

Submission to the Working Holiday Maker Visa Review

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I welcome the opportunity to provide this submission. The Government is to be commended for initiating “a review of the broad range of issues affecting the supply and taxation of labour performed by working holiday visa holders”.

Examining a broad range of issues is important to address labour shortages in a systematic and thorough manner.

By recognising “this is a critical issue that goes beyond the tax rate for individual visa holders”, the Government is well positioned to undertake the policy transformation required for a sustainable labour supply in regional labour markets, namely a transition away from Working Holiday Makers to Seasonal Workers as the main source of labour to address regional shortages.

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I apologise for the ad-hoc nature of this submission as I was rushed to meet the due date given the short time frames. Please feel free to contact me to clarify any parts of the submission or for further discussion.

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I previously worked for the Migration Council Australia and the Department of Immigration and Citizenship. I have previously written about the ‘backpacker tax’ at Inside Story (<http://insidestory.org.au/a-story-that-writes-itself-working-holiday-visas-tax-incentives-and-illegal-labour>), which I have attached as an appendix. I keep a migration blog at <https://henrysherrell.wordpress.com/>. The following posts touch on the working holiday program:

- <https://henrysherrell.wordpress.com/2015/06/03/a-short-followup-tax-status-of-working-holiday-visas/>
- <https://henrysherrell.wordpress.com/2014/08/19/review-time-and-temporary-migration-the-case-of-temporary-graduate-workers-and-working-holiday-makers-in-australia/>
- <https://henrysherrell.wordpress.com/2014/01/22/new-productivity-figures-on-australias-seasonal-worker-program/>

Summary

The Working Holiday Maker (WHM) program is a valuable part of Australia's broader migration framework. The bilateral nature of the program facilitates *immigration* of people to Australia and the *emigration* of Australians overseas.

This is a unique, important contribution in migration policy. However, like many parts of migration policy in Australia, the WHM program is often viewed in isolation from other migration programs and policies. The program has traditionally been promoted as a way for Australia to engage in cultural exchange and deepen people to people links across the world.

Yet since the introduction of a second 12-month visa in 2005 as an incentive to address regional labour shortages, the Working Holiday Maker program has become an unregulated mess, fostering exploitation while also undercutting the migration program specifically designed to address regional labour shortages, the Seasonal Worker Program.

The program today is clearly used predominantly as an informal low-skilled labour migration scheme with very little regulatory oversight. The most important questions this review must address are: what is the purpose of the WHM program and does this align with the broader migration framework?

In answering these questions, despite the current heavy reliance of the horticultural industry on working holiday makers, the only sustainable way to address structural labour shortages is under the Seasonal Worker Program.

Changing the goal of the Working Holiday Maker program

The goal of cultural exchange is valuable. In a global era where knowledge and networks are gaining value, allowing young people from different countries easy access to visit and travel likely has substantial long-term benefits. However by introducing dual objectives, addressing labour shortages as well as cultural exchange, the incentives of both employers and migrants clash.

In particular, the non-monetary benefit of remaining in Australia can butt up against income and accepting substandard labour market outcomes.

A build up over the last decade has seen this play out, with increasing pressure stemming from migrant exploitation, regional labour shortages and a heavy reliance on backpacker labour. The WHM program has been used in an ad-hoc manner to address labour shortages but now is systematically relied upon by thousands of employers stuck with a permanently transitory workforce.

Structural policy issues for regional labour markets and working holiday makers

There are two major policy issues with such a heavy reliance on backpackers to address regional labour.

The first is increasing the risk that rapid change in migration trends will undermine labour supply. For example, a recession in Australia would likely see rising unemployment. This would reduce the attractiveness of Australia as a preferred destination, either pushing potential backpackers to different countries or potentially seeing them remain in their home country.

The second is the effect of policy change on the working holiday maker program itself, such as the massive increase in marginal tax. By linking working holiday maker program so tightly with addressing regional labour shortages, any policy change may have a negative impact on this goal. This effectively ties the hands of policy makers, creating policy drift.

