

# Working Holiday Maker Visa Review

## About this response

I have been working in the fruit picking industry for 20 years and have seen firsthand the difference that the backpacker community can make to a successful harvest. Whilst the general issues of language and conditions are the same today as they were 20 years ago the need for a farmer to harvest their crop on time has never changed, I have also witnessed the lack of workers at the most critical time which, in turn, puts pressure on the farmer, the employer and also the workers who are there trying to do the best that they can.

After reading through the review outline and studying the terms of reference I find it a little disappointing that submissions need to provide evidence, examples or case studies to be heard. Surely the experience of a Coal Face worker bears a great deal of empathy towards the review. Whilst my concerns are not entirely targeting the nitty gritty issues, they do address some complex issues that go beyond increasing the tax rate for individual visa holders.

My first point in trying to formulate a concern was to look at the facts and figures, these are outlined on page 2 under the heading **The number of Backpackers coming to Australia**. The comparison to your own figures is very similar so I have a base graph or starting point from which to formulate my concerns. The second point was to establish how much money a backpacker earns and this is outlined on page 3 under the heading **What the average Backpacker earns whilst in Australia**. These figures are derived directly from reports generated from the department of immigration and from an evaluation of the working holiday maker programme carried out in 2007/2008. I also looked closely at the key facts and figures that you put out in your review notes regarding the projected increase of 12% in accommodation and food services by 2020 and the 8.4% and 5.8% projected increase in vegetable and fruit picking jobs by 2020.

In case study 6 to 10 I have used personal information which I consider highly sensitive, however your need for evidence convinced me to submit these findings and, in saying that, I can only hope that your company treats this information in the strictest of confidence. Also I can produce many more examples as I know that just a handful of facts and figures does not constitute the whole population, but it is cause for concern.

## The number of Backpackers coming to Australia

Working Holiday Maker Program report 30<sup>th</sup> June 2013

Working Holiday Maker Program report 30<sup>th</sup> June 2014

Working Holiday Maker Program report 30<sup>th</sup> June 2015

These reports are available on the internet.

			<b>Number in Australia on the 30<sup>th</sup> June 2013</b>
Working Holiday Visas Granted	2013	210,369	
Work and Travel Visas Granted	2013	9,017	
2 <sup>nd</sup> Working Holiday Visas Granted	2013	38,862	(18.47%)
<b>Total</b>		<b>258,248</b>	<b>160,503</b>
			<b>30<sup>th</sup> June 2014</b>
Working Holiday Visas Granted	2014	183,428	
Work and Travel Visas Granted	2014	10,214	
2 <sup>nd</sup> Working Holiday Visas Granted	2014	45,950	(25.05%)
<b>Total</b>		<b>239,952</b>	<b>151,201</b>
			<b>30<sup>th</sup> June 2015</b>
Working Holiday Visas Granted	2015	173,491	
Work and Travel Visas Granted	2015	11,982	
2 <sup>nd</sup> Working Holiday Visas Granted	2015	41,339	(23.82%)
<b>Total</b>		<b>226,812</b>	<b>136,892</b>

## What the average Backpacker earns whilst in Australia

**Evaluation of the Working Holiday Maker Program 2007/2008 By (Dr Yan Tan, Professor Sue Richardson Dr Laurence Lester, Dr Tracy Bai and Ms Lulu Sun).**

This report is available on the internet.

Average earnings for a backpacker was **\$10,664.00** in 2007/2008

### **Working Holiday Maker visa review 2016.**

Average earnings for a backpacker was **\$13,300.00** (Tourism Research Australia, 2016)

A 25% increase in 8 years.

If you multiply **226,812** by **\$13,300.00** you could then say that **\$3,016,599,600.00** was earned by backpackers in 2016

The increase in the tax amount backpackers are to pay is small but significant, it was already **29c** in the dollar and you are proposing **32.5c** in the dollar. The biggest difference is that backpackers will no longer be able to claim the tax free threshold. This is a windfall for the government as tax on **\$3,016,599,600.00** equates to **\$980,394,870.00** in revenue for the government (yearly). Backpackers who are eligible to make a tax claim, which would include the tax free threshold, are getting a big margin of that revenue whilst they are still in Australia, and this is resulting in a huge amount of money being spent in communities around the country.

