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Australian Tourism Export Council

# The Importance of the Working Holiday Visa (Subclass 417)

Position Paper  
February 2012



**ATEC**   
Australian Tourism Export Council  
*the voice of inbound tourism*

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## Foreword from Felicia Mariani

The tourism industry has long been a vibrant part of the Australian economic landscape and plays a crucial role in driving the economy of Australia. The tourism sector generates \$24 billion in exports, representing the largest export industry in the services sector, and the sixth largest of export industries overall. Tourism contributes \$35 billion or 2.5% to the nation's GDP and employs over 500,000 Australians directly, many of those across regional and rural Australia.

In December 2011, the Government announced its new national strategy, Tourism 2020, with a goal of doubling the value of tourism from its current \$70 billion to \$140 billion by 2020. This is an aggressive target that will require focused consideration on both demand and supply side issues facing the industry.

A significant area of deficiency in reaching our potential as an industry has been identified in a national research project undertaken by the Labour and Skills Working Group. That work revealed there are currently more than 36,000 vacancies in tourism-related roles across the country. By 2015 it is estimated these vacancies will increase to 56,000 roles.

ATEC believes a range of immediate and longer-term initiatives need to be put in place to ameliorate a potential labour crisis in the sector. These initiatives are crucial to the industry's ability to meet its full capacity, and to ensure the country benefits from the positive contribution tourism makes to employment and our overall economic prosperity.

In order to do this we must acknowledge and recognise the difference between 'labour' and 'skills' and develop strategies to address both issues simultaneously.

There are critical short-term/seasonal labour pressures that need immediate attention to support the industry in delivering products and services across the country. The use of overseas seasonal workers, through a variety of government programs and initiatives, provides an opportunity to meet these pressures while the industry looks to address its more fundamental recruitment challenges.

The industry recognises a need to work, over the medium-long term, to up-skill Australians who can provide the necessary 'skilled' workforce to sustain the industry into the future. Importantly, the industry recognises the need to re-engage with young Australians and attract them back to tourism as a viable and exciting career choice.

Recent Federal Government initiatives, such as the investment in skills and training in the 2011 Budget, the recognition of the needs of the tourism industry under the National Workforce Development Fund, the expansion of the Pacific Seasonal Worker Scheme and the Template Agreement under the 457 visa, are welcome developments which will assist in overcoming the long-term labour and skills shortages of the sector.

# Foreword from Felicia Mariani | continued

These programs are crucial to the mix of components required to address the industry's labour needs. This paper looks specifically at the tourism industry's ability to maximise the potential presented by the Working Holiday Makers (WHMs) as a reliable supply of a short-term seasonal workforce which can address the industry's peak periods.

ATEC appreciates the Working Holiday Visa Scheme was originally created in order to provide a bridge to educate young people to other world cultures. It is important to recognise that extending the Working Holiday Visa guidelines in ways as have been proposed in this paper, will facilitate deeper cultural understanding and exchange for young people visiting Australia. Tourism-related jobs provide significant opportunities for interaction and cultural exchange and tourism has long been heralded by the UNWTO as the key to bridging cultures and fostering better understanding and appreciation of foreign peoples, their customs and practices.



Felicia Mariani  
Managing Director  
February 2012

# Executive Summary

With the appreciation of the Australian dollar and challenges of the global market, the backpacker industry faces an increasingly competitive environment with visitation, length of stay and total yield all decreasing. Australia is considered to be an expensive destination for backpackers and the segment faces a high level of competition from other international destinations.

Between 2004/05 and 2007/08 the number of WHM program visas issued increased by 47.7%, from 104,000 to 154,000. Over the same time, international visitation to Australia increased by just 4.5% and significantly, 'non-backpacker' visitation increased by just 3.3%.<sup>1</sup> This growth in the popularity of the WHM program visa runs counter to international arrival trends evident in the Australian tourism industry in recent years.

The WHM program attracts an increased number of international visitors and is a key motivator in young people's decision to come to Australia. These visitors boost the prosperity of the tourism sector and the Australian economy in three key ways:

- By increasing expenditure and output for key tourism sectors given the high spend of international tourists overall and the higher spend of backpacker visitors (60% higher than the average international visitor). Backpackers stay an average of 73 nights and spend over \$5400, while working holiday makers have an extended stay averaging 8 months and spend over \$13,000 each.
- By providing a significant fillip to employment and economic prosperity in regional Australia as both a key source of labour supply and driving spending in regional communities.
- By generating significant income to the Australian economy as a whole. With more than 185,000<sup>2</sup> international tourists holding a WHV 417 in June 2011, this equates to a boost to Australian GDP of over \$320 million and a boost to expenditure on goods and services in Australia of around \$630 million.

To improve the flexibility of the WHM program and enhance the contribution of working holiday makers ATEC recommends:

1. employment for 88 days in 'tourism and hospitality' in regional Australia be included as part of the 12 month extension program for the Second WHV 417;
2. the costs and financial requirements of applying for WHM program visas be held constant or reduced;
3. the qualifying age range be increased from 18–30 up to 35 years in line with other countries;
4. multiple visa applications be permitted, one between 18–25 years of age and a second one from 26–30/35 years;
5. better engagement with the tourism industry as the Government looks to expand the WHM program to new source countries.

