongoing decline in first-year visas. First, both visa categories have seen an increase in the second-to-first-year ratio. In particular, the 462 second-to-first-year ratio has grown rapidly in the past four years and much faster than the 417 one: the former was much lower than the latter but is now higher (see Figure 3).

⁶ World Bank 2020 [World Bank Country and Lending Groups](#)

⁷ Department of Home Affairs 2020 Working Holiday visa (subclass 417) [Eligibility](#)

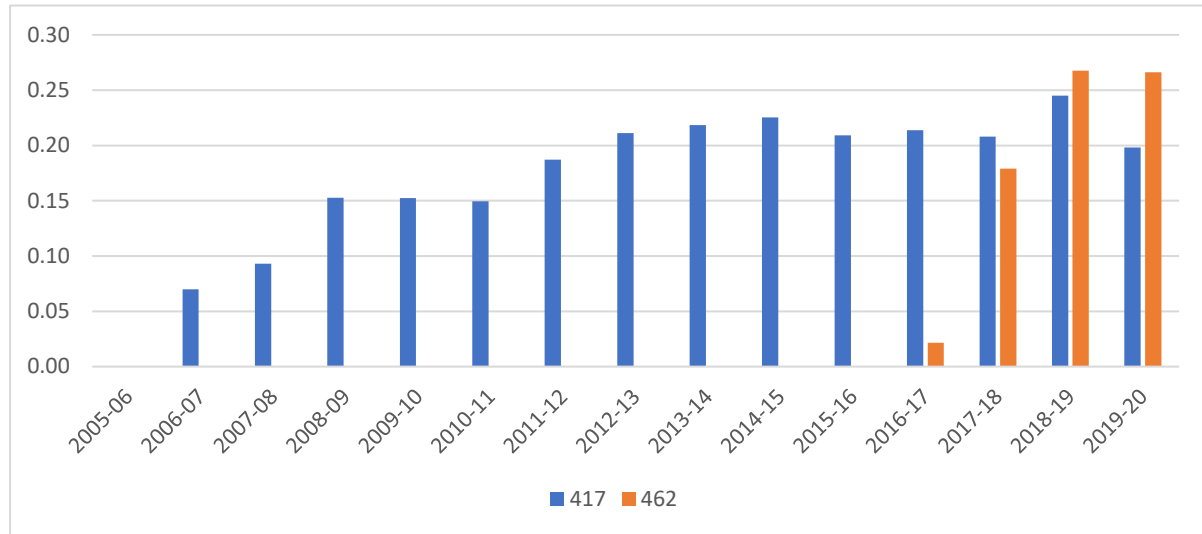
⁸ Department of Home Affairs 2020 Work and Holiday visa (subclass 462) [Eligibility](#)

⁹ World Bank 2020 [World Bank Country and Lending Groups](#)

¹⁰ Department of Home Affairs [Working Holiday Maker visa program report](#) – 30 June 2019

¹¹ Department of Home Affairs 2020 Working Holiday visa (subclass 417) [Regional Australia](#)

