



Restaurant
& Catering

Working Holiday Maker Visa Review

Department of Agriculture & Water Resources

SEPTEMBER 2016

RESTAURANT & CATERING AUSTRALIA

Restaurant & Catering Australia (R&CA) is the national industry association representing the interests of 35,000 restaurants, cafes and catering businesses across Australia. R&CA delivers tangible outcomes to small businesses within the hospitality industry by influencing the policy decisions and regulations that impact the sector's operating environment.

R&CA is committed to ensuring the industry is recognised as one of excellence, professionalism, profitability and sustainability. This includes advocating the broader social and economic contribution of the sector to industry and government stakeholders, as well as highlighting the value of the restaurant experience to the public.

DRAFT



Restaurant
& Catering

TABLE OF CONTENTS

EXECUTIVE SUMMARY _____	4
THE VALUE OF THE TOURISM & HOSPITALITY SECTOR _____	5
INDUSTRY SNAPSHOT: café, RESTAURANT & CATERING SECTOR _____	6
THE VISITOR ECONOMY & EMPLOYMENT _____	7
CURRENT SKILLS SHORTAGES _____	8
WORKING HOLIDAY MAKER PROGRAMME _____	11
COMPARATIVE CONDITIONS _____	11
CONCLUSION _____	14

DRAFT

EXECUTIVE SUMMARY

Australia's visitor economy is a \$113 billion industry, employing close to 1 million people and supporting 267,000 businesses across metropolitan and regional Australia. Cafes, restaurants and takeaway businesses are the largest employer across all tourism-related sectors in the visitor economy - employing 565,700 Australians in 52,500 businesses.

As a labour intensive industry, tourism and hospitality is extremely susceptible to changes in the labour market. The sector is already experiencing a shortfall of 38,000 workers, with this gap expected to increase to 123,000 jobs by 2020. These shortages are no more prevalent than in the restaurant, café and takeaway sector which is currently experiencing above average deficiencies in skills, retention and the recruitment of staff. In addition, this sector is expected to experience phenomenal employment growth of 14.9 per cent or require an additional 84,300 jobs by 2020.

Therefore, the tax treatment and conditions of entry for Working Holiday Makers (WHM) has a dramatic impact on the capacity of hospitality businesses to source available staff and operate sustainably. The proposed treatment of Working Holiday Makers as non-residents for tax purposes is of concern to hospitality operators who draw on these workers when vacancies are not met by the local workforce.

In determining the appropriate treatment of WHM for tax purposes, R&CA believes the WHM programme must be viewed in its entirety with significant reform required in order for this programme to effectively meet the needs of the tourism, hospitality and agriculture sectors. At present, the proposed 32.5 per cent tax rate will only further dampen demand for WHM visas in soft conditions, making Australia uncompetitive compared to other western WHM programmes. The change will also further restrict the supply of labour to critically hamstrung businesses, reducing productivity and growth.

