

26 August 2016

The Hon Barnaby Joyce MP
Deputy Prime Minister, Minister for Agriculture and Water Resources
PO Box 6022
House of Representatives
Parliament House
Canberra ACT 2600

Dear Deputy Prime Minister

RE: Working holiday maker visa (backpacker tax) review

On behalf of Grain Growers Limited (GrainGrowers), I am pleased to provide this submission to you as part of the public consultation for the working holiday maker visa (backpacker tax) review.

GrainGrowers is a national grain grower representative organisation with 17,500 members across all of the major production zones in Australia. Our aim is to build a more efficient, sustainable and profitable grain production sector that benefits all Australia grain growers and the wider grains industry. The Australian grains sector is one of the most important agricultural contributors to the Australian economy, generating an annual production value of \$13.6 billion and \$11 billion in export earnings.

This submission has been developed in consultation with the GrainGrowers National Policy Group (NPG). Our NPG consists of up to fifteen elected grower members from across Australia and provides a grassroots basis for GrainGrowers policy priorities. GrainGrowers has also provided input to the corresponding submission from the National Farmers' Federation (NFF).

The agricultural sector is constantly striving to innovate and remain internationally competitive. A key part of this is ensuring a productive farm workforce. For the ongoing viability of our grains sector, it is essential that we build and maintain a good supply of seasonal and short-term workers at peak grain production times such as sowing and harvest.

It is vital that the Australian Government implement policies and regulatory reforms that alleviate, rather than exacerbate, labour shortages. The proposed backpacker tax (in its current form) should not be implemented because it will have a detrimental impact on the supply of labour for our agricultural sector. Instead, GrainGrowers supports the implementation of policies and regulatory reforms that will strengthen our grains sector by addressing labour availability issues. To this end, we have made a number of solutions-based recommendations in our submission:

- Implement a 19 percent tax rate for backpackers on every dollar earned.
- Superannuation should not be paid for backpackers.
- Introduce an Agricultural Apprentice Scheme
- 'Agricultural skills' should be included in the 457 visa criteria.
- The second year visa extension for 417 holders should be continued.
- Dedicated work visas should be developed for the agriculture sector.
- Clearer pathways to residency for visa holders with farm management skills and experience should be considered.

- Change the 457 visa programme by allowing the CSOL to be varied to reflect new skilled occupations.
- Remove labour market testing requirements for regions and/or industries where there is a demonstrated labour shortage (e.g. regions eligible for the Seasonal Worker Program).

As the Minister responsible for agriculture, I ask that you consider the attached submission and our recommendations on behalf of the Australian grains production sector. I would welcome the opportunity to meet with you to discuss these matters further.

Best regards



David McKeon
General Manager
Grain Growers Limited



TOWARDS MEETING GRAINS SECTOR LABOUR NEEDS

Submission to the Australian Government working
holiday maker visa review



August 2016

Grain farmers face unique labour challenges

Australian grain farmers require access to an affordable, flexible, reliable and capable workforce to keep their businesses profitable and productive. The seasonal nature of grain production, specific skill requirements, the lure of resource projects, and the industry's location in regional and rural areas of Australia often make it difficult to attract and retain Australian workers. The shortage of willing farm workers is a significant problem, costing Australian farmers millions of dollars in lost productivity every year.

Overseas workers (especially backpackers on working holidays and foreign workers temporarily in Australia to support a better life in their home country) play a key role in fulfilling the seasonal labour needs of Australia's grain farming sector. Many grain growing operations rely on working holiday makers to fill short term labour needs, especially during peak times in the grain production cycle such as sowing and harvest.

Issues with the proposed backpacker tax rate

The Australian Government is considering the introduction of a 32.5 percent tax rate from the first dollar of the earnings of non-resident 417 and 462 visa holders. While GrainGrowers agrees that working holiday makers should pay a fair amount of tax on their earnings in Australia, we are concerned that a rate of 32.5 percent may undermine the attractiveness of Australia as a working holiday destination and could thereby erode the already limited labour pool available to meeting seasonal farm work needs.

Recent research undertaken in May and June 2016 by Dr Jeff Jarvis of Monash University has demonstrated the potential negative impacts of the 32.5 percent tax rate. In a survey of 335 international working holiday makers in Australia, sixty percent of participants said that they would not have chosen to come to Australia if the tax was 32.5 percent from the first dollar earned. This suggests that the supply of seasonal farm workers will decrease significantly if the backpacker tax is introduced.

Furthermore, nearly sixty percent of participants said that under a backpacker tax scenario they would spend less money on tourism and seventy percent said that they would actively try to avoid the tax by seeking out cash-in-hand jobs. This indicates that negative impacts of the 32.5 percent tax rate would likely extend beyond farmers to also hurt regional economies and tourism more broadly, and could also stimulate a leakage problem through increased tax evasion.