<sup>1</sup> Tourism Research Australia (TRA), International Visitor Survey. Superweb data, 2004/05 – 2007/08

<sup>2</sup> This figure represents both first and second year WHV

# Executive Summary | continued

Economic modelling to quantify the impact of these recommendations highlights significant gains are available to tourism industries, regional economies, and the wider Australian economy. Annual gains in GDP are conservatively estimated at \$85 million or up to \$700 million over 10 years, which allows for a gradual increase in participation as eligibility criterion are refined. These gains are in the order of or exceed the GDP impact of large scale international events, such as the estimates of GDP contribution for the 2011 Victorian Formula 1 Australian Grand Prix.

Specifically, ATEC modelling has shown 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.

Increasing the age range for the visa from 18-30, to 18-35 would enable Australia to capture a greater market share and help us to remain competitive with other countries such as Canada, which has already made policy adjustments in recognition of the potential of this expanded market.

The modelling has also shown that, by further expanding the program to allow multiple visa applications within the relevant age range, tourism has the potential to contribute a further \$275 million to the nation's GDP over 10 years, and more than \$2 billion in tourism spending.

The modelling also shows that expanding the program to a further four source countries<sup>3</sup> would deliver a further \$76 million to \$195 million in GDP over the same period, depending on most likely uptake rates.

The seasonal nature of the tourism industry fits well with the WHM, who has the potential to provide significant assistance to the current and projected unfilled positions across the sector. The tourism industry has a disproportionate reliance on WHMs, which account for 7% of tourism employees compared to 1.7% of employees across the economy. In addition, 47% of the industry's businesses nationally are seasonal operations.

Improving the WHM Scheme by increasing its duration, age limit, number of source countries or, most importantly, ability of visa holders to apply for a second-year extension of their visa having undertaken work in a regional tourism business, will make the program more attractive and help to increase visitation to Australia.

<sup>3</sup> Spain, Switzerland, Poland and Brazil

# Overview

The Working Holiday Maker program (WHM) is a driving force in attracting backpackers to Australia and contributes to structurally underpinning the overall sector, with backpacker expenditure valued at \$3.3 billion to the Australian economy in 2011.<sup>4</sup>

Research undertaken by Dr Jarvis and Dr Peel of the National Centre for Australian Studies at Monash University identified 62% of the sample of WHM program visitors interviewed in Mildura in 2010 were motivated to leave home and travel to Australia by the availability of WHM program visas.<sup>5</sup> In addition 32% claimed that if Australia did not have the WHM visa program they would have not come to the country.<sup>6</sup> This finding shows the WHM program is a significant driving force in attracting backpackers to Australia, allowing them to fund their stay and local travel.

The WHM program is a long-standing and successful cultural exchange for younger visitors to Australia on a reciprocal basis. It includes the Working Holiday Visa Subclass 417 (WHV 417) and the Work & Holiday Visa Subclass 462.

The WHV 417 covers young travellers from Belgium, Canada, Republic of Cyprus, Denmark, Estonia, Finland, France, Germany, Hong Kong, Republic of Ireland, Italy, Japan, Republic of Korea, Malta, Netherlands, Norway, Sweden, Taiwan and United Kingdom.

The Work & Holiday Visa Subclass 462 covers Bangladesh, Chile, Indonesia, Iran, Malaysia, Thailand, Turkey and the USA.

This paper is only proposing changes to the Working Holiday Visa Subclass 417.

Since 2005 WHM program visa holders have increased from around 19% of the backpacker market to 30% of the 580,000 visitors in 2010.<sup>7</sup> Figures for 2010/11 show a modest 5.5% recovery in applications after the decline of the previous year.

For the year ending September 2011, backpacker visitors declined by 19,000 (-3.3%), visitor nights were down 1.02 million nights (-2.4%) and total sector spending was down from \$3.29 billion to \$3.07 billion (-6.5%).<sup>8</sup> This shows fewer backpackers are coming, they are spending less time in Australia and spending less money in the Australian tourism economy.<sup>9</sup>

According to the Department of Immigration and Citizenship, WHM program statistics for the 2010/11 year showed a total of 185,480 WHV 417 were issued and 7,442 Work & Holiday Visas 462 were issued (most of these to US citizens). There was 5.5% growth overall which came from Ireland (up 87% to 18,274) and Taiwan (up 41% to 11,430). The major countries of the UK, Germany and France flat lined while Italy grew 15% and Korea contracted 10%. The number of second year visas issued fell (with eligibility based on completing three months regional work in nominated industries) being a consequence of the fall in first year visas issued in 2009/10.

<sup>4</sup> International Visitor Survey, September 2011

<sup>5</sup> Jarvis, J and Peel, V. 'Long Term Tourists or Short Term Migrants': The Impact of International Working Holiday Makers on the Tourism Economy of Regional Australia. National Centre for Australian Studies, Monash University, Melbourne, 2011.