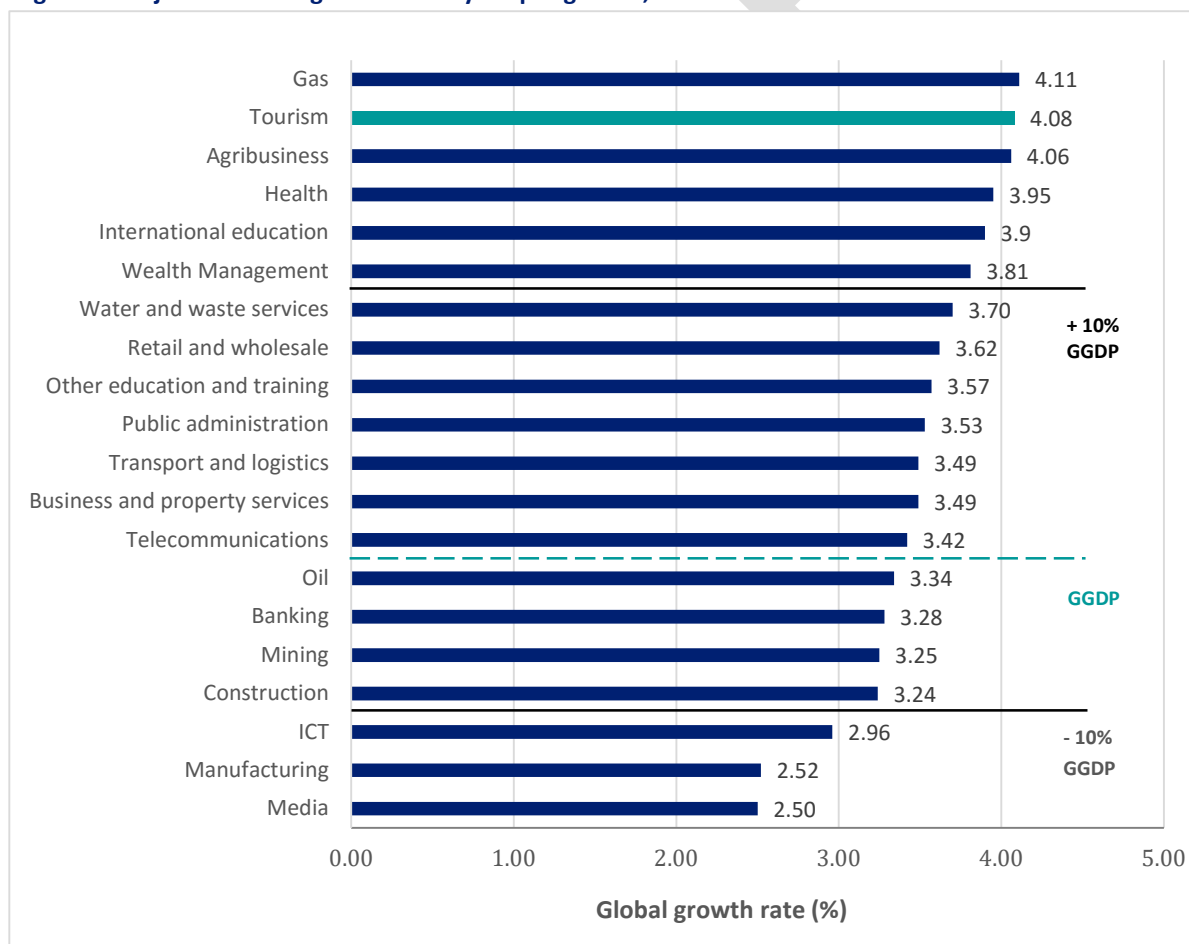
R&CA believes that any implementation of a higher tax rate for these visa holders should be met with reform to other parts of the programme including age limits, extension of the second year visa to include work in tourism, the superannuation payable for WHMs and the ability of WHM to work for one employer more than six months. Any increase in the tax rate without reform in these areas will not be supported by the sector (TO CHANGE DEPENDING ON INDUSTRY POSITION).

THE VALUE OF THE TOURISM & HOSPITALITY SECTOR

Australia's visitor economy is a \$113 billion industry, employing close to 1 million people and supporting 267,000 businesses across metropolitan and regional Australia. Deloitte's *Positioning for Prosperity? Catching the next wave* report identifies tourism as one of Australia's five super growth industries, with the sector expected to grow more than 10 per cent faster than global gross domestic product (See Figure 1). Australia's top five super growth industries including tourism have the potential to deliver an additional \$250 billion to the national economy over the next 20 years if these growth projections are realised¹.

The café, restaurant and takeaway sector is the largest contributor to Australia's tourism industry; employing 565,700 Australians across 52,500 businesses. The sector generates \$41.3 billion in turnover, of which \$15.5 billion is attributed to National Gross Value Added and \$4.4 billion to the Australian tourism industry. Ensuring this sector continues to prosper is essential for the growth of the broader economy.