Both of these factors ensure that using the working holiday maker program to address long-term regional labour shortages is will be problematic. Australia has not had a recession since the mainstreaming of temporary migration, including the working holiday maker program. However when it occurs, there will be a number of significant impacts, including on how best to address regional labour shortages.

The effects of the backpacker tax and labour supply

The effects of tax changes are distinctive on different groups of taxpayers. Temporary migrants are a unique group of taxpayers and many of the standard assumptions about behaviour should be considered carefully. This has significant implications for policy decisions.

Under normal assumptions, a higher marginal tax rate will remove the incentive to work for some employees. Labour supply elasticity could prove significant, creating a noticeable decrease in employment. In addition, the incentive to work illegally will increase for both the worker and the employer, as the profit from this behaviour becomes larger than it otherwise would be. The magnitude of these changes will be subject to various factors (for example, the size of the tax increase, the prevailing industry wage, and the capacity of employers to avoid oversight and escape penalty).

Undoubtedly a marginal tax increase of 32.5 per cent has had these impacts. There are likely less Working Holiday Makers working than there would be otherwise and likely a higher proportion of Working Holiday Workers are working illegally than otherwise. It is impossible to tell as this data, if it exists, is not publicly available. The most recent survey of the WHM program from 2009 is now over seven years old and given the changes in Australian labour market in general, combined with how migration trends change (such as flow from different source countries in the WHM program), it is very difficult to rely on this data now.

(Note: The Department of Immigration and Border Protection has undertaken some procurement activity around additional survey for various temporary migration visas, including the Working Holiday Maker program and useful labour market activity information may be available.)

However temporary migrants, and Working Holiday Makers in particular, should not be treated as standard Australian taxpayers. Labour supply is determined not simply by the willingness to pay income tax but with reference to market wages and employment rates in their home countries. In addition, non-financial rewards may supersede income rewards. For example a Working Holiday Maker may desire a second WHM visa or become sponsored by their employer, agreeing to take a significant pay cut or work for free if this is offered.

These factors help explain how migrants will behave and how tax changes will impact this behaviour. Most importantly, these factors demonstrate why Australia's 'competitiveness' in terms of attracting potential migrants has little to do with tax rates and why migration regulations play a much larger role.

Australia is a highly competitive country to attract seasonal and temporary foreign labour. Australia is a 'price-maker' as opposed to a 'price-taker' in regard to the global movement of people to work in lower skilled occupations.

There are literally tens of millions of people willing to come to Australia and work in seasonal jobs as temporary migrants. High wages by global standards, combined with the English language, the rule of law, and pre-existing communities of interest, mean the potential supply of labour is almost limitless in industries like agriculture and tourism, where lower skilled occupations are the dominant form of employment.

The terms of reference note 'Australia's exposure to changes in exchange rates, economic growth and employment rates in source nations which may affect Australia attracting seasonal and temporary labour'. To be frank, Australia's exposure on this is almost zero over the next 15-20 years.

While exchange rates, growth and employment growth may have serious impacts on migration flows from rich developed countries, these factors play a severely reduced role on migration flows from developing countries given the extreme income gaps which exist. For example, Pacific countries alone could easily fill the labour shortages across agriculture in Australia.

Real world policy examples – such as the U.S Diversity Lotto and the New Zealand Pacific Quota – combined with numerous Gallop World surveys show demand to migrate and work in developed countries currently outstrips availability by orders of magnitude.

This holds true even with punitive tax rates, such as 32.5 per cent from the first dollar earned. Market and minimum wages in the Australian tourism and agriculture industries, even illegal non-market wages, are orders of magnitude higher than what millions of people can access in their home countries and in other potential destination countries. This should be a first-order consideration of any policy decision to address labour shortages.

