

INTRODUCTION AND BACKGROUND

The Australian Hotels Association (Northern Territory) – AHANT – welcomes the opportunity to submit to the Working Holiday Maker Visa Review.

The AHANT represents the needs and interests of the broad hospitality industry across the NT, and currently has over 170 members ranging from small country establishments to 5 star hotels, with many other diverse and complimentary businesses as associates and sponsors.

Unique to the Northern Territory, the AHA (NT) membership base incorporates 5 sectors across 3 different regional divisions:

- Accommodation Hotel Sector
- Hotel / Tavern Sector
- Wayside Inn Sector
- Licensed Club Sector
- Restaurant Sector

The AHANT acknowledges that the AHA National accommodation arm, the Tourism Accommodation Association, have submitted in response to this review. The AHANT's submission aims to reflect Territory hospitality industry needs, while also supporting the national submission.

The AHANT submission incorporates the views of the industry based on salary and labour surveys over the past 12 months, general consultations on working holiday makers in the hospitality workforce and responses specific to the review.

The submission is also based on information, data consultations and other factors impacting the local labour market and the supply of labour for the hospitality industry. These sources of information include:

- participation and subsequent local employment outcomes from VET hospitality and cookery certificate level programs based in schools and at RTO's including the Charles Darwin University;
- population and labour market trends, skilled occupations surveys and red tape impacts based on NT and Australian Government sources;
- observed outcomes from participants in the pilot Katherine Hospitality Pre-Employment program and the student and job seeker interest at the 5 regional Skills Employment and Careers Expos; and
- barriers and successful outcomes in Indigenous hospitality training at Yulara and by Karen Sheldon Training
- outcomes of visa-related training and employment based on RTOs, AHANT and industry surveys and Australian data
- member consultations, Government briefings and information sessions regarding seasonal workers, DAMA, 457 visas, including from Migration NT and Dept of IBP

Northern Territory Hospitality Industry Labour Market

The AHANT is vitally interested in addressing labour and skills shortages in the hospitality industry in the NT. Industry surveys undertaken by the AHANT over the past 12 months have indicated a

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consistent and ongoing high need for staff in entry level or similar positions, and with also a strong demand for staff to fill skilled and supervisory positions.

There is a strong industry preference, with associated benefits in terms of turnover and training, to employ locals, to build local staff capacity at all employment levels, and to reduce the industry's reliance on other competing interest groups (with respective supporting Government policy or programs) from overseas and student worker, seasonal worker and working holiday maker employment sources.

However, for a considerable foreseeable future, local supply will not meet labour market demand in the hospitality sector. There will continue to be a demand for non-local staff in the industry, as entry level/ unskilled, and skilled and supervisory/ management staff demand cannot be met with local workforce supply.

NT Hospitality Labour Market Overview

- The hospitality and tourism sector in the Northern Territory employ approximately 16,000 people, equivalent to 12% of the Territory's workforce.
- Between late 2015 and mid 2016 the AHANT conducted member surveys concerning workforce issues, including the use of working holiday maker and overseas labour.
- 70% of hospitality businesses surveyed by the AHANT in late 2015 and early 2016 have reported
 - a strong expectation of business growth, with an associated expectation of jobs growth, in the order of an average of 10 staff per business, or 1500 staff, in the next 12-18 months.
 - Resultant growth in 2016 has not been consistent across the Territory, with Darwin and Katherine achieving less growth than expected.
 - However, there is still at minimum an estimate of 12% projected growth in accommodation and food services to 2020, which is likely to significantly impact the hospitality sector, or approximately another 2000 staff or 500 per year
- The hospitality and tourism sector in the Northern Territory experiences significant difficulty in attracting and retaining large numbers of unskilled and semi-skilled staff, as well as more skilled and supervisory and managerial level staff.
 - The average turnover in the skilled, supervisory and/or managerial staff cohorts is 55% per year, or approximately 2,000 staff per year, and
 - turnover in the entry level, unskilled and semi-skilled cohorts is simply ongoing, with many businesses issuing an average of more than 2 annual payment advices per staff position, indicating an average 50% annual turnover of an unskilled workforce of approximately 12,000 unskilled or semi-skilled staff, being 6,000 staff per year.
- Workforce surveys completed by AHANT members between late 2015 and mid 2016 indicate extremely high numbers of skilled, supervisory and managerial positions remaining unfilled,
 - with one survey of only 80 businesses reporting over 500 positions in this cohort being unfilled at the end of 2015.