<sup>6</sup> *ibid*

<sup>7</sup> Assuming that all WHM visa holders spend at least one night in a hostel during their stay in Australia.

<sup>8</sup> Tourism Research Australia (TRA), International Visitor Survey (IVS) year ending September 2011, Canberra 2011.

<sup>9</sup> TRA March 2011, Canberra 2011.

# Overview | continued

The top 12 Working Holiday visa nationalities in descending order are: UK, South Korea, Germany, Ireland, France, Taiwan, Canada, Japan, Italy, Sweden, China (Hong Kong residents) and Netherlands

The WHM program, and specifically the WHV 417 visa, offers an opportunity to structurally insulate the sector and the regional economies that rely on the sector. At the same time, the WHM program can address some of the current and future skills shortages faced by the wider economy.

Widely regarded as a key niche component of the total inbound backpacker market, the WHM program is one of the fastest growing sub segments of international visitation to Australia. Long term, independent travel has now become an accepted rite of passage for young people and the Australian WHM program is a great facilitator of cultural exchange.<sup>10</sup>

The WHV 417 currently permits young international travellers aged between 18 and 30 years, from nineteen countries the right to work and travel in Australia for up to 12 months.<sup>11</sup> A second 12 month visa is available for WHV 417 who have worked in specified industries (agriculture, horticulture, forestry, mining, construction and fishing) in regional Australia for 88 days during their first visa.

Between 2004/05 and 2007/08 the number of WHM program visas issued increased by 47.7%, from 104,000 to 154,000. Over the same time, international visitation to Australia increased by just 4.5% and significantly, 'non-backpacker' visitation increased by just 3.3%.<sup>12</sup> This growth in the popularity of the WHM program visa runs counter to international arrival trends evident in the Australian tourism industry in recent years.

Changes to the flexibility of the WHM Scheme, as proposed in this paper, will be subject to regulatory changes by the Minister for Immigration and Citizenship and will not require legislative changes by Government. Such changes could be accomplished bilaterally with each partner country or unilaterally.

As an example, Canada has increased the age limit of their WHM Visa Scheme cut-off age to 35 years. This was done unilaterally, without any negative consequence, and has given Canada a competitive edge over Australia in attracting the 'mid-career gap' market which is lucrative and fast-growing in the current financial climate of traditional economies in the Northern Hemisphere.

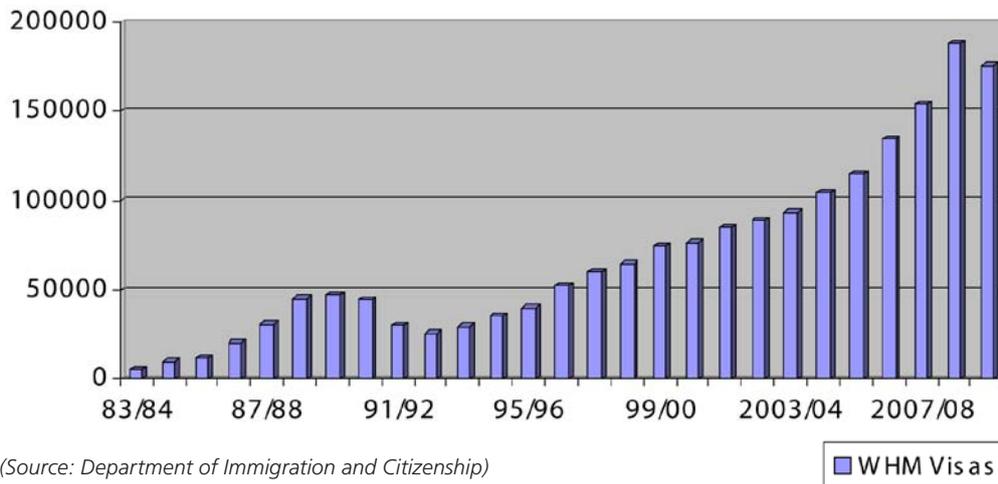
10 O'Reilly, C 'From Drifter to Gap Year tourist: Mainstreaming Backpacker Travel' *Annals of Tourism Research*, Vol 33 (4) 2006, pp998-1017

11 For people from Belgium, Canada, Republic of Cyprus, Denmark, Estonia, Finland, France, Germany, Hong Kong, Republic of Ireland, Italy, Japan, Republic of Korea, Malta, Netherlands, Norway, Sweden, Taiwan and United Kingdom.