GrainGrowers understands that public discussion around the proposed 'backpacker tax' is sensitive – igniting the debate of 'jobs for Aussie workers' versus 'employment of foreigners'. However, the reality for farmers, including grain growers, is that they need backpackers and other less-transient international workers to fill seasonal and short-term labour requirements. Conversely to backpackers, the domestic worker often needs permanent work arrangements and the potential for a career pathway. As a result, for many years the farmer-backpacker arrangement has been mutually beneficial – meeting the needs of both parties.



Balancing tax and competitiveness

GrainGrowers support a **19 percent tax rate for backpackers on every dollar earned**. We believe this is a reasonable tax rate that reflects the situation of backpackers and allows Australia to remain competitive against other popular agricultural working holiday destinations such as New Zealand and Canada. The 19 percent rate aligns with the tax rate applied to Australian residents who earn less than \$37,000 pa¹.

The NFF advises that, on average, working holiday makers in Australia earn around \$15,000 pa and pay around \$1300 pa in tax. If taxed at 19 percent with no tax free threshold, backpackers would each pay around \$2850 pa in tax. NFF research indicates that increasing the tax on working holiday makers to the 19 percent rate would not have an adverse impact on the competitiveness of Australia as a working holiday destination compared with our major competitors – Canada and New Zealand.

Given that we are already facing a serious labour shortage in agriculture, it is imperative that we do not further reduce the attractiveness of work in the sector (especially the low skilled seasonal work, which is predominantly served by backpackers) by decreasing the value of remuneration through a heavier tax burden.

GrainGrowers also advocates that **superannuation should not be paid for working holiday makers**. Superannuation aims to provide adequate levels of retirement income for Australians while relieving pressure on the Aged Pension and increasing national savings. These objectives do not align with the situation of working holiday makers. The vast majority of working holiday makers do not intend to retire in Australia and therefore do not need Australia to provide for their retirement. The money paid into superannuation for these international workers would provide more value if it were directed towards supporting regional youth employment programs or other workforce development initiatives.

¹ Note, the effective tax rate may be less once the tax-free threshold is applied.

Some grower perspectives

Colin Nicholl, near Hyden, Western Australia

Colin is a WAFarmers Grains Council member and a former WAFarmers President. He has been involved in a wide range of successful negotiations to make it easier for farmers to do business in WA.

“The ability to source reliable and capable farm workers – especially at peak times in the grain production cycle such as sowing and harvest – is crucial to the continued viability of our farm enterprise.

It’s not always easy to source a farm workforce with the lure of other industries and urban centers making the availability labour law.

I call on our elected representatives to abolish the so-called backpacker tax. If it was to proceed at its proposed 32.5% rate the tax would seriously threaten farmers’ access to a much-needed labour pool and therefore the ability to operate as productively and efficiently as possible.”



Steve Tilbrook, near Mt Madden, Western Australia

Grain grower, Steve Tilbrook, has been welcoming backpackers into his family’s home and business for decades. He believes the arrangement has given him and his family an insight into many different cultures and ways of life.

“The exchange works two ways. International workers bring more than just practical benefits to grain farmers.

Young people from around the world visit our farm and as a result gain a better understanding of our culture, our people and our farming industries.

Our grain growers play in a fiercely competitive global market where productivity and efficiency are paramount to maintaining their competitiveness.

Australian farmers are already among the least subsidised in the world – the inability to source help to get the crop in the ground and then off – is just one more very big blow-fly in a farmer’s ointment.

The grains industry is a powerhouse of Australian agriculture – the issues threatening its continued prosperity cannot be ignored.”



A new idea to address the labour challenge

In GrainGrowers [pre-election policy handbook](#), we proposed the concept of an **Agricultural Apprentice Scheme** to help address the labour requirements of the grains and broader agricultural sector.

The Agricultural Apprentice Scheme would serve to promote the career opportunities that agriculture offers by encouraging Australian school-leavers to consider spending their gap-year on farm, learning about how a modern farm business operates.

Under the scheme, we suggest that school leavers (up to 24 months after leaving school) could work for a registered farming business tax-free for 12 months. During the 12 months the apprentice would also complete an agricultural qualification (through TAFE or a registered training organisation) fully funded by the Australian Government.

Following the apprenticeship, we suggest that farming businesses could be offered an incentive payment if they decide to take on the apprentice as a full-time employee.

While there are many exciting career opportunities in Australian agriculture, the information isn't always getting out to bright students in non-rural areas. This scheme therefore offers a simple but potentially highly effective way to address this information disconnect and lay the groundwork to nurture a future generation of farmers and farm employees.

Reforming to the working visa system

Further reforms could also be made in the space of skilled visas (457) and working holiday visas (417) to provide closer alignment with the needs of farm businesses: **'Agricultural skills' should be included in the 457 visa criteria;** and **the second year visa extension for 417 holders should be continued.** These reforms would simplify the process of recruiting and retaining suitable workers and create possible pathways to residency for those staff.

Longer term, the **development of a dedicated work visa for the agriculture sector** would also boost access to suitable labour requirements and help provide the certainty required for incoming farm workers and the many Australian farms currently struggling to fill roles.