My concern regarding the elimination of the tax free threshold for backpackers is far greater than how much revenue it may gain for the government;

## Concern No 1 Capped Tax Returns

What is stopping an employer (or contractor) from getting the backpacker to fill out all necessary paperwork, including the tax declaration form, then deducting the 32.5% tax and not passing it onto the tax department? **Example**, let's say I employ 55 backpackers to pick my crop over an eight week period, with each employee working 8 hours per day six days per week.  $55 \times 8$  (hours per day) =  $440 \times 6$  (days per week) =  $2640 \times 8$  (weeks) = 21,120 (total hours worked)  $\times$  \$22.13 = \$467,385.60 (in earnings)  $\times$  32.5% (deduction for tax) = **\$151,900.32** (tax withheld) which may or may not be passed onto the government.

Backpackers would know that they cannot put in a tax return so they would be none the wiser that I have not sent the forms, or the money, into the tax department.

### A possible solution:

If the review decides that backpackers are to pay 15c in the dollar without the right to claim any tax back, then why don't they suggest that backpackers pay 32.5c in the dollar (or something similar) and then allow them to claim a tax refund of 17.5c (or something similar) in the dollar at tax time. This would still result in the government getting their 15c in the dollar, and it would give the backpacker a sum of money at tax time, surely this is a win/win for both parties and it might reduce the temptation for any employer (or contractor) to keep these funds. Because the backpacker who is expecting a refund would complain (providing that the channels for complaints are clear) if they did not get some money.

**\$3,016,599,600.00**  $\times$  32.5c in the dollar = **\$980,394,870.00** with **\$452,489,940.00** going to the government and **\$527,904,930.00** being returned to the backpackers, **WIN/WIN**

## Concern No 2 Outside Influences

There are many locations around Australia that backpackers are not willing to go to because of bad experiences of others, or the facilities (accommodation, transport or work) were not actually there. False advertising a job just to get 'bums in beds' or 'people into a town' are common practice which increases the anger in backpackers thus resulting in workers not prepared to travel to certain areas. (Hello! the cry from farmers). It has been heard around this country when farmers cry for more workers, however it may not be the case of insufficient workers but other influences in the area. If I was a backpacker working in the hospitality trade (resort or café) along the Australian coast somewhere, earning time and a half and sometimes double time then the only reason I would go to a farm is to get my second year visa, and then I would only stay the required number of days without due regard to the work, the pay or the conditions. Add in your projected growth in accommodation and food services by 2020 and this situation can become anything but satisfactory.

## A possible solution ?

Perhaps if you had the resources for backpackers or farmers through which to channel their immediate needs then you might be able to formulate a plan. But this situation will go on forever.

### Concern No 3 Superannuation

My primary concern is backpacker's superannuation.

I have been dealing with backpackers for many years now and have realised that not many of them understand superannuation (nor do many Australians) and, in saying that, I can safely say that not many of them get to claim their superannuation (because they either do not know where it is or they do not understand how to) once they leave this country. Remember that most backpackers stay for twelve months only with a percentage (approx.22.5%) electing to stay for a two year working holiday. Every time they gain employment they are set up with a super fund that their employer has elected for them, this equates to most backpackers having multiple funds during their short stay in this country. By the time they seek help most of their small contributions are gobbled up in fees leaving them with a **nil balance**.

This practice can easily result in a 'word of mouth' bagging (in their own country) of the Australian way, or the 'UN Australian way', amongst other prospective working holiday makers who might change their way of thinking regarding coming to Australia.

What I cannot understand is, why are we making this group of temporary workers fit into the long term retirement plan? These people can gain employment for up to six months maximum in any one job (not many elect to stay in the one job) before they are required to move on, thus gaining employment somewhere else, where their superannuation starts all over again, and this procedure is repeated for up to 4 different jobs that they hold over the twelve month period. The only people that seem to gain from this are the superannuation companies and the government what a clever win/win situation for those two groups.

As you can see by the increase in the number of working holiday makers applying for a visa, on page 5 under the heading; **A overview of who is trying to get backpackers super monies**, that the need for such a fund is real. The government would still get there 15% and it would leave superannuation companies free to look after the interest of the long term retirement of Australians, instead of having their funds dwindled away.