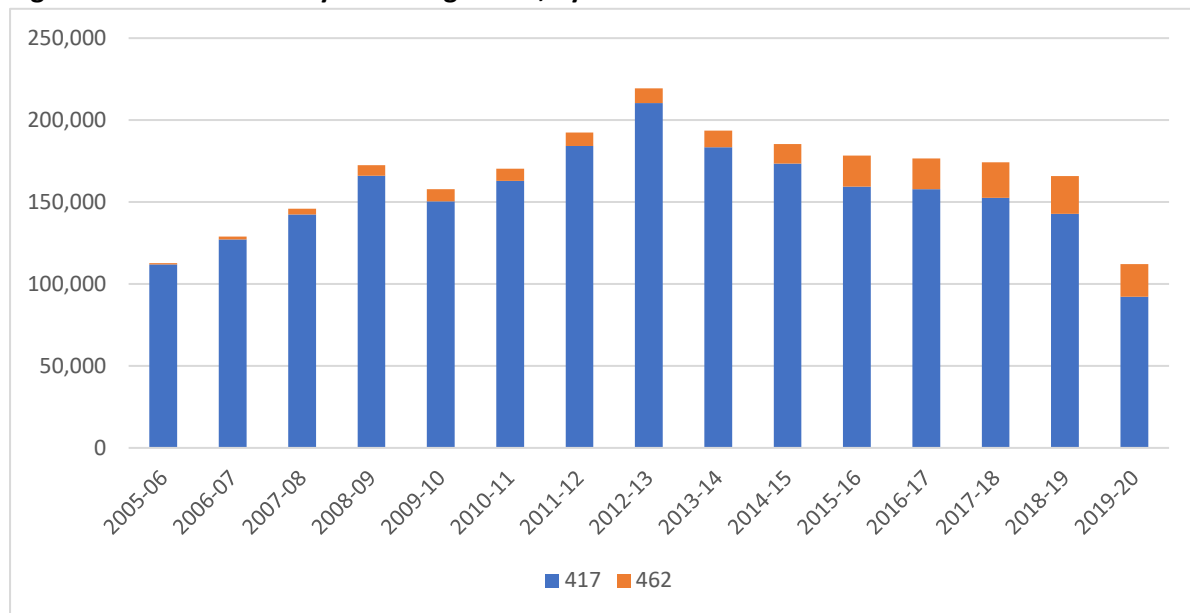
Figure 3: The uptake of second-year visas, by visa subclass



Source: [Department of Home Affairs](#) 2020.

The second trend is the share of 462 first-year visa holders is growing, from virtually zero in 2005-06 to 22 per cent in 2019-20. In the past five years, the number of 417 first-year visas granted had fallen by 47 per cent compared to a 66 per cent increase in the 462 visa subclass.

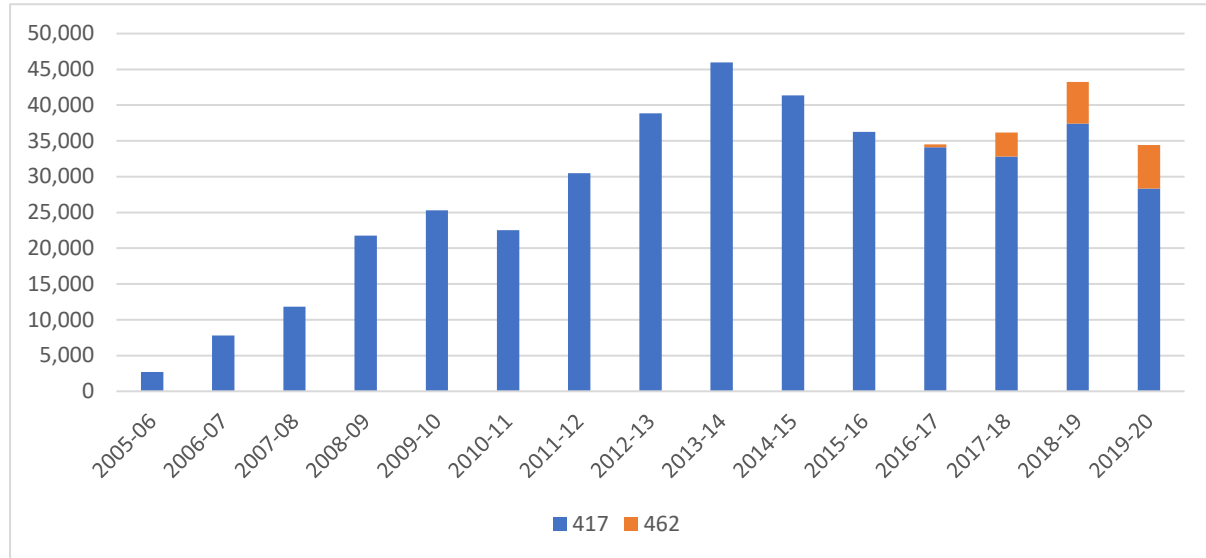
Figure 4: Number of first-year visas granted, by visa subclass



Source: [Department of Home Affairs](#) 2020.