Even relative to other high wage countries, Australia stands out. For example, a survey of Tongan village and community leaders in 2012 showed almost a two to one preference for sending seasonal workers to Australia compared to New Zealand, despite the fact relative few seasonal workers were actually working in Australia at the time (Gibson, McKenzie and Rohorua 2013).

This means the barriers to Australia's 'competitiveness' to attract lower skilled workers in seasonal industries like agriculture and tourism are not found overseas but here in Australia. Migration regulations are first-order issues whereas employment conditions and tax treatment are at best second-order issues.

Under the current policy settings for the WHM program, several significant migration barriers exist. These include the number and type of countries who have signed bilateral WHM agreements and the conditions regulating these agreements. For example, the WHM program relies heavily on predominantly richer countries.

By restricting the Working Holiday Maker program to citizens in these countries, the Australian Government has imposed limitations that foster artificial 'competitiveness' concerns. For example, citizens of Canada and the United Kingdom may be subject to big trend changes in migration flows given an exchange rate shock or the health of the labour market however this is much less likely for countries in the Pacific. Citizens of countries with comparable GDP and incomes may choose not to migrate at all or a different country.

In addition, there is a strong argument to say the current policy settings for the Working Holiday Maker program are discriminatory, with a bias towards richer, whiter countries to the exclusion of developing countries in Australia's more immediate region (with the notable exceptions of South Korea and Taiwan). For example, China was only able to secure a bilateral working holiday maker treaty in the context of the China-Australia Free Trade Agreement and even then, it is limited to 5000 per year. This appears to be a completely arbitrary number given there are no limitations on South Korea or Taiwan.

Yet Working Holiday Makers themselves are put in positions where their desire to remain in Australia for an additional 12 months leads to an environment where they are exploited and often powerless. While the decision to 'go home' can be made by most at almost anytime, the very specific incentives under the Working Holiday Maker program give employers a dominant position.

This undermines the labour market as a whole. Employers who exploit backpackers and undercut market wages – or who engage unscrupulous labour hire firms – gain a competitive advantage over their competitors, distorting the market. Those who comply with the rules and regulations are placed at a disadvantage.

Exploitation of migrants on working holiday visas

The direct consequence of creating incentives to tackle labour shortages is an unacceptable level of exploitation combined with an entrenched short-term labour force, sapping productivity. It is not hard to find news reports documenting the exploitation of people on Working Holiday Maker visas. For example:

- Four Corners (4 May 2015) documented falsification of documents, below award wages, unpaid overtime, and allegations of abuse, harassment and assault (<http://www.abc.net.au/4corners/stories/2015/05/04/4227055.htm>).
- In July 2015, the Queensland Anti-Discrimination Commissioner, Mr Kevin Cocks, said some farmers were deliberately withholding signing off on work periods to coerce backpackers into additional work, harassment or assault (<http://www.abc.net.au/news/2015-07-31/farm-employers-'manipulate'-backpackers-into-sex/6635252>).
- In May 2016, a Tasmanian man was fined for systematic underpayment and exploitation of backpackers at his retail and accommodation businesses (<http://www.abc.net.au/news/2016-05-19/tasmanian-man-fined-for-exploiting-backpackers/7430084>).
- Insight on SBS (26 July 2016) documented the experience of an Italian woman who experienced abuse and harassment, as well as documenting how difficult it can be to access assistance in remote areas (<http://www.sbs.com.au/news/insight/tvepisode/fair-work-fair-pay>).

Summarising the many examples of exploitation uncovered, a recent Senate Inquiry wrote:

“A substantial body of evidence to this inquiry demonstrated blatant and pervasive abuse of the WHM visa program by a network of labour hire companies supplying 417 visa workers to businesses in the horticulture sector and the meat processing industry.”