Figure 1: Projected annual global industry output growth, 2013-33

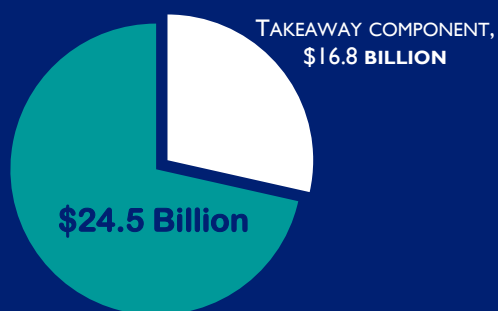


Source: Deloitte Access Economics

¹ Deloitte (2013) *Positioning for Prosperity? Catching the next wave*

INDUSTRY SNAPSHOT: CAFÉ, RESTAURANT & CATERING SECTOR

THE SECTOR CONTRIBUTES
\$41.3 BILLION TO THE
NATIONAL ECONOMY



CONTRIBUTES
\$15.5 BILLION TO
NATIONAL GROSS
VALUE ADDED

AND \$4.4 BILLION DIRECTLY
TO THE TOURISM INDUSTRY



THE SECTOR

EMPLOYS 565,700 PEOPLE

WITH THIS NUMBER EXPECTED TO INCREASE TO 651,200 BY 2020



52,500

**CAFÉ, RESTAURANT,
CATERING & TAKEAWAY
BUSINESSES IN AUSTRALIA**

93.1% ARE SMALL BUSINESSES



EMPLOYMENT GROWTH
PROJECTED AT 14.9%
OR 84,300 JOBS BY 2020.

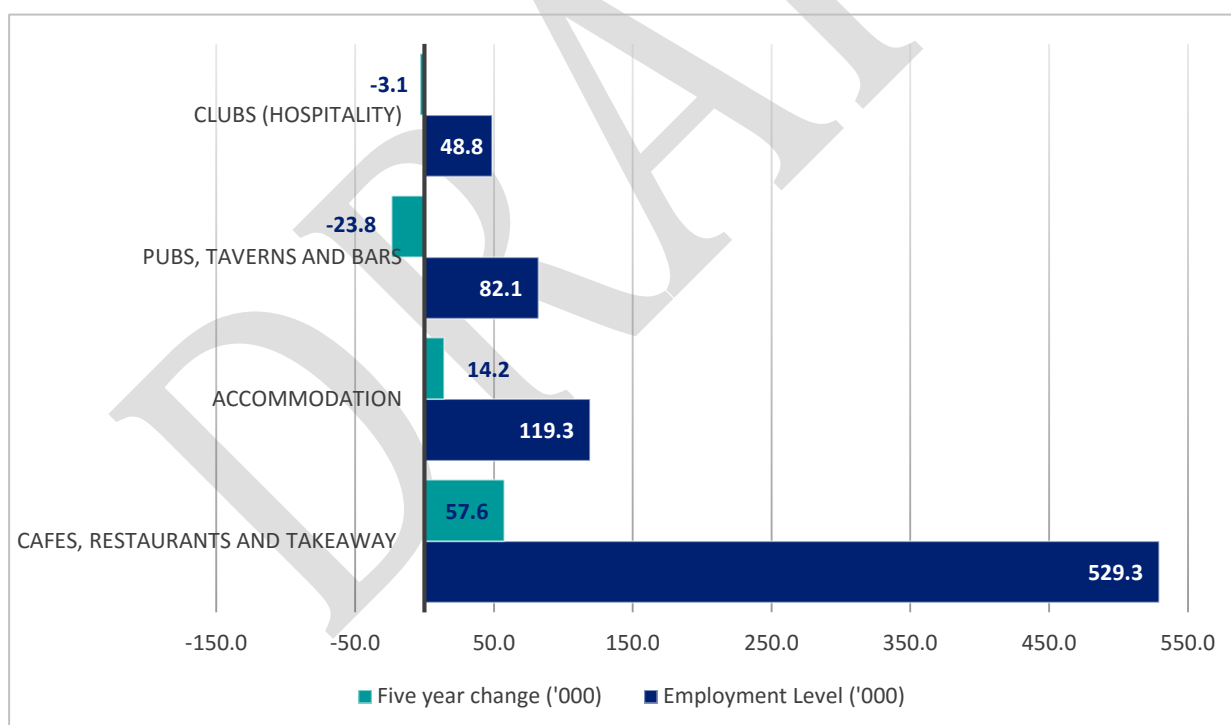
THIS RATE OF GROWTH IS HIGHER
THAN ANY OTHER SECTOR IN THE
AUSTRALIAN ECONOMY

THE VISITOR ECONOMY & EMPLOYMENT

The availability of skilled and unskilled labour is critical to the growth and productivity of the tourism and hospitality sector. Service Skills Australia's *Tourism, Travel and Hospitality Environmental Scan 2014* highlights that strong domestic demand and a growing tourism base is expected to lead to phenomenal employment growth in the visitor economy over the next five years, particularly in the café, restaurant and takeaway food sector².