The increasing demand in the 462 visa subclass is evident in the second-year visa category. The number of second-year visas granted to 462 visa holders had increased by 84 per cent since 2017-18, compared to a 14 per cent decline in 417 second-year visas granted over the same period. In particular, note that there has been a pandemic-related reduction in second-year 417 visas in 2019-20 (of 24%), but a six per cent increase in 462 visas. There could be various explanations for this, but perhaps the most plausible is that given the competition for 462 visas, getting a WHM visa to Australia is like winning a lottery, and 462 visa holders are therefore more determined not to lose the opportunity they have been given by returning home earlier than planned.

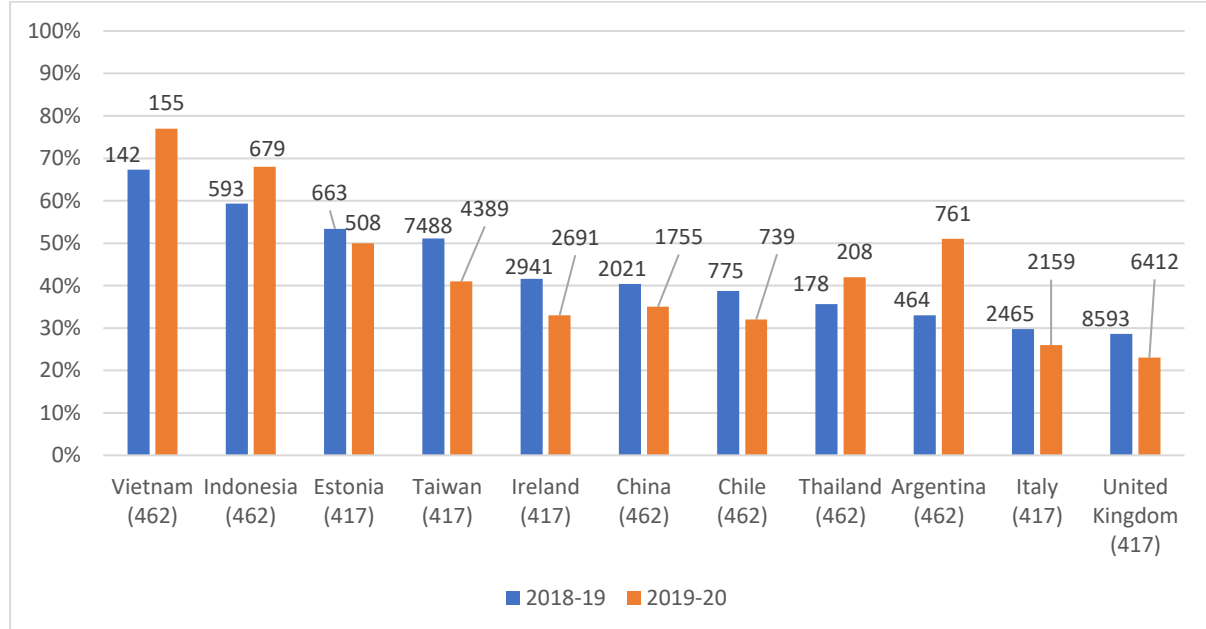
Figure 5: Number of second-year visas granted, by visa subclass



Source: [Department of Home Affairs](#) 2020.

Figure 6 shows the uptake (or second-to-first year visa ratio), by country, for the ten countries with the highest second-to-first-year ratio (out of all countries that have at least 100 second-year visa holders). Six of the top ten are in the 462 visa subclass, and again this is where the growth is. The uptake for second-year visas in 2019-20 for Vietnam was 77 per cent, Indonesia 68 per cent, Argentina 51 per cent, and Thailand 42 per cent.