ANZSCO coding

As per the initial [NFF submission](#) to the current Productivity Commission inquiry into regulation in agriculture, GrainGrowers believes that the ability of farm businesses to fill skilled labour shortages with the use of overseas workers on the 457 visa program is limited by its reliance on the ANZSCO coding system, which was never intended to define current industry skills needs exhaustively. Many skilled agricultural occupations are simply not on the Consolidated Skilled Occupations List (CSOL), which is used to determine eligibility for 457 visas. As a result, agricultural industries have dedicated years negotiating labour agreements to access workers they desperately need. For example, many of our members run mixed grain-livestock operations and a common dilemma faced in this situation is the classification of their leading farmhand. On a mixed farming operation this is a skilled job but may sit between the ANZSCO codes for "Livestock farm worker" (low skilled) and "Livestock farmer" (degree qualified). Such a person may be variously employed as,

and describe themselves as “leading farm hand”, “overseer”, “head stockperson”, “assistant manager”, yet all do much the same job and require a high level of skills. They are unlikely to be degree qualified – and not being listed on the CSOL means they are *prima facie* ineligible for a 457 visa. Changing the 457 visa program so that the CSOL can be varied to reflect new skilled occupations is vital. This one change would remove a large barrier to the 457 visa programme faced by the agriculture sector overnight.

Market testing

Another issue in this space is labour market testing. Labour shortages in the agriculture sector are nothing new. However, the labour market testing regime makes no acknowledgment of this circumstance. Instead, it applies across the board to all sectors and industries seeking access to migrant workers, both in relation to the 457 visa program and the Seasonal Worker Program. Labour market testing requirements, particularly for short-term migration programs, represent a large commitment for little return. Approved employers under the Seasonal Worker Program prepare a recruitment plan for each group of workers they seek to employ, place job advertisements for a minimum two-week period, and report back to the Department of Employment (the programme administrator), before proceeding to recruit from overseas.

The requirement to advertise and offer work to Australian jobseekers before seeking to recruit foreign workers is problematic. Farmers are required to advertise jobs broadly, eliciting numerous responses from foreign workers and only very few from Australian workers. Each job application must be reviewed and responded to, requiring significant time and resources, when the reality is that most Australians are not looking for jobs that involve hard, physical work in rural, regional and remote areas. In some cases, our members tell us that Australian workers who have applied and been offered a job have refused the offer, advising that the application was only made to meet their job application quota for the month.

Therefore, as per the recommendations made by the NFF to the Productivity Commission, GrainGrowers recommends that the Australian Government:

- **change the 457 visa programme by allowing the CSOL to be varied to reflect new skilled occupations**
- **remove labour market testing requirements for regions and/or industries where there is a demonstrated labour shortage** (e.g. regions eligible for the Seasonal Worker Program).

Addressing the marketing gap

Another issue in the agricultural labour space is that we are currently facing a marketing gap in terms of farmers being able to recruit suitable staff from both Australia and overseas.

We need to be marketing Australia as a ‘first choice destination’ for international workers. This includes having a competitive tax rate and an easy-to-navigate application system for 457 and 417 visas, including efficient and timely processing of applications within government.

To improve the attractiveness of agricultural work, we also need to show that there are clear pathways for individuals to build a more permanent farming career in Australia if they desire. This includes developing simpler visa and migration rules to ensure valuable farm workers are not

prevented from continuing their good work in Australia due to confusion and excessive red tape surrounding the pathway to longer-term/permanent working visa arrangements.

We need to align our visa systems with the needs of incoming workers, with some looking for short-term work, while others are more focused on a career pathway. Therefore, **clearer pathways to residency for visa holders with farm management skills and experience should also be considered within the suite of changes required.**

Conclusion

The agricultural sector is constantly striving to innovate and remain internationally competitive. A key part of this is ensuring a productive farm workforce. For the ongoing viability of our grains sector, it is essential that we build and maintain a good supply of seasonal and short-term workers at peak grain production times such as sowing and harvest.

The requirement for labour at seasonal crunch times is a serious issue for grain farmers and the broader agricultural sector. It is vital that the Australian Government implement policies and regulatory reforms that alleviate, rather than exacerbate, this issue. It is from this grounding that we strongly urge the Australian Government to revise the proposed backpacker tax from the currently proposed 32.5 percent rate on every dollar earned to a 19 percent rate on every dollar earned. The 19 percent rate is a win-win situation, as it will bring in significantly more tax revenue than what is currently being received from working holiday makers, while also allowing for Australia to remain an attractive destination for working holidays.

However, addressing farm labour needs is about more than just adjusting the proposed tax rate on working holiday makers. We have therefore made a number of practical, solution-focused policy recommendations in this submission to improve access to labour for the ongoing success of Australian agriculture. These recommendations include streamlining and revising multiple aspects of the 417 and 457 visa system and the introduction of an Agricultural Apprenticeship Scheme. The Agricultural Apprenticeship Scheme, in particular, is an exciting opportunity for the Australian Government to listen to industry and build an innovative solution with long-term benefits.