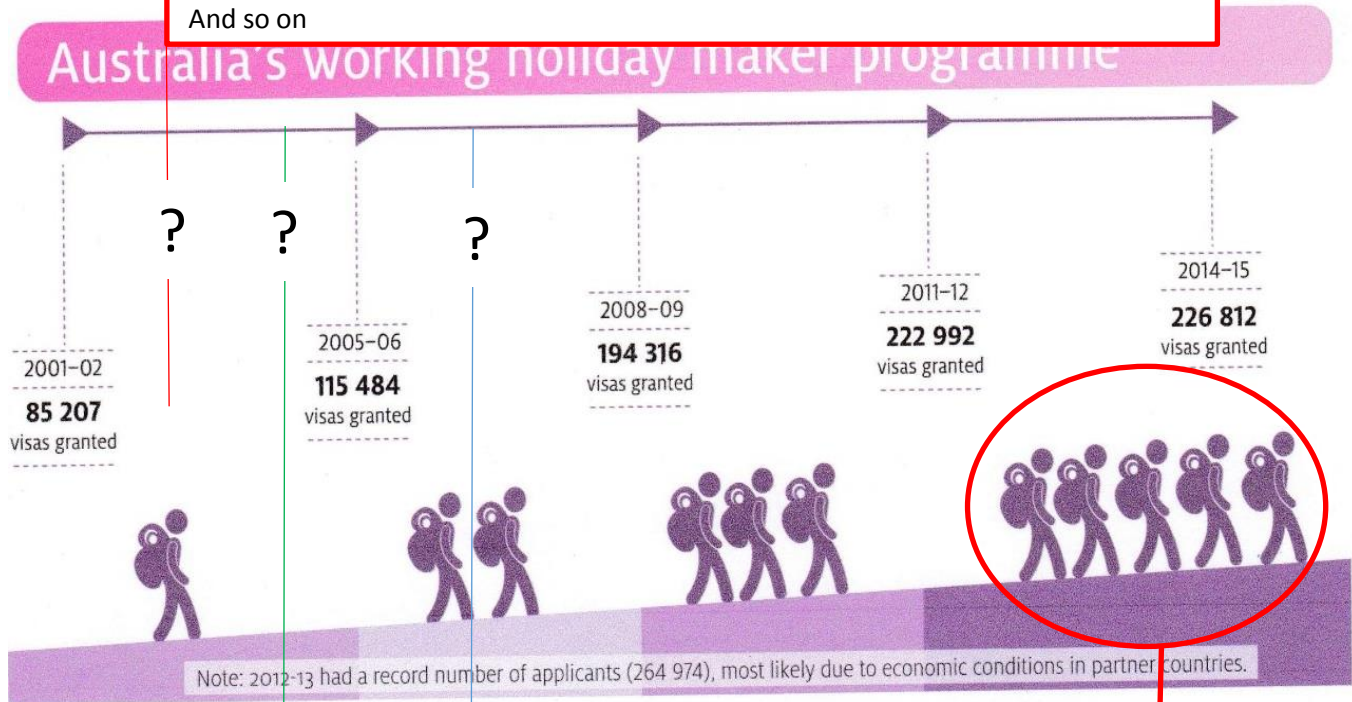
## An overview of who is trying to get backpackers super

Banks decided to start issuing super funds to backpackers.

If you are a backpacker, or new customer, with the Commonwealth Bank then you are signed up with Essential Super.

If you are a backpacker, or new customer, with the Westpac Bank then you are signed up with BT Super for Life.

And so on



Super funds, or someone, decided that if we make it automatic insurance then all members are covered, but what a drain on backpackers super.

Employers decided that sending money to different super funds is too much of an effort, or super funds decided that I want employers to contribute to our super fund, so when you work for me you will join my super fund, who cares if you want a choice. Another big drain of backpackers super.

Now this group are losing up to 50% of their superannuation monies. The need for a super fund of some description for backpackers is very real. It could be an ERF and ADF or simply a holding account, and it should be government backed, especially if super funds are to give it to the government after a selected period of time.

If my wages bill was **\$3,016,599,600.00** then my super contributions would be **\$286,576,962.00**. The government would get **\$42,986,544.30**, and superannuation companies would get **\$143,288,481.00 plus**. The poor backpacker gets very little especially considering that they paid for the right to come to this country on a working holiday visa.