Figure 6: Uptake of second-year visas, by country



Source: [Department of Home Affairs](#), 2020. Second-to-first year ratios (uptake) are calculated as the number of second-year visas granted in a year relative to the number of first-year visas granted the year before. Data labels = number of visas granted.

A third-year WHM visa was introduced in 2019-20 for both visa subclasses where second-year WHM visa holders could apply for a third-year visa following six months of eligible work in specified regional areas.

The overall uptake of the third-year visa was low in 2019-20 – six per cent of second-year visas holders were granted a third-year WHM visa. However, this was also true of the second-year visa: uptake in the first year after introduction of the second-year visa in 2008 was only seven per cent, and it subsequently grew to above 20 per cent. It is reasonable to think that this will happen with the third-year visa as well. There was greater uptake of the third-year visa in its first year by 462 visa holders (10%) compared to 417 visa holders (6%).

An Australian Bureau of Agricultural and Resource Economics (ABARES) 2018 report¹² estimated that the most common source of labour to vegetable, and fruit and nut, farms was WHMs (20%) with the remainder made up of other temporary visa holders, local workers, family members, and undocumented workers. In the same report, it was estimated that Australia’s designated seasonal worker program, the SWP, supplied only four per cent of seasonal labour.

If successful migration policy is about increasing the absolute number of seasonal workers to the horticulture sector, then the increase in uptake of second-year WHM visas could be viewed as a measure of success. However, the WHM program remains relatively unregulated and WHMs are highly vulnerable to exploitation. A 2018 Fair Work Ombudsman inquiry¹³ found that the second-year visa incentive has created an environment where “exploitative workforce cultures/behaviour are occurring in isolated and remote workplaces”. A 2019 report¹⁴ from the University of Adelaide and University of Sydney also supported these findings, stating that:

“The WHM program is not designed as a labour market program and, as such, there are almost no additional requirements on growers who use the visa to access workers, and no additional mechanisms for oversight and monitoring. As the second year visa extension has exacerbated worker exploitation it is hard to see how the third year visa extension will produce a different outcome.”

The benefits of the Seasonal Worker Programme (SWP)

The alternative to such heavy reliance on WHMs is encouraging employer interest and recruitment of seasonal workers from the Pacific and Timor-Leste through the SWP. The SWP is a dedicated seasonal worker program for Australia’s horticulture sector and there is great opportunity for growth subject to the reduction of barriers to employer participation and improved program responsiveness to labour market needs.

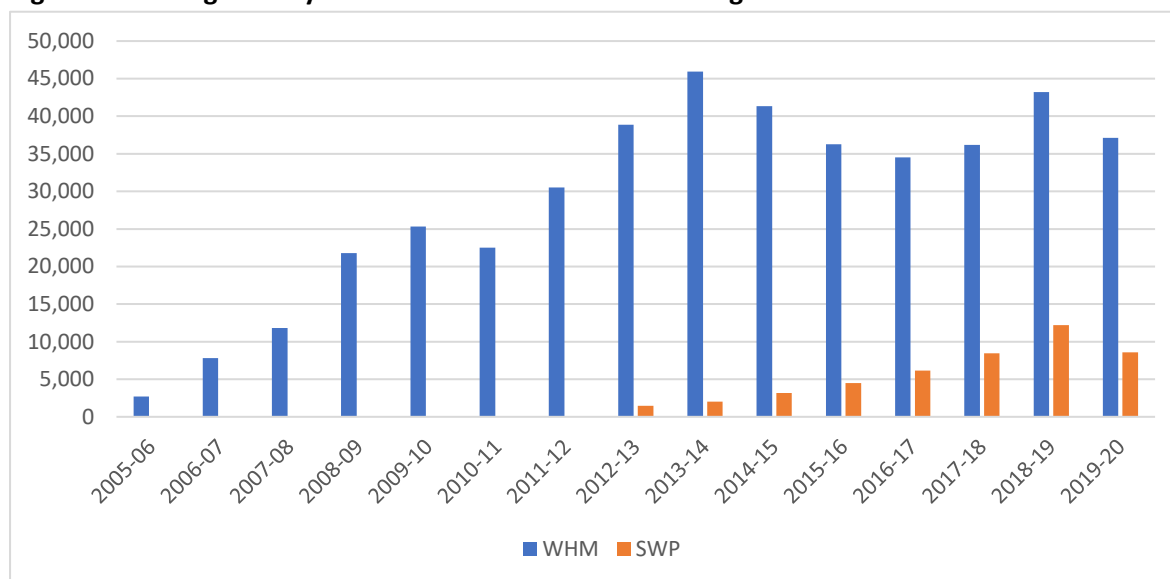
The SWP was introduced as a pilot in 2009 and as a permanent program in 2012. While the numbers under the SWP continue to grow (12,202 workers in 2018-19), it remains small relative to the WHM program (Figure 7).