12 Tourism Research Australia (TRA), International Visitor Survey. Superweb data, 2004/05 – 2007/08

# Overview | continued

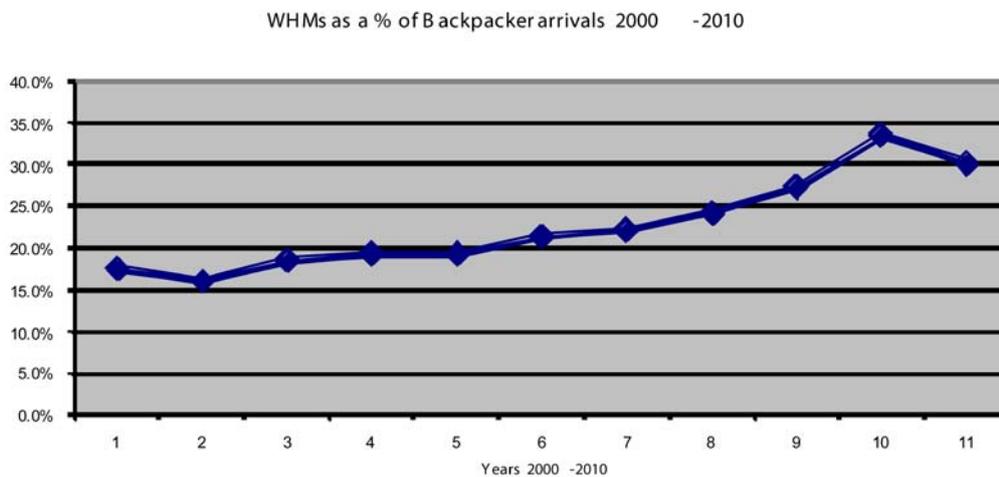
**Figure 1: WHM Visas issued 1983/84 – 2009/10**



(Source: Department of Immigration and Citizenship)

**Figure 2: WHMs as a percentage of total Backpacker Arrivals 1999/2000 – 2009/10**

(Assuming that all WHM visa holders spend one night in a hostel)



# Why is the WHM Program important to Australia?

The WHM program boosts the number of international visitors to Australia, which is important to the Australian tourism sector and to the Australian economy in three key ways:

- it increases expenditure and output for key tourism sectors;
- it provides a significant fillip to employment and economic prosperity in regional Australia; and
- it generates significant income to the Australian economy as a whole.

## A critical boost to tourism industries

Working holiday makers spend 60% of their expenditure on accommodation, transport and education.<sup>13</sup> These subsectors alone accounted for 49% of total Australian tourism output in 2010-11. Working Holiday Makers are also substantial purchasers of other key tourism goods and services, such as cafes, restaurants, takeaway food services and retail trade which collectively account for another 47% of tourism output.<sup>14</sup>

Compared to their domestic counterparts, international tourists as a whole are also much more substantial purchasers of tourism based activities. This includes long distance passenger transport, accommodation and education, with

19.3% of consumption spent on long distance transport (75% higher than for domestic tourists), 14.4% spent on accommodation (69% higher than for domestic tourists), and 11.5% spent on education services (compared to almost no domestic tourist spending).

Working holiday makers are particularly important to the backpacker market, with a strong correlation between the WHM program visitor and the inbound backpacker. The national 'backpacking industry' assumes that the majority of WHM program visa holders will spend at least one night of their stay in hostel accommodation, thus classifying themselves as a 'backpacker' (under the definition used by Tourism Research Australia). This assumption is further supported by Tan et al, who also noted that hostels were the most popular form of accommodation used by WHM program visitors.<sup>15</sup>

The average trip expenditure of backpacker visitors is \$5,432, which is 60% higher than the average expenditure for international tourists.<sup>16</sup> Furthermore, a 2009 Department of Immigration and Citizenship study conducted by Tan et al focusing specifically on the WHM market estimated that each WHM program visitor spent \$13,218 in Australia over an average 8-month stay.

<sup>13</sup> Tan, Y, Richardson, S, Lester, L, Bai, T, Sun, L. 'Evaluation of Australia's Working Holiday Maker (WHM) Program' Department of Immigration and Citizenship, Canberra, 2009.

<sup>14</sup> Australian Bureau of Statistics 2011, *Tourism Satellite Account 2010-11*, Cat. no. 5249.0, December 2011.

<sup>15</sup> Tan op cit pp IX

<sup>16</sup> Tourism Research Australia 2011, "International visitors in Australia: September 2011 quarterly results of the international visitor survey.

# Why is the WHM Program important to Australia? | continued

## A central element of the lifeblood of regional Australia

The WHM program has an important impact on attracting labour to regional areas, which helps to address the significant labour shortages that these areas experience. Most jobs for WHM program workers are in the accommodation and tourism sector, and 31% of these are located in regional Australia.<sup>17</sup>

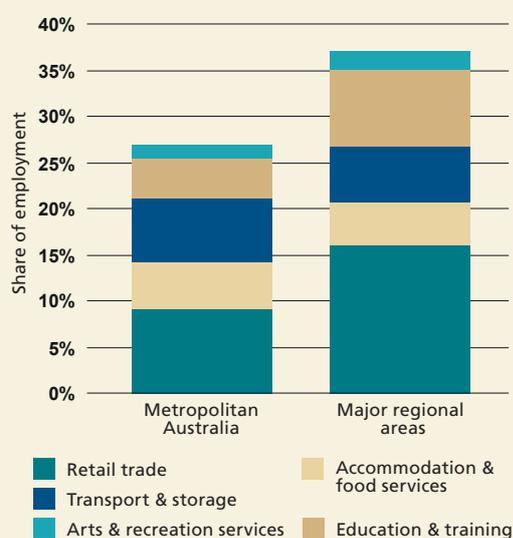
However, the WHM program is more than just a source of labour supply for regional Australia. It also drives spending in key sectors of regional economies given the important role of tourism industries to the economic life of regional Australia.