While this committee was authored by Labor and Green Senators, the Nationals’ Keith Pitt MP, now the Assistant Minister for trade, Tourism and Investment, has said previously in Parliament:

“Contractors are today employing fewer European backpackers and Australian workers because most know their rights. Instead they are recruiting Asian students. This discrimination has distorted regional labour markets, where unemployment is already high, and fostered a deeply disturbing, yet widely accepted, culture of serious exploitation.”

This clearly demonstrates the ‘catch-22’ for policy makers concerning the Working Holiday Maker program and labour supply: Incentives are required to get backpackers out into regional areas to address labour shortages, however these very incentives foster structural exploitation.

The answer is to remove the incentives and return the Working Holiday Maker program to its original intention, to promote cultural exchange and people to people links.

Why a regulatory approach to the WHM program will not work effectively

Additional regulation to better mitigate exploitation is poorly suited to the Working Holiday Maker program. These migrants work across industries and across regions of Australia, making it difficult to maintain a uniform standard of regulation applicable to the different labour markets where these migrants work.

For example, many Working Holiday Makers work in major urban centres in the hospitality and retail industries. The labour market dynamics of these employers and occupations are substantially different to those experienced by the agricultural industry in regional areas.

It would be foolhardy to introduce a sponsorship requirement for employers to mitigate against exploitation as multiple opportunities for sponsorship already exist within other migration programs (457 visas, Labor Agreements and the Seasonal Worker Program). The notion that agriculture needs its own ‘Ag Visa’ should also be dismissed. Industry-specific visas skew, without a tight regulatory framework, distort migration trends and the domestic labour market by granting employers a competitive advantage.

Therefore the Working Holiday Maker program is itself poorly placed to address labour shortages in regional industries. Additional regulation will undermine the program as a whole while a lack of regulation will continue to foster an environment where exploitation thrives. This means incentives to address labour shortages should be removed from the Working Holiday Maker program, returning the program to a focus on cultural exchange and global engagement. There are very real benefits for Australia to gain from these outcomes.

It is important to note that without second visa incentive, a substantial proportion of working holiday makers would still engage in seasonal work. The removal of the 88 day requirement will not see every single backpacker stop working in the horticultural industry. It remains one of the easiest labour market entry points and often matches up to the preferences of transient work and holiday migrants.

Some may argue the status quo can continue to be pursued, with tweaks at the margin (such as reducing the tax rate and allowing Working Holiday Makers to remain with regional employers for longer time periods). However this flies in the face of what we know about temporary migration.

The unintended consequences of cramming multiple goals into a rigid visa program can cause enormous damage. This can be seen today from the numerous reports of exploitation. If the status quo remains, sub-optimal outcomes for employers and migrants will grow while the effectiveness of Australia's migration policy framework will erode over time.

Give the current labour markets in these regional industries, with large populations of transient Working Holiday Makers, a structural change away from Working Holiday Makers to Pacific seasonal workers should occur over the medium term, between two to four years, as opposed to an immediate change. This will allow employers a transition period to ensure they are able to sponsor seasonal workers and understand the program.

A note on the introduction of the 'backpacker tax'

The background to this review states: "There is widespread community interest in the supply and taxation of working holiday visa holders. In particular, the tax rate of 32.5 per cent for non-resident 417 and 462 visa holders—known as the 'backpacker tax'—has been discussed widely as a potential disincentive for backpackers to take on roles that are not being met by Australian workers. *This is a complex issue that goes beyond the tax rate for individual visa holders.*" (my emphasis)

This is a complex issue. Changing marginal tax rates has enormous behavioural impacts on workers in labour markets in standard environments. When the environment centres on hypermobile non-residents without strong ties to specific locations, the impacts grow and become significant less predictable.

Therefore it is worth asking why and how this taxation change came about. The measures were not raised publicly, preventing a discussion about possible impacts. A variety of different options were not considered publicly. Once announced, the timeframes were short and without any wiggle room for additional considerations. The lack of initial publicity and media surrounding the decision ensured the effects became known slowly over time.