Employment growth in the accommodation and food services sector has increased 51.7 per cent over the past 20 years (equating to 263,100 new jobs), compared to 46.0 per cent for employment as a whole, driven by strong growth in the café, restaurant and takeaway sector³. Five-year employment growth in this sector was higher than any other hospitality cohort, growing at 12.2 per cent or 57,600 jobs to 2014 (see Figure 2).

Figure 2: Employment level and five-year change to August 2014, by sector ('000)



² Service Skills Australia (2013) *Tourism, Travel and Hospitality Environmental Scan 2014 – DRAFT*, p.21

³ Department of Employment (2014) *Industry Outlook: Accommodation and Food Services*, December 2014

Further, the Department of Employment indicates that employment in the cafe, restaurant and takeaway services sector has a projected five-year employment growth rate of 14.9 per cent, requiring an additional 84,300 workers by November 2020⁴. This is a considerable revision from the 8.9 per cent growth rate or 43,900 jobs projected in 2014.

The ability of the sector to meet growth in employment will not be met by the local labour force alone. The Accommodation and Food Services industry is already the largest user of the 457 Temporary Work (Skilled) visa programme in 2014-15, with 4,350 applications granted. Cooks, Café and Restaurant Managers, and Chefs ranked in the top 15 nominated occupations for primary applications in 2014-15⁵.

Further, R&CA's 2016 Industry Benchmarking Report found an increase in the number of businesses that believe it is 'more difficult' to find staff, up from 32.9 per cent to 34.6 per cent. In addition, 58.7 per cent of businesses indicated they were experiencing either 'some' or 'extreme' difficulty filling vacancies.

The Working Holiday Maker (WHM) programme therefore plays a critical role in filling temporary vacancies unmet by the local labour force and skilled migration.

CURRENT SKILLS SHORTAGES

The recent release of the *Australian Tourism Labour Force Report: 2015-2020* revealed the tourism and hospitality sector is experiencing a current shortfall of 38,000 staff, with this number expected to increase to 123,000 by 2020. Skilled worker demand is also expected to be highest for chefs and café and restaurant managers, with demand reaching 7,600 and 5,400 respectively⁶.

The Labour Force Report highlights the café and restaurant sector has the highest level of deficiencies in relation to skills, retention and recruitment of staff than any other tourism-related sector (See Table 1). The proportion of restaurant and café businesses identifying recruitment deficiencies as nearly double that of other sectors. The main reason given for recruitment difficulties was the lack of access to workers with the required skills. Further, 81 per cent of restaurant and café businesses identified skills deficiencies in potential staff, 12 percentage points above the national average. The sector also employs a larger proportion of international workers than the national average with 15 per cent of workers being from overseas compared to the national average of 10 per cent¹.

⁴ Department of Employment (2016) *2016 Employment Projections, Industry projections to November 2020*

⁵ Department of Immigration & Border Protection *Subclass 457 quarterly report quarter*, 31 March 2015.

⁶ Deloitte Access Economics (2015) *Australian Tourism Labour Force Report:2015-2020*, Australian Trade Commission, Austrade, October 2015

Table 1: Skill, recruitment, and retention difficulty by tourism sub-sector

Metric	Accommodation	Attractions	Restaurants & Cafes	Other
Businesses reported as seasonal	44%	49%	59%	47%
Average # employees	21	22	21	11
Vacancy rate	5%	4%	9%	10%
Turnover rate	51%	42%	88%	61%
% identifying recruitment deficiencies	39%	36%	71%	38%
% identifying retention deficiencies	27%	22%	52%	30%
% identifying skills deficiencies	66%	59%	81%	64%
Top deficiency identified	Capability management	Experience opportunities	Capability misalignment	Experience
Top occupation affected by deficiency	Cleaner	Tour guide	Chef	Hospitality Worker

In addition, the Department of Employment projections indicate phenomenal employment growth for key hospitality occupations including chefs, waiters, bar attendants and baristas which have double-digit projected employment growth rate of 11 per cent and above to November 2020 (See Table 2)⁷.

