



# National Farmers'

F E D E R A T I O N

**Submission to the  
Productivity Commission on the  
Migrant Intake into Australia**

12 June 2015

# NFF Member Organisations



Australian Chicken Growers' Council Ltd



CANEGROWERS



COTTON AUSTRALIA



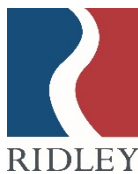
Goat Industry Council of Australia Inc.



NEW SOUTH WALES IRRIGATORS' COUNCIL



RICEGROWERS' ASSOCIATION OF AUSTRALIA INC.





The National Farmers' Federation (NFF) is the voice of Australian farmers.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

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# Statistics on Australian Agriculture

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Australian agriculture makes an important contribution to Australia's social, economic and environmental fabric.

## **Social >**

There are approximately 132,000 farm businesses in Australia, 99 per cent of which are Australian family owned and operated.

Each Australian farmer produces enough food each year to feed 600 people: 150 at home and 450 overseas. Australian farms produce around 93 per cent of the total volume of food consumed in Australia.

## **Economic >**

The agricultural sector, at farm gate, contributes approximately 2.4 per cent of Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2013-14 was 51 billion – a 6 per cent increase from the previous financial year.

Combined with value-adding post-farm gate processes and the value of economic activities supporting farm production through farm inputs, agriculture's contribution to GDP averages out at around 12 per cent (over \$155 billion).

## **Workplace >**

The agriculture, forestry and fishing sector employs approximately 323,000 employees, including owner managers (174,800) and non-managerial employees (148,300).

Seasonal conditions affect the sector's capacity to employ. Permanent employment is the main form of employment in the sector, although more than 40 per cent of the employed workforce is casual.

Overseas workers are an important part of the Australian agricultural workforce. Approximately 40,000 working holiday makers, 3,000 Seasonal Worker Program participants and almost 900 skilled temporary migrants work on Australian farms each year: almost one-third of the total (non-managerial) workforce.

## **Environmental >**

Australian farmers are environmental stewards, owning, managing and caring for 52 per cent of Australia's land mass.

Farmers are at the frontline of delivering environmental outcomes on behalf of the Australian community, with 94 per cent of Australian farmers actively undertaking natural resource management.

The NFF was a founding partner of the Landcare movement, which recently celebrated its 20<sup>th</sup> anniversary.

# Contents

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<b>Statistics on Australian Agriculture.....</b>	<b>4</b>
<b>Contents .....</b>	<b>5</b>
<b>Executive Summary .....</b>	<b>6</b>
<b>1. Introduction.....</b>	<b>7</b>
<b>2. Use of migration programs in Australian agriculture.....</b>	<b>9</b>
<b>3. Regulatory and related costs of employment .....</b>	<b>14</b>
<b>4. Proposal for entry charges .....</b>	<b>17</b>
<b>5. Conclusion .....</b>	<b>19</b>

# Executive Summary

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Overseas workers play a small but important part in the Australian agriculture sector. Many agricultural industries are characterised by seasonal work, harvesting perishable goods destined for domestic and international markets. These industries are commonly located in regional or remote areas where demand for labour is high during peak seasons and labour supply is limited. Recent experience with the mining boom confirms that Australian agriculture also faces strong domestic competition for labour with other sectors of the economy. Redressing this imbalance through use of overseas workers is hugely important – it means that what is grown can be harvested and sold, not left to perish.

Australian agriculture needs policies and programs that drive growth and boost on-farm profitability and competitiveness. In our submission to the Agricultural Competitiveness White Paper, the NFF called for measures to boost the availability of foreign labour in regional areas by supplementing existing migration policy solutions to agricultural labour shortages.

This submission outlines the experience of the agriculture sector in relation to temporary migrants, and highlights the importance of these workers to the sector. The agriculture sector is a significant user of Australian migration programs, and this trend is likely to continue over the long term. Not only do overseas workers fill critical gaps in the local workforce, they also contribute to greater social cohesion in rural Australia, bringing new life and diversity to regional communities.