In terms of employment, key tourism industries account for 37% of total employment across the major regional centres of Australia compared to 27% for capital cities. Some tourism-related sectors particularly stand out as being bigger employers in regional Australia compared to the capitals. In particular, retail trade accounts for almost 16% of employment in regional centres compared to 9.1% in capital cities, education accounts for 8.2% of employment in the regions compared to 4.4% in capital cities, and arts and recreation services account for 2% in regional Australia compared to 1.5% in metropolitan Australia.

This makes regional Australia more economically reliant on tourism generated revenue than metropolitan Australia.

<sup>17</sup> Jarvis and Peel, 2011 op. cit.

**Figure 3: Share of employment by key tourism industry**



Data source: BITRE Industry Structure Database 2009 and CIE calculations

### Construction of industry profiles for regional and metropolitan areas

Indicators of regional and metropolitan employment have been compiled to compare the different profiles of metropolitan and regional areas based on the employment shares of industries in selected areas in the ABS 2006 census data.

The metropolitan series is based on the Statistical Divisions of the capital cities of Australia (including Darwin).

The regional series draws on data from the Bureau of Infrastructure, Transport and Regional Economics (BITRE) 2009 Industry Structure Database on employment shares by industry in each Local Government Area (LGA).

To represent the vast number of regional LGAs across Australia, by and large the top 6 non-metropolitan LGAs were selected in terms of the size of the working population. Other regional LGAs were used where the respective State Governments clearly identify LGAs that they classify as representing their regions.

This means that the results are illustrative of the larger regional areas. There is expected to be greater variation in the more remote areas as to the importance of tourism, with some LGAs being almost entirely reliant on tourism and others being much less so.

# Why is the WHM Program important to Australia? | continued

## Creating value for the Australian economy

The WHM program brings high yield visitors that are beneficial to total employment in Australia.

A 2009 Department of Immigration and Citizenship study conducted by Tan et al focusing specifically on the WHM market estimated that each WHM program visitor spent \$13,218 in Australia over an average 8-month stay. With today's WHM visitor numbers, this equates to \$2.4 billion of spending in Australia.

The Tan study also identified that for every 100 WHM program visitors arriving in Australia, 6.3 full time equivalent jobs are created in the wider economy.<sup>18</sup> With current visitor numbers under the WHM program this equates to 11,700 FTE jobs in Australia.

The tourism industry has a disproportionate reliance on WHMs, which account for 7% of tourism employees compared to 1.7% of employees across the economy. The seasonal nature of the tourism industry is a perfect fit for WHMs as 47% of tourism businesses are seasonal operations. The WHM will assist dramatically in satisfying some of the current and projected unfilled positions across the sector and will allow many small tourism businesses, who might otherwise be unable to find labour, to continue trading and contributing to the tax base of the economy.

As well as injecting new money and creating new wealth in Australia, the WHM program brings other benefits to Australia including:

- Providing a key motivation in stimulating travel to Australia
- Providing substantial economic benefits to the regional economies where they work
- Are long staying and high yielding visitors
- Disperse widely throughout Australia, spreading economic benefits
- Provide short-term skilled and semi-skilled labour which meets the labour shortages of industries such as tourism

<sup>18</sup> Tan, Y, Richardson, S, Lester, L, Bai, T, Sun, L. 'Evaluation of Australia's Working Holiday Maker (WHM) Program' Department of Immigration and Citizenship, Canberra, 2009.

# Addressing the issues

Growing Australia's tourism industry towards the Tourism 2020 potential poses challenges, particularly to the industry's labour force, which would need to grow at up to three times the current average.

With pressures on Australia's labour market expected to continue, there is a significant risk the tourism industry will be unable to find the skills and labour needed to meet these goals.

The tourism industry already faces significant labour force competition from the mining sector and with predicted jobs growth, an aging population and more highly qualified workforce, the challenge will increasingly be in finding skilled, semi-skilled and low-skilled workers to meet the service needs of the industry.

National research undertaken by the Labour and Skills Working Group revealed there are currently more than 36,000 vacancies in tourism-related roles across the country, with that number increasing to 56,000 by 2015.

These labour pressures have a direct link to Australia's capacity to provide a high quality, competitive and desirable destination and have an industry wide impact. Including tourism and hospitality employment in the definition of regional work would help improve the industry's capacity to attract a viable workforce.

