



Submission to the

**Senate Economics Legislation Committee**

regarding the

**Working Holiday Maker Reform package**

**21 October 2016**

## About AUSVEG

AUSVEG is the national peak industry body representing the interests of Australian vegetable and potato growers and is committed to securing the industry's future.

We advocate for growers to all levels of government and ensure that the industry has a strong, active voice in the public sphere. We also communicate industry issues and perspectives to government, media and the public.

AUSVEG is also a service provider for a number of levy-funded research projects that are funded by Horticulture Innovation Australia using levy and government funds.

Ensuring the results from these research projects are made available to Australian vegetable and potato growers is vital for the vegetable and potato industries to remain on the forefront of global horticulture production and for local growers to be able to operate an efficient, productive and profitable growing operation.

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## 1. Submission

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With many vegetable crops requiring significant amounts of manual labour throughout the production process, working holiday maker visa holders are a critical source of labour for the Australian vegetable industry, particularly during peak seasonal periods. These workers, commonly known as “backpackers”, help to alleviate the pressures caused by domestic labour shortages which would otherwise have significant impacts on growers.

The horticulture industry appreciates the importance of ensuring that Australian jobs are available for Australian workers, but there is currently no viable alternative to foreign labour (and particularly the backpacker program) available for Australian growers.

While the horticulture industry would provide in-principle support for any policy which could provide consistent, reliable labour, we do not believe that any such mechanism currently exists, and we urge the Australian Government to avoid damaging the uptake of the working holiday maker visa program – as would happen under a tax rate which reduces Australia’s international competitiveness as a destination for backpackers.

AUSVEG has welcomed the revision of the proposed tax rate for backpackers to 19 per cent as an improvement on 32.5 per cent initially proposed by the Australian Government. We have concerns that this rate will impact on backpacker numbers, and would welcome any further consideration by the committee and Parliament of a lower rate; however, the most important outcome for our industry continues to be that the reform is concluded by the end of this sitting year to give certainty to growers before the January 1 commencement date of the tax.

The 32.5 per cent tax rate would have had a materially damaging impact on the appeal of Australia as a destination for working holiday makers, and consequently hurt the industries which rely on backpackers as a labour source. As such, it is vital that this tax rate is not allowed to come into effect – as would happen if no further legislative action is taken on the backpacker tax before 1 January 2016. AUSVEG is keen to see a result which ensures that we are internationally competitive in attracting backpackers.

One of the flaws in the discussions to date is that the 19 per cent tax rate has been proposed without reference to its impact on backpacker numbers. While the 19 per cent package currently before Parliament is an improvement on the 32.5 per cent proposed, it is unclear what impact this revised package will have on eventual backpacker numbers.

We welcome any discussion which puts the focus on ensuring the eventual package is internationally competitive. We strongly recommend that the Committee’s report emphasises the importance of a quick resolution to any continuing negotiations over the backpacker tax and other measures which have been linked to the tax. A quick resolution would also end the protracted uncertainty that has been allowed to build around this tax measure. It is vital that this uncertainty be brought to an end before it causes further damage to our industry.

AUSVEG also has concerns that proposed measures to tax 95 per cent of backpackers’ superannuation contributions may also act as a disincentive for future arrivals. It is our understanding that currently, many backpackers access these superannuation funds as they leave the country; the proposed rate runs the risk of deterring them from accessing this small sum and could therefore further lessen backpackers’ overall earnings, reducing the program’s appeal to these workers. As such, we would recommend this measure’s potential impact on backpacker numbers be considered by the Committee as part of this inquiry.

## 2. Other information

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### Visa labour in the horticulture sector

The agricultural industry in Australia employs over 290,000 workers<sup>1</sup>, of which the horticulture industry employs over 75,000<sup>2</sup>. Horticulture industry members strongly believe in the importance of providing as many of these jobs to local workers as possible, especially in regional and rural economies.