A price-based immigration solution appears to have potential in connection with permanent migration programs, as long there is a mechanism for aligning supply and demand for relevant skills. The relevance of such a solution to temporary migration programs is less clear, given the differing motivations of temporary entrants and in some cases, their reduced capacity to pay. It may be that price-based eligibility is more suitable to some temporary migration programs than others and that longer term visas involving significant periods of work in Australia are more likely to deliver positive outcomes than more short-term, aid-based programs.

## 1. Introduction

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Australia is an attractive place for overseas visitors to holiday and work. Our standard of living and our wages are higher than in many other parts of the world, and our employment conditions are better. For many overseas visitors, the opportunity to experience life in Australia while learning about agricultural production is highly desirable. For others, the attraction may lie in the potential to improve their own economic situation. There will always be other countries competing for overseas workers to fill gaps in the domestic economy. Effectively responding to this challenge requires a three-pronged approach: neutralising competitive considerations (how much it costs, how easy it is to arrange, visa conditions); promoting Brand Australia overseas; and delivering a positive experience for overseas workers once they arrive.

The agriculture sector is predicted to double its agricultural exports by 2030, and this will require a skilled and productive agricultural workforce. This means, among other things, ensuring that migration policy settings promote ongoing access for the sector to workers with the necessary skills, when and where they are needed, and without undue cost or red tape. For this reason, in the Agricultural Competitiveness Green Paper, the NFF called for measures to improve the access and affordability of overseas workers in Australian agriculture.

Temporary migration programs are an essential source of on farm labour. Seasonal variability and rural and remote locations often make it difficult to attract and retain Australian workers. For many farm businesses, low margins limit the capacity to offer higher wages as a means of incentivising agricultural work.

Migration policies that seek to address regional agricultural labour shortages are critical to the Australian economy. Analysis by the NFF in 2008<sup>1</sup> revealed:

- 22,000 fruit-picking positions were going begging in horticulture— costing horticultural farms, on average, \$100,000-a-year each in unpicked rotting fruit – while another 80,000 jobs were needed in skilled areas; and
- in the most extreme cases, farmers were losing \$250,000 per season in rotting produce due to the inability to find labour.

Total employment in the agriculture sector has been declining for almost 15 years, and is currently forecast to decline a further 0.9 per cent by 2018, compared to the all industries projected rate of employment growth of 7.2 per cent.<sup>2</sup> Investing in new technology has allowed the sector to reduce its reliance on farm labour, and while the sector continues to invest in attracting and retaining the next generation of Australian farmers, overseas workers will always have an important role to play. There is a chronic disconnect between supply and demand factors, particularly in relation to low skilled work on Australian farms. The seasonal

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<sup>1</sup> NFF, *Summary of Labour Shortages* March 2008

<sup>2</sup> Department of Employment *Industry Outlook Agriculture, Forestry and Fishing* September 2014

nature of the work limits capacity to offer permanent employment, as spikes in demand for labour at peak harvest times are better suited to short-term, casual employment.

In 2014, the NFF undertook a Farm Business Survey to better understand critical employment and labour-related issues affecting the agriculture sector. Approximately 500 businesses responded to the Survey, with results painting a consistent picture of the labour issues faced by a typical small Australian farm business. One in two businesses expected profitability and growth to improve over the next three to five years, but only one in five expected to expand their workforce. Almost 50 per cent of respondents said that they cannot afford to employ additional workers, with the same number indicating that a shortage of skilled and committed labour was the greatest impediment to their business. Of the challenges ahead, survey respondents were most concerned about financial viability, government regulations and skill and labour shortages.

In many respects, labour shortages in the sector have been ameliorated by changes to the working holiday maker program in late 2005, which encouraged backpackers into work on farms. Despite this positive shift, attracting and retaining workers to agriculture remains an ongoing issue and a policy priority for the NFF and its members.



## 2. Use of migration programs in Australian agriculture

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Temporary migration programs used most frequently by the agriculture sector are:

- the *Working Holiday Maker* visa (subclasses 417 and 462);
- the *Seasonal Worker Program* (subclass 416); and
- the *Temporary Work (Skilled)* visa (subclass 457), both directly and through labour agreements.