A 2009 research study undertaken for the Department of Immigration and Citizenship identified a number of key benefits the WHM program held for regional tourism employers;

- *These workers help regional operators to meet seasonal demands particularly in remote areas where local labour is scarce and Australians are reluctant to move for short term contracts.*
- *They provide a skilled, educated, mobile and flexible workforce.*
- *They provide language skills, filling a significant void in the industry – one third of WHM program workers were hired for their language skills.*
- *Employers like these workers because they are 'willing to work in short term, or seasonal jobs', 'hardworking', 'skilful', and 'reliable'.*
- *More than 80% of employers stated they found it to be 'very difficult' (48.7%) or 'somewhat difficult' (31.7%) to find workers from the local market, the principal reasons being 'there are not enough local workers' (38.2%); and 'local workers do not have the right skills' (26.1%).*
- *Almost all the employers in the survey said they tried to recruit local people to do the same sorts of jobs as they hired WHM program workers for, with half stating it was difficult to get local workers to do these jobs.*
- *Most employers (82.0%) stated that WHM program workers are 'very important' (54.5%) or 'important' (27.5%) for running of their businesses with the principal reason for their importance being because 'it is difficult to get local workers to do these jobs' (57.9%).*

# Addressing the issues | continued

Less than 14% of overall annual WHV 417 visa holders convert to the second year, with around 22,000 second year visas issued in 2010/11 compared to the 162,000 initial visas. Evidence suggests that work in many of the eligible industries is not consistent and reliable enough to engage WHV 417 workers for the period required and these industries have struggled to find ways to adequately engage this potential workforce.

Tan notes that the 'accommodation and hospitality' sector provides the most jobs for WHM program workers and research by Jarvis and Peel has indicated that of the WHM program workers surveyed in Mildura in 2010, 51.4% were interested in finding work in hospitality in the future.<sup>19</sup>

The majority (69%) of these jobs are in urban areas compared to 31% regionally. Encouraging WHV 417 workers to seek work in regional hospitality, with the incentive of the visa extension, will fill regional employment vacancies and free up more urban area jobs for Australians.

Doing nothing will not solve the labour supply problem, which makes this a key policy priority.

In many ways, the regional employment market 'fails' without some outside assistance. Job seekers outside of these areas are often reluctant to relocate too far from family and friends, particularly for jobs that are only seasonal in nature.

Working holiday visa holders are much less affected by these factors. They do not qualify for welfare benefits, do not seek long term employment, and are less tied to particular locations. WHMs also offer the benefit of bringing in cultural and language skills that enable regional tourism operators to better communicate with international visitors.

<sup>19</sup> Jarvis and Peel, 2011 op cit

# Addressing the issues | continued

## Recommendation #1: Include employment for 88 days in tourism and hospitality in regional Australia as part of the 12 month extension program for the Second WHV 417

Allowing regional tourism and hospitality work to qualify for the 12 month extension program for the Second WHV 417 visa would generate significant economic value to Australia.

Under the existing rules, 95% of WHV 417 holders that meet the eligibility requirements to extend their length of stay actually do so. However only 14% (or 22,000 of the 162,000 visas issued) actually meet the 88 day requirement under the currently defined industries in regional Australia.<sup>20</sup>

With just over 7% of current WHV 417 holders now working in regional accommodation and hospitality, the annual boost to GDP of extending eligibility to regional tourism workers is worth \$28.1 million once the new rules translate into entrenched patterns of visa extension.<sup>21</sup>

This value increases steadily in line with annual WHV 417 growth. In net present value terms the extension program would conservatively be worth \$225 million to Australia over the next 10 years, even allowing for a gradual ramping-up phase.

As well as generating new additional GDP for Australia this would also benefit regional economies through prolonged expenditure on leisure products during their time off, particularly for the \$3 billion backpacker industry.

There is no evidence that extending the availability of a second-year visa to the tourism industry would adversely affect the agricultural industry. Rather, expanding the program will enhance its attractiveness, increase the pool of people who access the visa and encourage engagement with a wider range of regional businesses.

Evidence suggests WHMs do not displace local Australian workers. Most WHMs are employed in lower skilled positions and are often willing to move to regional and remote areas where Australian workers are in increasingly short supply.

<sup>20</sup> Derived from the total number of extensions as a proportion of visa holders who actually work in eligible industries in regional areas.

<sup>21</sup> Estimates are based on the GDP value in Year 5 to allow for a ramp up period from eligibility to full expected uptake. GDP per tourist is based on data reported for 2010-11 in the ABS 2011 op. cit.

# Addressing the issues | continued

## Recommendation #2: Reduce or hold the costs and financial requirements of applying for WHM program visas

The cost of the WHM program visas increased by 15% from 1 July, 2011 and is currently \$270. The increase was applied to a number of visa categories but not to the tourist or student visas.

Over the past five years, and coupled with the rising Australian dollar, visa application costs for a range of nationals has increased as follows:

United Kingdom	+139%
European Union	+85%
Japan	+53%
United States	+101%

Additionally, WHV 417 applicants must have access to sufficient funds to support themselves for the initial stage of their holiday, generally \$5000 – an amount that has also increased ahead of CPI. They also require a return or onward ticket or the funds for a fare to depart Australia.