The agriculture industry has a proven preference for employing local workers and strengthening the regional economies in which the industry's members live and work – in 2001, agriculture accounted for almost 14 percent of non-metropolitan employment in Australia<sup>3</sup>, and a 2006 survey of growers in the Murray Valley found that, if possible, 31% of them would prefer to never employ overseas workers<sup>4</sup>.

However, the fundamental fact is that if the industry were to rely solely on domestic labour, it could not survive. The industry's use of visa labour is not a result of passing over domestic workers in favour of foreign labour – as the Productivity Commission has recently noted (emphasis added):

Some participants to the Commission's Migrant Intake into Australia inquiry argued that temporary migrants, particularly working holiday makers, crowd out domestic workers from the labour market. However, the available evidence at the aggregate level suggests **agricultural businesses and those in regional areas rely on temporary migrants to fill labour gaps.**<sup>5</sup>

This foreign labour overwhelmingly takes the form of backpackers – particularly those working for the second-year extension to the subclass 417 visa attainable by undertaking specified work in regional Australia. A 2014 survey found that 46% of respondent farmers indicated backpackers were their main source of labour, and that of over 75,000 workers employed by the horticulture industry annually, some 40,000 of them are backpackers<sup>6</sup>. Essentially, backpackers have become “a structural feature of the industry”<sup>7</sup>.

This has also been noted by previous parliamentary inquiries into other aspects of Australia's temporary labour system. For example, following their inquiry into the Seasonal Worker Program, the Joint Standing Committee on Migration reported that:

It is clear that the horticulture industry relies significantly on the second working holiday initiative, with over 40,000 visa holders, to fill its seasonal labour requirements.<sup>8</sup>

Other visa programs also provide temporary labour for the Australian vegetable industry, with the most pertinent to this review being the Seasonal Worker Program, which also provides Australian growers with unskilled labour.

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<sup>1</sup> Cat. no. 6291.0.55.0033 *Labour Force, Australia, Detailed, Quarterly*, Australian Bureau of Statistics (2016)

<sup>2</sup> *Seasonal Worker Program: demand-side constraints and suggested reforms*, J Doyle and S Howes (2015)

<sup>3</sup> *Trends in Australian Agriculture*, Productivity Commission (2005)

<sup>4</sup> *Labour Shortages in Murray Valley Horticulture: A survey of growers' needs and attitudes*, P Mares (2006)

<sup>5</sup> *Regulation of Australian Agriculture*, Productivity Commission Draft Report (2016)

<sup>6</sup> *Seasonal Worker Program: demand-side constraints and suggested reforms*, J Doyle and S Howes (2015)

<sup>7</sup> *Ibid.*

<sup>8</sup> *Seasonal change: Inquiry into the Seasonal Worker Program*, Joint Standing Committee on Migration (2016)

The industry supports the Seasonal Worker Program and believes it plays a much-needed role in ensuring that Australian growers have access to workers which they can employ over several seasons.

AUSVEG also understands that there is a belief in some quarters that the working holiday maker program's prevalence as a labour source for the Australian horticulture industry should be lessened in favour of increasing the Seasonal Worker Program's effectiveness as a labour source and as an aid program.

We urge caution regarding any policy decision designed to have this effect – while seasonal workers are extremely valuable, policies designed to lessen the availability of backpackers as a labour source which are made before the Seasonal Worker Program is able to pick up the slack from any reduced labour pool could be disastrous for Australian industry.

Given that the Seasonal Worker Program has seen low, although consistent, levels of growth in the years it has been operational, this may be some time away. Specifically, the Seasonal Worker Program granted 2,801 visas in the financial year to 31 May 2015<sup>9</sup> – this is less than 7 per cent of the amount of second working holiday (subclass 417) visas granted in 2014-15<sup>10</sup>.

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<sup>9</sup> *Submission 2 – Department of Employment*, Joint Standing Committee on Migration Inquiry into the Seasonal Worker Program (2016)

<sup>10</sup> *Working Holiday Maker visa Program report: 31 December 2015*, Department of Immigration and Border Protection (2016)