### The Working Holiday Maker Program

The Working Holiday Maker program was established to encourage cultural exchange and closer ties between participating countries. It was later modified<sup>3</sup> to help Australian regional employers by encouraging short-term and casual work in specified industries in regional Australia. Specifically, working holiday makers in Australia on a 417 visa can extend their stay from 12 months to 2 years by working in regional areas in agriculture, forestry and fishing, mining or construction for at least 88 days. Working holiday makers on a 462 visa cannot extend their stay and there are limits on the number of working holiday makers from each country. Workers can work with one employer for up to 6 months. If a second visa is granted, workers can return to the same employer for another 6 months.

In 2013-14, a total of 239,592<sup>4</sup> working holiday maker visas were granted:

- 229,378 working holiday makers (417 visa)
  - 183,428 first year visas (down 12.8 per cent) and
  - 45,950 second year visas (up 18.2 per cent)
- 10,214 working holiday makers (462 visa subclass) (up 13.3 per cent).

Analysis of work undertaken by working holiday makers shows that the two dominant industries attracting working holiday makers are ‘accommodation and food services’ (35%) and ‘agriculture, forestry and fishing’ (26%).<sup>5</sup> Working holiday makers choose to work on farms overwhelmingly because this gives them access the second year visa. Approximately 90 per cent of working holiday makers (41,319) who qualified for the second year visa did agricultural work.

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<sup>3</sup> According to the Department of Immigration and Citizenship’s Budget Statement 2013-14, from 1 November 2005, the second year visa initiative for working holiday makers was “established to provide a pool of short term seasonal labour for the horticulture sector in regional Australia, due to ongoing and persistent labour shortages. It was subsequently expanded in 2006 to include the agriculture sector more generally and, in 2008, to include the mining and construction sectors.”

<sup>4</sup> Department of Immigration and Border Protection *Working Holiday Maker Visa Programme Report* 30 June 2014

<sup>5</sup> Tan Y, Richardson S, Lester L, Bai T and Sun L *Evaluation of Australia’s Working Holiday Maker (WHM) Program* 27 February 2009, page II.

Working holiday makers spend an estimated average of \$14,910.77 each year while in Australia.<sup>6</sup> This is an annual contribution of more than \$3.5 billion. Older working holiday makers (ages 25-30) spend 70 per cent more than their 18-19 year old counterparts.<sup>7</sup>

### The Seasonal Worker Program

In March 2006, the NFF recommended that the Australian Government establish a seasonal worker visa program to address chronic labour shortages in the horticulture industry. The proposal was made on the basis that many farmers have difficulty attracting seasonal workers because short-term seasonal work is not an attractive employment option for many Australians.

The Seasonal Worker Program, which initially commenced as a three year pilot scheme, largely adopted the NFF proposal. It aims to assist Australian employers who are unable to find enough local Australian workers to meet their seasonal labour needs, while contributing to the economic development of Timor-Leste, Kiribati, Nauru, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu and more recently, Fiji. The program is ongoing for the horticulture sector, and includes a trial in the accommodation, aquaculture, cotton and cane sectors in selected regions. Access to workers is capped at a maximum number per industry sector, with a total of 12,000 places available.

The first workers arrived under the scheme in February 2009. Labour sending arrangements include eligibility criteria for workers, pre-departure briefings on living and working in Australia, on-arrival briefing for workers in Australia and employment in accordance with Australian workplace standards. Workers can come to Australia for a minimum of 14 weeks and a maximum six months, with the ability to return in following seasons. Employers of seasonal workers must be “approved employers” and may be direct employers or labour hire companies.

A more recent initiative is the “Add-on skills” training program, funded by government and providing training for workers in English literacy and numeracy, first aid, and information and communication technology. In addition, workers can gain recognition of prior learning toward Certificate I or II qualifications in their field of work.

Almost 3500 seasonal workers have been placed in the horticulture sector under the Program in 50 local government areas since its commencement, and this number continues to grow. Seasonal workers have been employed to undertake a range of work, including picking, packing, pruning, draining, grading and thinning. Some seasonal workers have been promoted into supervisory roles.

