



14 August 2020

The Honourable Julian Leeser, MP
Chair, Joint Standing Committee on Migration

RE: Inquiry into the Working Holiday Maker Program

Dear Mr Leeser

I am writing in my personal capacity to express views about the state of the “Working Holiday Maker” program under visa subclasses 417 and 462. As you are aware, these visas allow citizens of other countries under the age of 30 (or under 35 for citizens of Canada, France, or Ireland) to fund travel to and within Australia by working during their stay.

Many recipients of these visas work in horticulture, and these workers play an important role in supplying labour to that sector. Travel restrictions due to COVID-19 have obviously reduced the number of such visa holders. This raises the prospect of a severe labour shortage in the farming sector, with the National Farmers Federation suggesting that there may be a deficit of 50,000 workers this year.

Various unions (e.g. the Australian Workers’ Unions, the Shop Distributive and Allied Employees Association and the Transport Workers’ Union) have claimed that workers in the sector are “exploited”.



I will not express a view on those claims, but make some observations about how the economics of the farming sector are impacted by the reduction in labour supply due to a reduction in subclass 417 and 462 visa holders.

An important fact to note is that the work in question, by its very nature, often takes place in rural and regional areas, is performed by relatively young workers, and does not require a particularly high level of skill or training.

That said, it is a critical input to the farming sector.

The clearest impact of this reduction in labour supply is that the price of labour in the sector will rise, given that demand for such labour has not changed materially. How large that increase in the price of labour will be is an empirical question that depends on what economists call the “elasticity of labour supply”.

In the event that the labour market does not clear, then insufficient labour will be supplied to the farm sector, leading to the prospect of large amounts of wasted produce.

I am not aware of high-quality empirical evidence on this elasticity for the Australian farming sector. That said, whatever price increase occurs will both raise the price of food to Australians and reduce the incomes of farmers. These impacts could be large given the significant numbers of additional workers that need to be found.

This would be a matter of national concern at any time, but during COVID-19 with incomes under pressure throughout the community it is a particularly pressing issue.



In my view, any actions that increase the price of labour in the farm sector or fail to allow for produce to be picked or harvested would be deeply concerning. It would lead to widespread increases in hardship for farmers and Australian consumers, and it could result in the perverse prospect of large-scale waste of produce.

One way to ensure sufficient labour supply is to offer a supplement to the JobSeeker program for Australians in relevant geographic areas. This is similar in spirit to the kind of industry-specific wage subsidy programs used in countries like Germany during the 2008 financial crisis.

This would come at some cost to the Commonwealth government, but would be an appropriate response to an extremely unusual economic disruption caused by COVID-19. It would not be difficult for Treasury to produce an estimate of the costs and benefits of such a scheme.

Please do not hesitate to contact me if I can be of further assistance.

Sincerely yours,

Richard Holden

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