Table 2: Employment growth projections by hospitality occupation

Occupation Code	Occupation	Employment Level – Nov 15 ('000)	Department of Employment Projections		
			Projected employment level – November 2020 ('000)	Projected employment growth – five years to November 2020 ('000)	
				('000)	(%)
1411	Café & Restaurant Manager	73.0	88.7	15.6	21.4
3513	Chef	85.0	104.1	19.2	22.6
3514	Cook	34.3	36.7	2.4	7.1
431	Hospitality Workers	267.7	304.7	37.0	13.8
4311	Bar attendants and Baristas	93.7	105.4	11.7	12.5
4312	Café Workers	31.2	36.3	5.1	16.3
4315	Waiters	120.0	139.0	19.0	15.8

R&CA is of the strong belief that Australia's migration system including the WHM programme should be focused on those sectors that are projected to have the highest employment growth into the future, including tourism and hospitality. R&CA has highlighted the top 20 industry sectors requiring the largest and lowest numbers of staff to 2020 (See Table 3 & 4, p10). R&CA notes that tourism, whilst one of the largest employment growth sectors is still not considered an eligible industry to trigger the second year visa.

⁷ Department of Employment (2015) 2015 Employment Projections, Industry projections to November 2019

Table 3: Top 15 employment growth sectors by projected employment growth numbers

Occupation Code	Industry Sector	Employment Level – Nov 15 ('000)	Department of Employment Projections	
			Projected employment level – Nov 2020 ('000)	Projected employment growth – five years to Nov 2020 ('000)
451	Café, Restaurant and Takeaway Food Services	568.8	651.2	84.3
692	Architectural, Engineering & Technical Services	308.1	368.2	60.1
802	School Education	475.9	525.0	49.1
879	Other Social Assistance Services	222.7	265.7	43.0
851	Medical Services	158.0	200.5	42.4
853	Allied Health Services	186.9	228.4	41.5
840	Hospitals	398.1	435.5	35.4
700	Computer System Design and Related Services	195.3	229.1	33.8
323	Building Installation Services	255.2	287.2	32.0
871	Child Care Services	163.1	194.3	31.3
810	Tertiary Education	237.3	268.1	30.8
821	Adult, Community and Other Education	162.2	192.6	30.5
693	Legal and Accounting Services	269.9	299.4	29.5
641	Auxiliary Finance & Investment Services	108.2	131.3	23.1
461	Road Freight Transport	183.8	204.5	20.6

Table 4: Bottom 15 employment growth sectors by projected employment growth numbers

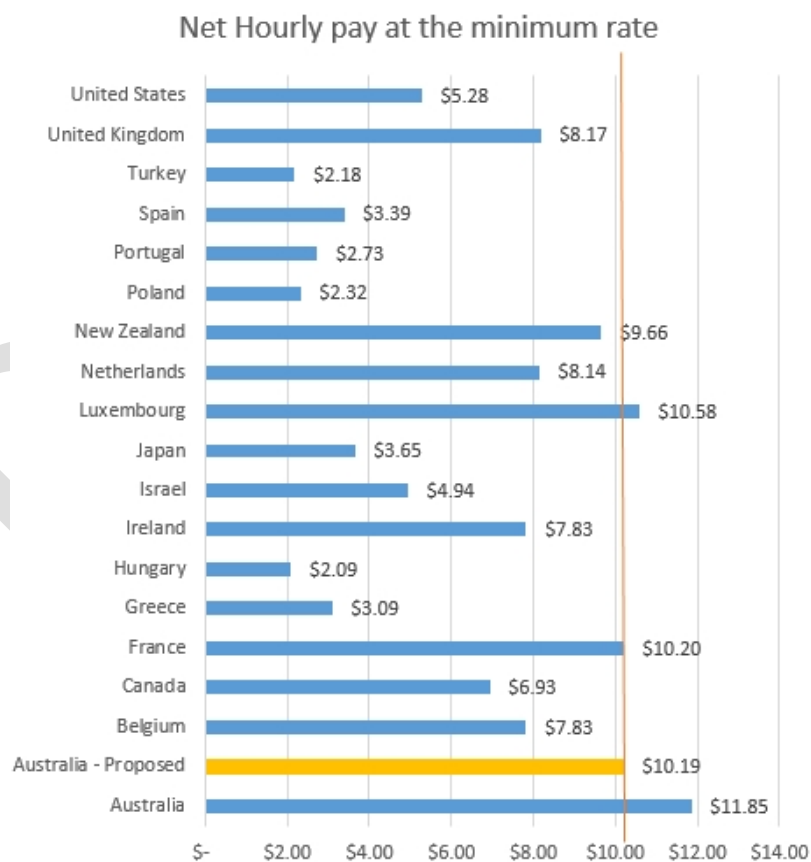
Occupation Code	Industry Sector	Employment Level – Nov 15 ('000)	Department of Employment Projections	
			Projected employment level – Nov 2020 ('000)	Projected employment growth – five years to Nov 2020 ('000)
955	Civic, Professional & Other Interest Group Serv.	38.2	36.2	-2.0
C00	Manufacturing, nfd	37.5	35.5	-2.0
010	Agriculture, nfd	58.9	56.8	-2.1
109	Other mining support services	19.8	16.7	-3.0
B00	Mining, nfd	23.8	20.5	-3.4
251	Furniture Manufacturing	35.7	31.6	-4.1
310	Heavy and Civil Engineering Construction	74.2	69.4	-4.8
229	Other Fabricated Metal Product Manufacturing	18.2	13.4	-4.9
349	Other Machinery and Equipment Wholesaling	71.6	66.1	-5.5
135	Clothing and Footwear Manufacturing	16.1	10.5	-5.6
101	Exploration	36.9	30.3	-6.7
080	Metal Ore Mining	66.5	58.6	-7.9
060	Coal Mining	43.1	34.3	-8.8
014	Sheep, Beef Cattle and Grain Farming	85.8	71.8	-14.0
231	Motor Vehicle/ MV Part Manufacturing	47.2	19.7	-27.5