A recent survey undertaken by ATEC and Tourism Australia found the WHM program was one counterweight to the impact the high Australian dollar is having on demand<sup>22</sup>.

<sup>22</sup> Understanding the Backpacker Experience in Australia, TNS Global, April 2011

### Comparative visa conditions

Australia offers a less flexible WHV 417 with less time to work and study, a higher financial commitment and less capacity to build professional work experience.

	AUSTRALIA	CANADA	NEW ZEALAND
<b>Length of stay</b>	12 months	24 months	12 months
<b>Period of work</b>	6 months per employer	Up to 24 months No employer restrictions	Up to 12 months No employer restrictions
<b>Work restrictions</b>	6 months per employer	None	None
<b>Age</b>	18-30	18-35	18-30
<b>Study</b>	Up to 4 months	Length of visa	Up to 6 months
<b>Other</b>	<ul style="list-style-type: none"> <li>Conditional extension</li> </ul>	<ul style="list-style-type: none"> <li>'Young Professional' category</li> <li>ability to gain visa more than once</li> </ul>	<ul style="list-style-type: none"> <li>Once off visa, can extend to 23 months.</li> <li>Work in horticulture or viticulture for 3 months eligible for additional 3 month stay.</li> </ul>
<b>Requirements</b>	\$5000 AUD + return ticket	\$4000 CAD (\$3900 AUD) +return ticket	@\$3345 AUD + return ticket
<b>Cost</b>	\$270 AUD	\$150 AUD	@\$180 AUD

# Addressing the issues | continued

## Recommendation #3: Increase the age range from 18 to 30 up to 35 in line with other countries

By increasing the WHV 417 visa cut-off age to 35, Australia would capture the 'career breaker' market and match the competitive actions of Canada.

Career breaker travellers have held a professional career and have left their job to go travelling. The significance of this sub segment of the backpacker market is that they have access to larger amounts of funds when travelling. Increasingly major companies are allowing their staff to take up to 12 months off as a career break as a means to avoid burn out and to hold on to staff for a longer period of time.

By limiting the age to 30, Australia is failing to capture the lucrative 30 – 35 year old career breakers who are keen to travel and work in the country and have greater access to savings. In addition, these older backpackers have the capacity to contribute significantly to the skill shortage forecast for the Australian economy.

# Addressing the issues | continued

## Recommendation #4: Permit multiple visa applications, one between 18-25 years of age and a second one from 26 – 30/35 years.

This change would encourage repeat visitation from the 1.3 million WHM program visitors who have come to Australia in the last 10 years.

Under current arrangements, once a WHM program visitor has completed their visit they have no possibility to return to Australia on a further WHM program visa. As identified, there is both a desire and capacity within an older age group to travel to Australia and part of this demand comes from previous experience.

According to Tan et al., 11.6% of working holiday makers would intend to revisit Australia for work reasons if they were able to do so.<sup>23</sup>

ATEC would recommend a minimum 2 year gap between the conclusion of the first WHM program visa (and the 12 month extension if taken) and the commencement of the second WHM program visa. The second visa should also permit an additional 12 month extension if work is undertaken in one of the defined industries in regional Australia.

Assuming a gap of 2 years between visits in line with ATEC's recommendation, and an 11.6% uptake of a multiple visa, this generates a boost to Australian GDP of \$41.7 million in Year 5 (allowing for a phasing in of uptake).<sup>24</sup>

Based on Tan's estimated employment multiplier, the return WHM visitors would also create over 1,500 jobs by Year 5, many in regional Australia.

In present value terms the GDP boost associated with additional multiple WHM visa equates to \$275 million over 10 years.<sup>25</sup>

The boost to tourism expenditure in Australia would be even more dramatic, with a spending boost of over \$2 billion over 10 years in present value terms, based on Tan's estimate of spending per WHM visitor.<sup>26</sup>

<sup>23</sup> Tan's statistically valid 2008 survey of WHV visitors found that 11.6% of WHV visitors would be willing to revisit Australia within the next 5 years for work. This "intention to revisit" is used to represent projected re-visit rates if WHV visitors were able to apply for a second visa that was not an extension visa.

<sup>24</sup> Based on ABS Overseas Arrivals and Departures data, ABS Tourism Satellite Account data, Department of Immigration and Citizenship Working Holiday Maker visa program report 30 June 2011, and Tan et al 2009, 'Evaluation of Australia's Working Holiday Maker (WHM) Program'.

<sup>25</sup> Assuming a discount rate of 5%.

<sup>26</sup> *ibid.*

# Addressing the issues | continued

## Recommendation #5: Expand the program to new source countries

Current government policy is to only negotiate Work and Holiday (462) agreements with new countries, with the WHV 417 not seemingly open to further expansion. Where these two visas differ most is in the eligibility requirements. The Work and Holiday Visa 462 requires applicants from outside the USA to have functional level English, tertiary qualifications and the support of their home government. The WHV 417 has no such requirements. The Work and Holiday Visa 462 also has a cap on the number of visas that can be issued (except for the USA).