Despite this being a “complex issue”, the clear impression left is the Government introduced this change specific to raise revenue for the Federal Budget. While Treasurer Hockey noted this was a measure about ‘fairness’ and ‘levelling the playing field’, it is difficult to understand what he meant. It is difficult to find other significant cohorts of workers who pay 32.5 per cent of their income in tax from the first dollar earned.

Given “the widespread community interest in supply and taxation of working holiday visa holders”, it is difficult to understand how the Government failed to engage with employers, regional communities and other interested stakeholders. One wonders if the Government factored in potential behavioural change to migration flows and labour market participation because of the tax change, and if they did, why they decided they were worth the potential fiscal revenue.

Why the Seasonal Worker Program is a superior program to address labour shortages

To address the real labour shortages in regional industries such as agriculture and tourism, the Seasonal Worker Program should continue to expand and the Government should undertake stronger promotion to employers. The regulatory framework of the SWP is well suited to low-skilled occupations in these industries and the productivity benefits of returning seasonal workers year-on-year highlights the benefit of the program.

Demonstrated benefits of seasonal workers

Seasonal workers can return year after year given they are sponsored workers. Working Holiday Makers work for one season before moving on. This creates underlying productivity benefits that grow over time. The evidence to support this is robust and increasing as the Seasonal Worker Program grows.

A 2013 study by ABARES for a Queensland business showed Pacific seasonal workers were 20 per cent more productive than backpackers (ABARES 2013).

A 2011 survey in New Zealand across multiple horticulture businesses showed Pacific seasonal workers were employed for nearly double the number of weeks compared to backpackers (Bedford PhD). This resulted in a near triple median income. As income is based on piece-rate, this shows strong productivity differences in favour of seasonal workers.

Critically, productivity grows over time as workers return. This should be expected and will full offset initial costs. In the same New Zealand study,

seasonal workers with three or more seasons earned on average 9 per cent more income than seasonal workers with one or two seasons (Bedford PhD).

Employer groups know this productivity advantage. Donna Mogg, Commercial Services Manager, Growcom:

“We had one citrus grower from Gayndah reporting savings of around 22 per cent to her total wage bill. That has nothing to do with underpaying people; these people were being paid very well. This has to do with the efficiencies of a well-trained, returning workforce. So we have actually heard very good things.”

Ms Mogg noted, in relation to the horticultural industry, “We need to accept that what we have is an ongoing need for supplementary labour”.

In evidence to the recent Senate Inquiry on temporary migration, several horticultural employers noted the difficulty employing Australian workers. One grower said during the previous harvest, they employed 10 Australians from a workforce of 200 people. Another grower noted when 10 people show up for seasonal work, there will only be one who remains after three days.

This is supported by evidence from the United States. In a study of North Carolina horticultural producers, Michael Clemens found at the height of the post-GFC recession in the North Carolinian labour market, when the unemployment rate was 11 per cent and there were over 500,000 people unemployed in 2010, a total of 30 American citizens started work during the picking season with 10 of those working the full season. The number of people employed in these businesses is approximately 7000 (Clemens 2013).

Seasonal workers address the two main structural weaknesses of using working holiday makers for regional labour shortages.

Seasonal workers are significantly less exposed to economic shocks and the rate of unemployment in Australia. This is because they have limited, borderline zero, opportunities to migrate elsewhere and the economic conditions of their home labour market pale in comparison to Australia. This means the exposure to changing migration trends is almost zero over the next decade.

In addition, because the sole purpose of the Seasonal Worker Program is to address regional labour shortages, any policy change will be considered through this lens. Domestic policy changes will also have a lower impact on migration trends than the working holiday program, for the same reasons as above. For example, a tax hike in Australia would still be preferable to remaining in their home country given the income gap between the two labour markets.

Addressing the perception in the agricultural industry about the Seasonal Worker Program

There is strong anecdotal evidence, combined with persistently low sponsorship rates, employers in the agricultural industry dislike the seasonal worker program and refuse to engage with it.