¹² [Demand for farm workers: ABARES farm surveys 2018](#)

¹³ Fair Work Ombudsman 2018, [Inquiry into the wages and conditions of people working under the 417 Working Holiday Visa Program](#)

¹⁴ Howe, Clibborn, Reilly, van den Broek & Wright 2019 [Towards a durable future: Tackling labour challenges in the Australian horticulture industry](#)

Figure 7 Working Holiday Makers and Seasonal Worker Programme workers



Source: Department of Home Affairs. WHM numbers are the total of second-year and third-year (2019-20 only) visas granted. SWP numbers for 2019-20 to January 2020 only. Visa processing suspended due to Australia's international border closure.

Increasing recruitment of seasonal workers through the SWP would be of great benefit to Australian horticulture and the Pacific.

For Australian employers some of the barriers to participation in the SWP need to be reviewed and addressed, one of them being the additional upfront costs to the employer. However, these additional upfront costs need to be balanced against labour productivity benefits.

Research by ABARES¹⁵ found that non-wage labour costs are significantly higher for workers in the SWP compared to the WHM program (\$1,620 v \$134 per worker). In the SWP, employers must help with SWP worker transport costs, whereas WHMs are typically recruited via growers, labour hire companies or accommodation providers, and just need to arrive on time for the start of their shift. Recruitment and administration costs per worker are also much higher under the SWP. However, the average seasonal worker works for almost six times as long on a farm as the average WHM, so the cost difference per hour worked is less dramatic. Non-wage costs are \$1 per hour higher for SWP workers than for WHMs (\$1.82 versus \$0.78¹⁶) yet the same study found that SWP workers were on average 20 per cent more productive than WHMs.

The majority of labour in the horticultural industry is paid using piece-rates (workers paid by product weight or quantity), with more experienced workers limiting product spoilage and allowing for greater product quality. These are important indirect benefits for employers which stem from fast and efficient picking and packing. Lower employee turnover over the medium-term also helps offset initial expenses associated with the SWP.

Importantly, the SWP is a tightly regulated scheme which mitigates against exploitation.