NT Labour Market Demands, Local Supply and Government Unemployment Policy & Programs

- The overall annual turnover of staff and projected growth requirements in the NT hospitality industry is greater than 50% of current staff, greater than 8,000 staff.

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- The VET system and school leavers account for no more than 10% of the entry level supply with higher level VET participants providing less than 5% of potential staff in the skilled cohort of the industry.
- Programs aimed at skilling young unemployed to be “job ready” have not made a significant impact on hospitality staff supply. The often seasonal, and casual nature of many entry level positions mitigates against criteria for employment support from Government funded programs. On an annual basis across the NT the hospitality industry expects significantly less than 100 new staff will be sourced from jobactive or transition to work type programs over the next 4 years.
- Even a strongly supported and work experience focussed pre-employment program in a regional town did not result in any long term successful recruitment to hospitality positions, despite a successful completion and 100% offers of employment.
- As an additional example, of the estimated 400 long term unemployed youth, from the Darwin cohort, expected to be participants in the new PaTH program starting April 2017, it is expected that 100 participants may focus on hospitality and retail pathways, over 4 years – or 25 per year.
- The existing impediments for greater participation by Indigenous Territorians in the hospitality workforce, including local and community obligation issues, will not be remedied in the short to medium term. To date the success of Indigenous hospitality training strategies by Voyages at Yulara has improved Indigenous workforce participation, but not necessarily Indigenous Territorian participation.
- NT hospitality businesses report significant difficulties in attracting Australian residents as employees. A 2011 survey by Deloitte of the Australian Tourism Labour Force indicates that NT businesses employ 25% less local residents than Australian business in the tourism and hospitality industry.
- There are stronger trading periods and staffing requirements between May – September in the NT, applying in major centres, regional towns and remote wayside inns. This seasonality (70% businesses) is significantly higher than experienced elsewhere in Australia (51% businesses) on average.
- Regional businesses in particular have significant difficulty in recruiting local or Australian resident staff and rely heavily on WHM.
- Major hotel developers such as Halikos Hospitality have committed to investing into building more accommodation hotels in the NT. The current impediment to this investment is the high risk of not having a sufficient labour force to operate all of their hotels.
- **In summary, local employment supply cannot meet demand in the NT hospitality industry.**

Working Holiday Maker – Visa Labour Needs & Issues

- Hospitality and tourism rely heavily on working holiday maker labour.
 - In 2015-16, on average Territory hospitality businesses rely on WHM labour for 49% of staffing needs, with employer sponsored visa only accounting for another 5% of workforce needs.
 - Across the hospitality and tourism workforce, this equates to just under 8,000 working holiday maker workers a year.
 - Note: In 2013-14, with better business conditions in the NT, working holiday makers comprised 57% of the hospitality workforce. These figures have reduced, with significant reductions in applications, recruitment and expenditure by WHM in the NT hospitality industry

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- Small regional and remote hospitality businesses rely almost exclusively on working holiday makers to meet both ongoing and seasonal labour demand, and report a loss of business-viability if working holiday maker labour supply reduces.
- These businesses, as well as their colleagues in the regional and larger towns, benefit from the WHM spend on food and beverages, accommodation, tours and goods and services.
- Importantly, in the NT, many of the WHM workers have progressed into other visa categories as they have taken up much needed roles in supervisory and management level positions in the industry, particularly in those high priority occupations where there are critical shortages.
- **In summary, the hospitality and tourism industry in the NT will suffer a significant downturn if WHM or other labour cannot be sourced. WHM labour is currently the most efficient and effective source of labour for the seasonal nature of this industry**

Tax Treatments For Visa Holders – Likely Economic Impacts and Alternate Proposals

- Current average income for WHM is \$13,300, and current trends would indicate potentially less than 220,000 visas will be granted in 2015-16 and beyond – Assume 220,000 visas granted; Assume average WHM spend in Australia is 86% of net income

Current Tax Regime for WHM

- Current Tax Regime for WHM - \$0-\$18200 - nil
 - Nil tax revenue except from tax on super payments
 - WHM net income \$13,300, Total net WHM income \$2.962 b
 - Total WHM spend in Australia is \$2.516b
 - The current regime provides an additional spend in Australia of \$817m, with its flow on benefits to economy, business and tax revenues, compared to an additional tax revenue under 32.5% proposal of \$950m.