This is a first-order issue in relation to successfully implementing a sustainable regional labour market policy using migration. Employers cannot simply expect to get whatever they require, for example, large exemptions under the Working Holiday Maker program. This only creates long-term policy challenges.

Supporting notes

Migration policy in Australia is often world-leading. Many countries look to Australia for guidance on attracting skilled workers, how to manage family reunion, selecting permanent migrants as well as humanitarian resettlement.

However in a period of great policy transformation over the past two decades, there has been a lack of focus on how individual visa programs come together under a common migration framework. We tend to look past what migrants do after they arrive in Australia because after passing through a border, the act of migration is more difficult to comprehend. Migrants are heterogeneous, with different motivations and goals.

The Working Holiday Maker program is a useful demonstration of this. While some work full-time, others work part-time. Some stay for a handful of months, others for every single day of eligibility. Some seek to remain in Australia permanently, transitioning to sponsored visa. Others may begin studying. Critically, this means the underlying foundation of the program is broader than labour.

The background to this review states, “The Australian Government recognises working holiday makers are a vital source of labour across the nation”. Policy decisions, such as the 12-month visa extension by working in specific regional industries, provide an implicit recognition of this goal embedded in the WHM.

Yet working holiday makers are not a vital source of labour across all industries and all parts of the nation. There were 144,450 working holiday makers in Australia at 30 September 2015. If 80 per cent of these people were working in some capacity, this is the equivalent of about one per cent of the labour market.

Working holiday makers have become a critical source of labour in select industries and regions because of government policy decisions.

The introduction of a potential second 12 month Working Holiday Maker visa had a material impact on the number of WHM visas granted. This table shows the trend visa growth of second WHM visas:

Year	First visa grants	Second visa grants
2005–06	111 996	2 690
2006–07	127 171	7 822
2007–08	142 516	11 826
2008–09	166 132	21 775
2009–10	150 431	25 315
2010–11	162 980	22 500
2011–12	184 143	30 501
2012–13	210 369	38 862
2013–14	183 428	45 950
2014–15	173 491	41 339

(Source: Parliamentary Library, http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1516/Quick_Guides/WorkingHoliday)

The proportion of visa holders who qualify and apply for a second visa appears to have stabilised around 40,000 after a strong decade of growth.

These visa grants demonstrate the number of workers who have been employed for at least 88 days in a range of agricultural, mining or construction occupations in specified 'regional' postcodes. In 2014-15, 92 per cent of second visas were granted due to work in agriculture, six per cent in construction and one per cent in mining.

While it does not appear to be common, working on a residential or commercial construction site in Adelaide or Hobart would qualify for a second visa. This is because all of South Australia and Tasmania are classified as 'regional' and this type of construction activity fall under the eligible occupation list. Despite this, the number and type of second WHM visa grants appear to support the case for a genuine labour shortage in agriculture in regional Australia.

However there are significant and material limitations to this population as a sustainable migration program to address labour shortages.

Working Holiday Makers are only able to work for a limited period for their employer. This temporary employment increases turnover and has a cost in terms of productivity. However the Seasonal Worker Program has a very similar – if not identical – policy goal, to meet labour shortages in specific regional industries.

Why does Australia have two distinct migration programs to meet the same goal? This produces poorer policy outcomes because of overlap, confusion and muddled incentives. In addition, implementation and effective management by the bureaucracy is constrained due to different visa programs attempting to meet the same goal.

Regional employers, particularly in the agricultural and tourism industry, ultimately bear the costs of this policy confusion. Migrants and developing communities in the Pacific will also bear costs in the form of exploitation and the lack of remittance income.

Appendix A

A Story That Writes Itself: Working holiday visas, tax incentives and illegal labour

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<http://insidestory.org.au/a-story-that-writes-itself-working-holiday-visas-tax-incentives-and-illegal-labour>

Sometimes you wonder how an idea came about.