¹⁵ [ABARES](#) 2018

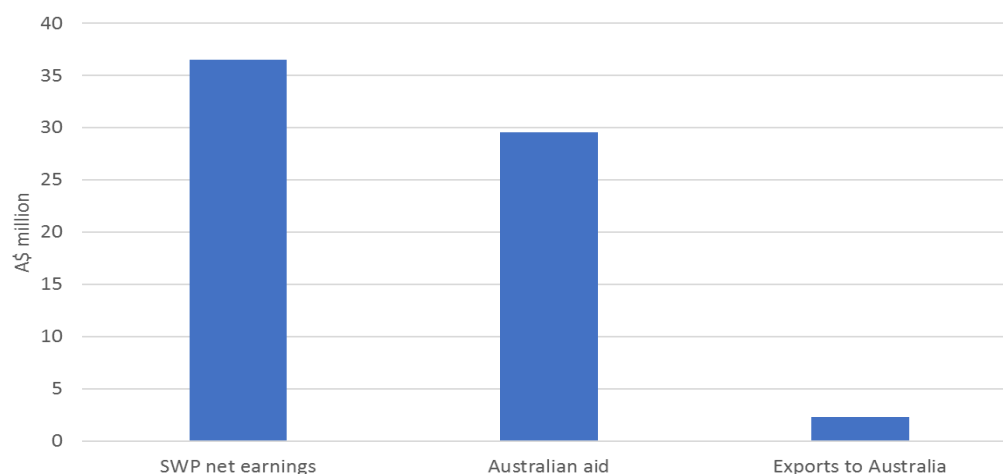
¹⁶ [Howes, Dornan and Arbon](#) 2018

According to the 2016 report of the Joint Standing Committee on Migration, *Seasonal change: Inquiry into the Seasonal Worker Programme (SWP)*, the rate of complaints in relation to the SWP “is relatively low compared to all industries Australia wide”¹⁷.

For the citizens from participating Pacific islands countries and Timor-Leste working in Australia under the SWP, the greatest benefit stems from remitting income earned through seasonal work in Australia to support consumption and investment in education and health within their households and across their communities. Pacific seasonal workers can return year after year, building up their skills and productivity, with some taking on more senior team leader roles thereby gaining skills that can be used when the worker return home.

The contribution of remittances to Pacific economies cannot be underestimated. Tonga, the biggest SWP participant in per capita terms, is the leading example of how important seasonal migration opportunities have become to the Pacific. Estimates suggest that net earnings from the SWP now exceed Tonga’s income from aid from Australia and exports to Australia, combined (Figure 8).

Figure 8: Tonga: net earnings from SWP, aid and trade



Source: SWP calculations 2019 [World Bank](#); ODA 2019 [DFAT](#); Exports goods 2019 – [DFAT](#);

Formal sector employment opportunities in the region are limited because Pacific Island countries are not creating enough formal sector jobs to meet the demand from young entrants into the labour market. For example, in Papua New Guinea 87,000 people enter the labour force each year and are competing for just under 12,000 formal sector jobs created annually¹⁸. A similar mismatch between demand and supply is present in Solomon Islands, Tonga, and Vanuatu. While most workers in the Pacific are engaged in the informal labour market there are limited opportunities to move out of the low-productivity informal sector into the formal sector. Temporary labour mobility opportunities from the Pacific to Australia are in high demand in Pacific Island countries and interest in participating in the SWP exceeds the opportunities currently offered by Australian SWP employers. For example, in Timor-Leste there are 5,900 people in the SWP work-ready pool – these are workers who have passed the initial SWP requirements and are available for recruitment. It has been

¹⁷ Joint Standing Committee on Migration 2016 – [Inquiry into the Seasonal Worker Programme](#)

¹⁸ World Bank [Pacific Possible Labour mobility: the ten billion dollar prize](#)

estimated that the “total SWP pool [from the Pacific and Timor-Leste] is conservatively 563,000, realistically 875,000, and ambitiously 1,320,000.”¹⁹

In comparison to other developed countries, Australia is unusual in its reliance on using WHMs as a main supply of seasonal labour to the horticulture sector. Canada’s Seasonal Agricultural Worker Program recruited 46,707²⁰ temporary workers in 2019 and its International Experience Canada temporary migration program for 18 to 30 year olds received an intake of 19,285²¹ that same year. In New Zealand, there are about 2.6 times²² the number of seasonal workers picking fruit compared to the number WHMs recruited for the same work.

The current suspension of temporary migration to Australia is the ideal opportunity to work towards a change in focus on supply of seasonal workers to horticulture, and a real test of the willingness of the domestic labour force to take up seasonal work in large numbers (which we expect to be unlikely based on overseas experiences – see section Impact of COVID-19). WHMs are likely to remain part of this mix, however the SWP offers a form of economic development that is an important complementary measure for stability in the Pacific, and an important component of establishing deep, bilateral relationships between Australia and individual Pacific island countries.