Proposed 32.5% Tax Regime

- Proposed 32.5% tax from \$0-\$80,000
 - Application of flat 32.5% tax rate to \$13,300, would reduce WHM net income to less than \$9,000,
 - The resultant tax revenue of \$4,322 per WHM,
 - Total tax revenue of \$950m for 220,000 visas granted
 - WHM net income \$8978 per WHM, Total net WHM income \$1.975b
 - Total WHM spend in Australia \$1.699b

Alternate Example 1

- *Under the “Pre-Carbon Tax” taxation arrangements, WHM taxed 15% on \$6,000 - \$18,000 income,*
 - *Application of tax on \$13,300, with a net income of approximately \$12,200,*
 - *Resultant tax revenue of \$1095 per WHM*

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- *Total tax revenue of \$241m (assuming 220,000 visas), or \$710m less revenue than 32.5% tax*
- *WHM net income \$12,200 per WHM, Total net WHM income \$2.684b*
- *Total WHM Spend in Australia \$2.308b*
- *This was taxation rate that was less than NZ and Canada and was not a disincentive to attracting WHM.*
- The proposed 32.5% arrangements reduces their net income significantly, and thus reduces their spend (assuming 86% of income is spent) in Australia to \$1.699b
- This will also have an indirect impact on the NT hospitality industry. With a reduced available budget spend, WHM, most of whom enter Australia through Sydney and the eastern seaboard, will not have sufficient income to enable the additional cost of travelling to the NT for work or holiday purposes, thus reducing both supply of WHM labour and WHM related income for NT hospitality businesses.
- A reduced number of WHM due to the proposed 32.5% tax will also mean greater job opportunities on the eastern seaboard with a skewed impact on labour supply in the regions and Northern Australia.
- The reduction of WHM disposable income will also have a proportionate impact on the length of stay. The likelihood is that there will be a direct proportionate reduction, reducing stays by 32.5%.
- Reduction in WHM spend across Australia of \$817m (32.5%) is a direct impact on Australian businesses
- Increase in tax for a gain in WHM direct tax revenue of \$950m (32.5%), but needs to be reconciled against a reduced (WHM indirect) local business tax revenue related to that loss in WHM spend and a reduced superannuation tax and reduced non-collected superannuation revenue.
- This reduction in spend will impact businesses across Australia, and particularly in hospitality and tourism, which are industries that also require WHM staff to meet workforce needs.

Other Matters

- To increase international competitiveness, age limits should be extended and barriers to second WHM visas should be significantly reduced.
- Particularly if Government reduces the proposed taxation levels to account for the net impact on WHM spend and businesses, there should be investment in an international promotional campaign to attract a larger cohort of WHM.
- If changes are made to increase the level of taxation on WHM, and with the recorded decreases in WHM visitation and visitor nights in the NT, then other “measures” to increase the number of WHM, and seasonal workers, particularly in support of the Northern Australia White Paper, should be applied:
 - Increased length of time for visas in Northern Australia, extending the measures already in place,

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- Removal of requirements for select industry work, and for limits to working for a single employer, in Northern Australia,
- Providing a WHM visa approach to seasonal workers from Timor Leste for Northern Australia, including similar taxation requirements, removing unnecessary bureaucratic requirements for both visa holders and employers, while ensuring appropriate pastoral care is supported, and expanding the potential supply of workers
- protections for vulnerable workers
 - in the Northern Territory AHANT members have a history of high levels of compliance and the AHANT is supportive of increased compliance activities and education activities to ensure protection of vulnerable workers
 - a reduced labour pool will increase stress on existing workforce including increased stress and pressures on workers; an underlying health expense; and reduction in retention rates.