

Working Holiday Makers “Backpacker Tax” Research

Fact Sheet: *(Research in Progress)* August 2016

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Background

Given the current debate surrounding proposed implementation of ‘the backpacker tax’, during May and June 2016 nine additional tax specific questions were included as part of an ongoing long term research study into the behaviour of working holiday makers (WHMs) in Australia.

The research project is entitled “*Long term tourists - short term migrants*” and is coordinated by Dr Jeff Jarvis of the National Centre for Australian Studies at Monash University. This is the first ever national long term study that looks at the motivation and behaviour of WHMs and their impact on local tourism economies in three contrasting geographic locations around Australia.

- (1) *An inland regional ‘work dominated’ destination (Mildura)*
- (2) *An urban capital city environment (Melbourne)*
- (3) *A coastal ‘leisure dominated’ destination (North Queensland: Cairns/Port Douglas)*

It is proposed that further data collection on the overall project occur from November 2016 and during the first half of 2017* (**subject to funding*). The report for stage 2 of the study on WHM behaviour in an urban capital city environment (Melbourne) is expected to be released in late 2016. A further analysis of the ‘backpacker tax’ data will be available then.

Note that the ‘backpacker tax’ sample is only 335, so the results should be seen as indicative. The WHM data collection in North Queensland was supported by YHA.

The “Backpacker Tax” research sample

The “backpacker tax” quantitative research data was collected face to face with WHMs staying in hostels either working or looking for work in Melbourne, Cairns and Port Douglas during May and June 2016. Overall 335 surveys were collected, with a gender split of Male: 50.7 and Female 49.3. The average age of respondents was just under 24 years old. As for age groups, 60% were 18-24 with 40% aged 25 - 31. Significantly 48% of the sample had completed a university degree, with a further 10% currently studying.

Nationalities

The sample was dominated by UK travellers, 45%. The other major nationalities included; Germany 15%, France 10%, Canada 7%, Netherlands/Belgium 7%, Scandinavia/Nordic 7%. Note that Asian WHM travellers (South Korea, Japan, Taiwan, Hong Kong, (4%) were under represented in the hostel environment. Other nationalities included Italy, Ireland, Malta (5%).

Work and travel motivation

The WHM visa and the ability to work to fund travel is clearly an important motivator to select Australia as a destination with 71% of the sample agreeing with the following statement.

I wanted to travel and Australia was a country where I had the opportunity to work to earn money while I traveled so I could afford to leave home.

Specific 'Backpacker Tax' Results (May - June 2016)

The following questions were included in the latest phase of data gathering in Melbourne and in the first research phase in Cairns/Port Douglas. Respondents were asked to rate their agreement on a 1-5 scale for the following comments. (Note 4 & 5 on the scale equated to agreed/strongly agreed and are combined to give the figures below)

a: I would not have come to Australia on the WHM visa if I was to be taxed 32.5c in every dollar I earn.

RESULTS:
60% Agreed

b: I would not have come to Australia on the WHM visa if I was to be taxed 18c in every dollar I earn.

RESULTS:
31% Agreed

c: I would advise my friends to apply for a WHM visa for Australia if they will be charged 32.5c in every dollar earned.

RESULTS:
22% Agreed

d: I would advise my friends to apply for a WHM visa for Australia if they will be charged 18c in every dollar earned.

RESULTS:
47% Agreed

e. I would have considered New Zealand for a WHM experience instead of Australia if I was to be taxed 32.5c in every dollar I earn.

RESULTS:
62% Agreed

f. I would have considered Canada for a WHM experience instead of Australia if I was to be taxed 32.5c in every dollar I earn.

RESULTS:
53% Agreed

g: I would spend less time travelling around Australia if the tax changes come in

RESULTS:
57% Agreed

h: I would look for "cash in hand" jobs to avoid paying tax if the tax changes come in

RESULTS:
70% Agreed

i. I would spend less money on tours and activities while in Australia if I was to be taxed 32.5c in every dollar I earn

RESULTS:
69% Agreed

Comments

"It is clear that the proposed tax changes will have a significant impact on potential demand for Australia as a backpacker destination, with 60% of Working Holiday Makers surveyed indicating that they would not have come on such a visa if the tax rate was 32.5 percent. It will also erode the competitive position of Australia in comparison to both New Zealand and Canada. In addition only 22% of travellers in the sample would recommend to their friends to come to Australia on a Working Holiday Maker visa if the tax was to come in"

Suggestions

If a tax was to be introduced measures should be considered to counter the potential downturn in demand. Such measures could include the following suggestions which were previously raised in an Australian Tourism Export Council position paper on "the importance of the WHM visa" (2012).

1: Increase the age from 18-30 to 18-35 to bring the visa in line with Canada and attract high spending older WHMs.

2: Try to make the second year extension easier to access by decreasing the days of regional work from 88 to say 62 (2 months). In addition broaden the type of work that qualifies for the second year to include tourism and hospitality in Northern Australia.

3: Increase demand for the visa by permitting multiple applications. One in the 18-25 age group and another in the 26 -30 (35) age group. So a traveller could have the opportunity of obtaining two WHM visas before they are 35.

References

Australian Tourism Export Council (ATEC), "The Importance of the Working Holiday Maker Visa (Subclass 417)", Position Paper, Sydney, 2012.