In summary, greater reliance on a dedicated, well-managed program for seasonal workers from the Pacific and Timor-Leste would boost productivity in Australian horticulture, reduce exploitation, and provide direct support to the Pacific, while diversifying the workforce away from an undue reliance on a single source of labour.

Impact of COVID-19

The Australian Government’s closure of its international borders from 20 March 2020 has left the horticulture industry with great uncertainty over its labour supply for the upcoming summer peak season. Based on previous demand it has been estimated²³ that the horticulture sector will need to recruit up to 40,000 seasonal workers who can be ready to work from October 2020 to cover the peak summer picking season.

The number of WHMs in Australia as of 30 June 2020 was 85,691, which is just under 50,000 less WHMs in Australia compared to the same time last year. This reduction in numbers is due to a number of factors – WHMs who were granted visas in 2019-20 but were unable to come to Australia due to border closures and travel restrictions, and others who have returned home early due to loss of work in the hospitality and tourism sectors, and uncertainty over the impact of COVID-19.

While some WHMs have currently secured work in horticulture to extend their time in Australia, others will want to return to their home countries as soon as flights are available and/or if they are unable to continue to financially support themselves in Australia.

Workers participating in the SWP have been able to extend their time in Australia – there are approximately 6,700 SWP workers currently in Australia. While some of these workers may stay on

¹⁹ [Dornan, Howes and Curtain](#) 2018

²⁰ Government of Canada, 2020, [Temporary Foreign Workers Program](#)

²¹ Government of Canada, 2020, [International Mobility program](#)

²² [Howes, Curtain and Dornan](#) 2017

²³ [Curtain](#) 2020

over the summer season to send home further remittances, others have been in Australia much longer than planned and will want to return to their home countries and communities.

Domestic workers will not meet this seasonal labour demand. Evidence should be collated and publicised from the Harvest Trail Jobs Board²⁴ on the number of domestic job seekers, and their take-up rate of jobs offered, to see whether the pattern of low domestic job uptake, evident from overseas, applies here. SWP employers could also collectively report on the findings of their own local labour market testing. We are in the position to learn from overseas experiences, such as the ‘Feed the Nation’ campaign in the United Kingdom which saw 50,000 domestic workers apply for seasonal labour positions in the United Kingdom (as at 20 March 2020) but only 150 workers accepting employment contracts²⁵.

With uncertainty over when the Australian Government will re-open its international border, planning for a well-managed source of seasonal labour must start now.

In the current environment, the immediate need is to help the Pacific re-open its international borders. Australia can do this by proactively working towards establishing managed migration pathways between interested Pacific island countries and Australia to enable SWP workers from the Pacific to work on Australian farms. Pacific countries will want to open their borders at different times. Australia should work with those Pacific island countries who are willing to reactivate their economies, and thereby ease their social and economic suffering.

RECOMMENDATIONS

Recommendation 1: Explicitly recognise that the Working Holiday Maker program is a major source of labour for regional Australia, and, in particular, seasonal labour for the horticulture sector.

Recommendation 2: Avoid further increases to the WHM 462 visa subclass caps to slow the further morphing of the WHM visa into an unregulated agricultural visa.

Recommendation 3: Discontinue the third-year WHM visa.

Recommendation 4: Greater promotion and focus on the Seasonal Worker Programme (SWP) as a source of seasonal labour to Australian horticulture so it can better meet the demands and needs of employers, and provide increased opportunities for workers from the Pacific and Timor-Leste to make remittances to their families and communities.

Recommendation 5: COVID-19: Managed Pacific Labour mobility pathways should be pursued with interested Pacific countries to meet peak season labour demand and support Pacific island households and communities.

²⁴ Australian Government [Harvest Trail](#)

²⁵ [Curtain](#) 2020