Since its introduction, the take-up rate of the Work and Holiday Visa 462 has been minimal compared with the success of the WHV 417. In 2010-11, 185,480 WHV 417 visas were granted, while only 7,442 Work and Holiday Visa 462 were granted.

ATEC strongly encourages DIAC to engage broadly with the tourism industry as it looks to identify new source countries for expansion of the WHV 417 Program. ATEC would also encourage more flexibility in the determination of any associated caps to extend beyond the current 500 maximum per country.

To assess the potential economic value to Australia, the impact of extending eligibility to an additional four countries has been estimated.

Drawing on the existing ratio of total visitation to Australia and participation in the WHM program, a modest extension of the program to four more source countries delivers an annual boost to GDP of \$15 million; \$38 million within 5 years, or between \$76 million – \$195 million over 10 years in present value terms.<sup>27</sup>

The bottom end of the range assumes that uptake from new source countries reflects the average uptake from existing countries compared to their total visitation levels. The upper bound assumes that the uptake from new countries is in line with the average uptake rate from the top three existing eligible countries.

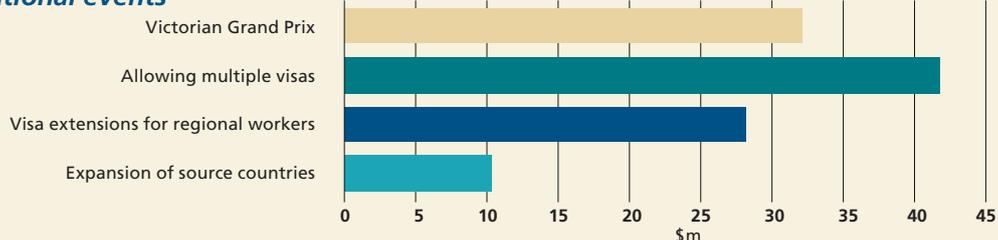
Drawing on Tan's FTE multiplier this level of new visitation also leads to new FTE positions in Australia of 374 by Year 5, and increasing thereafter in line with underlying growth in WHV 417 uptake.

This assumes that the uptake of the WHV 417 for the new source countries is equivalent to the existing ratio of WHV 417 visitors to total international visitors from the existing source countries to Australia, which in 2011 averaged almost 9% of international tourists from these source countries.

Again we have conservatively assumed a lag of 5 years before this level is met.

<sup>27</sup> For the purpose of this exercise, the four extension countries include Spain, Switzerland, Poland and Brazil. These results would be higher still in additional countries were added and/or if eligibility was extended to countries that are more frequent visitors to Australia.

### 1. Annual GDP Impact of ATEC recommendations compared to the hosting of major international events



<sup>a</sup> Annual GDP impact of ATEC's recommendations refer to the year at which expected uptake is likely to be realised.

Data source: Modelling on the impact of ATEC recommendations by the CIE. Grand Prix estimates from Ernst & Young 2011, 'The economic impact of the 2011 Formula 1 Australian Grand Prix'.

# Conclusion

The WHM program has been in place for more than 35 years and in that time it has met a variety of needs including cultural exchange and understanding and local labour needs.

Changes to the WHM 417 proposed by ATEC would help to modernise the visa, embracing the needs of our regional and national economies along with those of the Australian tourism industry.

Recognising the WHM program is a substantial driving force in attracting backpackers to Australia ATEC believes there are simple and necessary changes to be made to the operating structure of the WHV 417. These changes would support and increase demand, bringing more backpackers/independent travellers to Australia, increase the economic value of these travellers to local and state and national economies and have a positive impact on the labour and skills pressures of the tourism industry.

Including regional tourism and hospitality work as part of the 12 month extension program for WHV 417 second visa would significantly increase skills and availability of labour for regional tourism operators and help to improve the quality and experience on offer.

Holding visa costs, increasing the age limit and including a second visa option would help to make our WHV 417 more competitive in a global marketplace where backpackers/independent travellers have a multitude of choices.

The economic modelling undertaken to quantify the impact of these recommendations highlights that significant gains are available to tourism industries, regional economies, and the wider Australian economy. An annual GDP gain of \$85 million - \$108 million has been estimated within 5 years and up to as much as \$700 million over 10 years, based on conservative assumptions around uptake and the time lag between new rules and new behaviours.

These gains are in the order of, or exceed the GDP impact of large scale international events such as the estimates of the 2011 Victorian Formula 1 Australian Grand Prix.

Over 10 years, and again conservatively reflecting gradual uptake patterns, the key changes are estimated to deliver GDP gains of \$576 million – \$695 million in present value terms.

# End Note

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- *Dr Jeff Jarvis, Program Director Graduate Tourism Program, National Centre for Australian Studies at Monash University*

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- *Tourism Research Australia, International Visitor Survey (IVS) year ending March 2011, Canberra 2011.*

(Footnotes)

- 1 Specifically we obtained the metropolitan employment shares data from the ABS 2006 Community Profile series. This data was also collected by Statistical Local Area and Local Government Area in the BITRE 2009 Industry Database. We used the latter to compile the regional data by SLA.