A barney is already brewing over the working holiday visa program, and it could get a lot worse. A Senate inquiry is looking at temporary visas; *Four Corners* has investigated exploitation of backpackers; and the union movement has been running campaigns about the impact of temporary migrants on job opportunities for Australians. *Four Corners* in particular attracted many responses and was extensively, and deservedly, covered in other media.

So it was surprising to hear that the government has decided to tax working holiday visa holders in Australia at 32.5 cents in the dollar from the first dollar earned. By changing their status to “non-residents for tax purposes,” this measure will reportedly raise \$540 million over the forward estimates. Shadow treasurer Chris Bowen says Labor supports the change.

Apart from the question of whether it’s fair, the fact that this proposal has failed to draw the same amount of airplay and outrage as the *Four Corners* revelations shows the disconnect that eats away at the heart of certain policy areas.

This new tax rule will create a bunch of incentives that will drive behavioural change among migrants. It will do more than any other policy measure in this area to create an environment in which exploitation thrives, while placing downward pressure on existing wages and conditions.

This, in turn, will reduce the incentive to work. That might be viewed as a positive if you are concerned about jobs going to Australian-born residents. But if you operate a tourism or agricultural business – particularly in regional Australia, where there is an incentive to work under current working holiday regulations – then this is a negative. Not many Australian industries are wholly reliant on migrant labour, but these two come closest.

Reducing work incentives is particularly critical for regional Australia, where over 40 per cent of all working holiday visa holders are employed. As of

December 2014, there were about 161,000 working holiday visa holders in Australia; an estimated 70 per cent of them are working, which means that more than 45,000 people employed in regional labour markets will be affected by the new rule.

More importantly, the bigger tax take will reduce the incentive to work *legally*. An increasing number of employers will offer working holiday visa holders the opportunity to work off the books and be paid in cash. The temporary workers themselves will ask for this, tipping more employers into the black market for labour. By moving to cash, wage expenses for employers will be reduced while net wages for working holiday visa holders will, in many cases, be greater than their taxed rate.

A 32.5 per cent tax rate is a steep marginal rate from the first dollar earned. If the piece rate on a strawberry farm works out to about \$16 per hour, for example, a tax take of \$5.20 per hour means that \$12 per hour cash in hand is a revenue-maximising measure for the visa holder. I know what I would do.

This is not a small change; it is potentially very significant. Let's assume working holiday makers earn \$25,000 on average over a twelve-month period in Australia. In 2014–15, an Australian citizen or permanent resident will pay \$1347 on income of \$25,000. For a non-resident, the tax figure will be \$8125.

Citizens and permanent residents face long-term incentives to work within the law, even if it reduces their net income. They get the safety of legal employment and all the benefits that this entails. But for working holiday visa holders, the pressure is much less tangible, given they can only work for a total of six months with any one employer. Even more strikingly, they can leave Australia at nearly any point with very little consequence.

All of this is compounded when you consider exactly which industries working holiday visa holders work in. The top two occupations are regional farm workers and waiters in urban centres, which accounted for over a third of all labour activity in the most comprehensive survey of the program, undertaken in 2009.

Unfortunately we do not know more current trends however I'd be surprised if those proportions have changed.

Regional agriculture and urban hospitality combined with poor incentives for workers to comply with taxation laws? I wonder what could go wrong? This story almost writes itself.

Yet I have seen virtually no discussion of the implications of these changes. A couple of articles skirted the central issue and profiled a few migrants who mused about their feelings.

The increased risk of exploitation, drastic underpayment and erosion of wages and conditions of other workers is the cost of raising an extra \$540 million of revenue over the budget estimates, a figure that will quietly fail to materialise.

But chances are you wouldn't know this because there simply has not been any discussion about these issues. When a real policy change comes along that will have these effects, in the middle of a series of campaigns on the very same topic, there is something wrong with how we evaluate and discuss policy. But that's a characteristic of the way immigration policy moves in this country.