**Case Study of 5 Super funds belonging to 5 individual backpackers for 1 job.**

**Case Study 1**

Statement date	Contributions in	Contributions tax	Insurance	Administration fees	Balance
1 Jul 2012	\$110.08	\$16.51	\$20.20	\$20.50	\$73.37
1 Jul 2013	\$250.42	\$37.56	\$86.80	\$91.00	\$133.92
1 Jul 2014				\$91.00	\$54.18
	<b>\$360.50</b>	<b>\$54.07</b>	<b>\$107.00</b>	<b>\$202.50</b>	<b>\$54.18</b>

**Case Study 2**

Statement date	Contributions in	Contributions tax	Insurance	Administration fees	Balance
26 Feb 2014	\$787.38	\$357.74*	\$55.95	\$28.00	\$359.37
1 Jul 2014			\$163.80	\$86.16	\$157.83
	<b>\$787.38</b>	<b>\$357.74</b>	<b>\$219.85</b>	<b>\$114.16</b>	<b>\$157.83</b>

- No tax file number quoted

**Case Study 3**

Statement date	Contributions in	Contributions tax	Insurance	Administration fees	Balance
1 Jul 2012	\$266.73	\$88.69*	\$59.20	\$76.00	\$42.84
1 Jul 2013			\$25.20	\$17.64	\$1.61
	<b>\$266.73</b>	<b>\$88.69</b>	<b>\$84.40</b>	<b>\$93.64</b>	<b>\$1.61</b>

- No tax file number quoted



#### Case Study 4

Statement date	Contributions in	Contributions tax	Insurance	Administration fees	Balance
30 Jun 2014	\$471.77	\$70.76	\$99.80	\$35.48	\$273.30
30 Jun 2015			\$207.96	\$73.45	\$6.86
	<b>\$471.77</b>	<b>\$70.76</b>	<b>\$307.76</b>	<b>\$108.93</b>	<b>\$6.86</b>

#### Case Study 5

Statement date	Contributions in	Contributions tax	Insurance	Administration fees	Balance
30 Jun 2014	\$545.27	\$81.79	\$34.76	\$11.72	\$428.64
30 Jun 2015			\$208.04	\$74.25	\$178.10
	<b>\$545.27</b>	<b>\$81.79</b>	<b>\$242.80</b>	<b>\$85.97</b>	<b>\$178.10</b>

Totals	\$2,431.65	\$653.05	\$961.81	\$605.20
Percentage		26.85%	39.55%	24.88%

There is no way you can draw a line through exactly what the state of backpacker's superannuation is, all cases are different. Two of the above backpackers (or their employers) did not quote a TFN, therefore the tax amount is much greater. The amount deducted in automatic insurance differs from one fund to the other, the same can be said for administration fees. This example and case study is to highlight the fact that backpackers are not getting a fair go when it comes to superannuation.

## The speed at which the backpackers monies disappears

Case Study of 5 Super funds belonging to 5 individual backpackers.

### Case Study 6

Name	TFN			
██████████	██████████			
Employers ABN	Employer	Date from	Date to	Gross earnings
██████████	██████████	15/7/2012	16/8/2012	\$2,127.00
Super Fund	Membership No.	Contributions	Date	
██████████	██████████	\$196.78	22/11/2012	
22/11/2012	Contributions tax	\$29.52		
	No TFN Tax	\$61.99		
	Insurance	\$59.20		
	Admin Fees	\$76.00		
22/11/2012	Balance		\$46.07	76% Loss

### Case Study 7

Name	TFN			
██████████	██████████			
Employers ABN	Employer	Date from	Date to	Gross earnings
██████████	██████████	11/2/2014	27/2/2014	\$2,246.00
Super Fund	Membership No.	Contributions	Date	
██████████	██████████	\$161.82	16/4/2014	
16/4/2014	Contributions Tax	\$22.22		
	Insurance	\$72.47		
	Admin Fees	\$13.75		
30/6/2014	Balance		\$56.10	65% Loss