WORKING HOLIDAY MAKER PROGRAMME

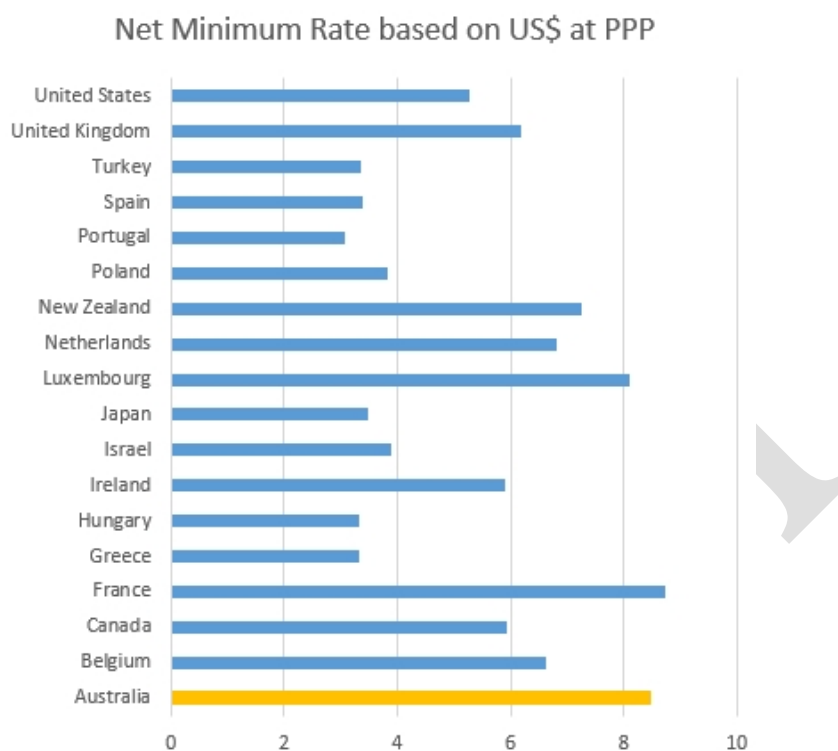
Working Holiday Makers (WHM) make a valuable contribution to the tourism industry. Not only do they provide a valuable form of cultural exchange, they also contribute 42.9 billion in direct expenditure into the economy, staying on average eight months and spending \$13,000 each. The tourism industry has a disproportionate reliance on WHMs as an available source of labour, which account for 7 per cent of tourism employees compared to 1.7 per cent of employees across the rest of the economy.

COMPARATIVE CONDITIONS

In comparison to competitor Countries, Australia has the highest rates of take home pay. Net pay for workers in Australia are the second highest (to Luxembourg) in the OECD at the minimum rate and by far the highest when the paid rate including the 25 per cent casual loading plus penalties, hours and classification loadings (which in most cases do not apply in competitor Countries).