## Case Study 8

Name	TFN			
██████████	██████████			
<b>Employers ABN</b>	<b>Employer</b>	<b>Date from</b>	<b>Date to</b>	<b>Gross earnings</b>
██████████	██████████	10/2/2014	28/3/2014	\$4,515.00
<b>Super Fund</b>	<b>Membership No.</b>	<b>Contributions</b>	<b>Date</b>	
██████████	██████████	\$428.76	8/5/2014	
8/5/2014	<b>Contributions Tax</b>	\$64.32		
	<b>Insurance</b>	\$98.66		
	<b>Admin Fees</b>	\$35.01		
30/6/2014	<b>Balance</b>		\$237.53	55% Loss

Name	TFN			
██████████	██████████			
<b>Employers ABN</b>	<b>Employer</b>	<b>Date from</b>	<b>Date to</b>	<b>Gross earnings</b>
██████████	██████████	15/3/2014	22/4/2014	\$2,510.00
<b>Super Fund</b>	<b>Membership No.</b>	<b>Contributions</b>	<b>Date</b>	
██████████	██████████	\$232.22	15/5/2014	
15/5/2014	<b>Contributions Tax</b>	\$34.83		
	<b>Insurance</b>	\$13.85		
	<b>Admin Fees</b>	\$27.00		
30/6/2014	<b>Balance</b>		\$159.15	32% Loss

## Case Study 9

## Case Study 10

Name	TFN			
██████████	██████████			
<b>Employers ABN</b>	<b>Employer</b>	<b>Date from</b>	<b>Date to</b>	<b>Gross earnings</b>
██████████	██████████	11/6/2013	25/6/2013	\$898.00
██████████	██████████	7/4/2013	7/6/2013	\$6,862.00
<b>Super Fund</b>	<b>Membership No.</b>	<b>Contributions</b>	<b>Date</b>	
██████████	██████████	\$464.84	4/7/2013	
		\$80.79	29/7/2013	
		\$120.19	9/10/2013	
30/6/2014	<b>Contributions Tax</b>	\$99.87		
	<b>Insurance</b>	\$98.00		
	<b>Admin Fees</b>	\$91.00		
30/6/2014	<b>Balance</b>		\$499.51	<b>25% Loss</b>

**A loss average of approx. 50% as soon as their monies hit the super fund.**

Whilst I acknowledge that employers are conducting their business in a lawful manner, the backpackers are not long term retirees of this country, their superannuation monies should be treated entirely different than the run of the mill residents of Australia. How much money has to be squirrelled away before the powers that be step up to the plate and realise that backpackers are temporary thus the rules governing long term retirement plans do not fit their criteria.

A possible solution:

## Backpackers need their own superannuation fund.



### Backpackers Super Fund

Based on all of the facts and figures the current level of return from a backpacker's superannuation account is very little (example 1) compared to what it might be if they were to have their own superannuation fund.

#### Example 1

The law reveals that 15% is deducted in contributions tax, (compulsory) a further 25% (approx.) is deducted in insurance and 25% (approx.) is deducted in administration fees.

On <b>\$13,300.00</b> their superannuation should be	<b>\$1,263.50</b>
Contribution tax at 15% would be	\$189.52
Insurance would be (approx. 25%)*	\$268.49
Administration fees would be (approx. 25%)*	\$268.49
Leaving a balance of just	<b>\$537.00</b> (Only 42% of their money, provided it was in the one superannuation fund).

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\*based on the average of case study 6 – 10

### Example 2

If backpackers were to have their own super fund with simple rules, such as contributions tax and administration fees only, then the rewards would be worth their while.

On <b>\$13,300.00</b> their superannuation should be	<b>\$1,263.50</b>
Contribution tax at 15% would be	\$189.52
Insurance would be	\$0.00
Administration fees would be (\$0.75c per week)	\$39.00
Leaving a balance of	<b>\$1,034.98</b> (or 82% of their money)

However, in example 1, backpackers do not earn this amount in the one job, most backpackers have on average 3.5 jobs, so the equation gets worse. As you can see in the case study (numbers 1 – 5) of five different super funds belonging to five backpackers, one job from each backpacker.

If backpackers earned **\$3,016,599,600.00** (2016) in wages then employers might have paid **\$286,576,962.00** in superannuation contributions (9.5%). This money would then have been distributed into many super funds to about which the common backpacker would not have any idea. With their own fund they would be in a much better position to understand superannuation.

Steve Gallagher