Even when taking into account purchasing power parity (a measure of what you get for the money you earn) Australia still comes out on top when the additional loadings and penalties are added in.



NOTE: Calculations are based on OECD data on US\$ converted rates and average net wage rates.

In addition, superannuation guarantee payments are required to be made for all employees including Working Holiday Makers earning above the threshold (of \$450 per week). This 9.25 per cent loading on all wages, in the case of WHMs, is not actually retirement savings, overseas workers can collect the contributions when they leave Australia.

The tourism industry has long advocated for changes to the WHM programme which would deliver significant benefits to the sector by way of increased labour, particularly in regional Australia. Instead, the sector has incurred the impost of increased taxes and visa charges including the PMC, visa costs and now the tax treatment of WHM. The industry has seen a 63 per cent increase in the cost of WHM visas from \$270 to \$440 since 2011, generating an estimated \$363 million in revenue for the government. Over the same period, WHM visa grants weakened in key source markets⁸. The imposition of a further tax on these visa holders will only serve to exasperate current challenges and restrict growth in the sector.

⁸ Department of Immigration and Border Protection (2014) *Working Holiday Marker visa programme report, 30 June 2014*

R&CA believes any increase in the tax rate for WHM must be offset by additional flexibility in the use of the system by the tourism sector including:

- Grant a second year extension to WHM who spend three months or more working in regional tourism and hospitality businesses;
- Allow WHM to work with the same employers up to 12 months;
- Increasing the eligibility age to 35, and
- Removing WHM from the Superannuation Guarantee Levy requirements.

Of the proposed reforms, the ability to work for the same employer for a period longer than six months is of greatest benefit to the hospitality industry. Operators report that by the time they have trained and upskilled staff, they are required to move on when both employee and employers would be happy for the relationship to continue. This program should also be promoted to potential working holiday-makers on the basis of the take-home pay that they will receive working in Australia. This will increase the number of visitors and the tax revenues that are received. In addition, to maximize numbers, the restrictions should be removed (or the range increased) and additional numbers built into the reciprocal arrangements.

The economic benefits of such reforms is significant; delivering an expected economic impact of \$85 million per year or up to \$700 million over 10 years. Specifically, modelling conducted by the Australian Tourism Export Council (ATEC) highlights that by expanding the second year visa qualification to include work in regional tourism businesses, tourism can conservatively contribute an additional \$225 million to the Australian economy over the next 10 years. In addition, by allowing multiple visa applications within the relevant age range, a further \$275 million can be contributed to national GDP, and more than \$2 billion in tourism spending⁹.

⁹ ATEC (2012) *The Importance of the Working Holiday Visa (Subclass 417) Position Paper February 2012*, p.4

CONCLUSION

The café, restaurant and takeaway sector is the largest employer in the visitor economy, employing approximately 565,700 Australians across 52,500 businesses. The sector is expected to experience phenomenal employment growth over the next five years, with an additional 84,300 workers required by November 2020. With the tourism industry already experiencing a shortfall of 38,000 staff, future workforce needs will not be met by the local labour force alone.

The WHM programme provides a valuable source of labour willing to work in the sector when appropriate candidates cannot be found from the local labour market. As a result, the sector has a disproportionate reliance on WHMs as an alternative source of labour.

The impost of significant increases in the tax rate for WHM has the potential to significantly impact the attractiveness of Australia's WHM programme and the ability of hospitality businesses to source labour. R&CA believes any increase in the tax rate for WHM must be offset by additional flexibility in the use of the system, in particular, the ability of WHM to work for a single employer for more than six months and the removal of WHM from the Superannuation Guarantee net (on the basis that the money is not used for retirement savings). Changes to the tax rate without significant reform in other areas would severely restrict the industry's ability to address skills shortages and meet projected growth targets in the future.

This program should also be promoted to potential working holiday-makers on the basis of the take-home pay that they will receive working in Australia. This will increase the number of visitors and the tax revenues that are received. In addition, to maximize numbers, the restrictions should be removed (or the range increased) and additional numbers built into the reciprocal arrangements.



RESTAURANT & CATERING AUSTRALIA

PO Box 121
SURRY HILLS NSW 2010

T | 1300 722 878

F | 1300 722 396