In 2013-2014, 99 per cent of places allocated to the horticulture sector were filled. During the same period, of the places available to the four trial sectors of accommodation, aquaculture, cotton and cane, 51 places were filled in total (the

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<sup>6</sup> Tan et al, page IV; figures adjusted for inflation between 2008 and 2013.

<sup>7</sup> Tan et al, page 34.

majority in the accommodation sector). An evaluation of the Program in 2011 found that it can fill unmet demand for seasonal workers and provide a consistent, reliable, returning workforce that improves workforce planning and increases productivity.<sup>8</sup> Anecdotal evidence also suggests that the Program is working well. Employers have commented on the many positive aspects of the Program, including access to a returning workforce, low levels of absenteeism and reduced staff turnover.

One grower, who halved the number of employees required to pick the same amount of fruit over a five year period through the use of seasonal workers, recently described the Program as an “excellent solution to the problem of labour shortages”.<sup>9</sup> An ABARES study in December 2013 found that seasonal workers were, on average, significantly more efficient than working holiday makers. Seasonal workers earned on average 22 per cent more than working holiday makers and returning seasonal workers earned \$2.80 an hour (12 per cent) more on average than new workers. Unsurprisingly, seasonal workers who returned for another season were more efficient than new workers.<sup>10</sup>

The Program is not without its issues. The minimum period of commitment is inflexible in its application to industries affected by seasonal conditions. Many commodity groups, including dairy, are not able to access the program. There is no ability to vary start and finish dates in the event of natural disasters, such as floods and cyclones. Equally there is no ability to repatriate a worker who is found to be unsuitable on arrival in Australia.

These issues demonstrate that the Program needs some fine tuning to fully achieve its potential. All indications are that the Program can deliver increased productivity for the agriculture sector, which in turn benefits the Australian economy. Overall, the NFF considers that the Program is a unique and valuable scheme that brings together foreign aid and labour market policy for the economic benefit of Australia and participating nations.

#### The Temporary Work (Skilled) visa program

Under the Temporary Work (Skilled) visa program, employers can bring skilled overseas workers into Australia to fill skill shortages on a temporary basis, where those skills are not available locally. Terms and conditions of employment for sponsored workers must generally be no less favourable than those that would be provided to an Australian performing equivalent work in the same location. Employers must be lawfully operating a business and meet minimum training benchmarks. Labour market testing rules apply –technically, labour agreement arrangements are exempt from this requirement, although similar rules apply.

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<sup>8</sup> TNS Social Research *Final evaluation of the Pacific Seasonal Worker Pilot Scheme* September 2011

<sup>9</sup> Ironbark Citrus, Presentation to the Seasonal Worker Conference, Gold Coast, 7-8 August 2014.

<sup>10</sup> Leith, R and Davidson, A *Measuring the efficiency of horticultural labour: Case study on seasonal workers and working holiday makers* Department of Agriculture, December 2013

Market salary rates must be at least equal to the Temporary Skilled Migration Income Threshold, currently \$53,900.

The total number of 457 visas granted Australia wide in 2013-14 was 51,940. Of these, 880 (or 1.7 per cent) were granted to applicants in the Agriculture, Forestry and Fishing industries.<sup>11</sup> Consistent with the all industries trend for 2013-14, demand for skilled workers on the 457 visa program fell in agriculture, forestry and fishing, by 36.4 per cent.<sup>12</sup> Over the same period, the average nominated total remuneration for 457 visa holders in the agriculture sector was \$70,600, above the average weekly total earnings for all employees in May 2014 (\$58,548.01).<sup>13</sup>

### Labour agreements

Labour agreements are used in the agriculture sector to overcome barriers to access for 457 visa workers, related to the Australian Bureau of Statistics (ABS) Australian and New Zealand Standard Classification of Occupation (ANZSCO) series. Many farmers do not want a highly qualified farm manager, but rather are seeking skilled senior farm hands responsible for daily operational tasks including milking cows, detecting/treating animal health issues and animal husbandry. These skills are currently not recognised in ANZSCO. Exacerbating this problem, the restrictive approach to recognition of relevant skills means that without an agriculture-related degree, workers are ineligible for sponsorship under the 457 visa programme by a farm employer. This is so even if workers hold other relevant qualifications, for example in engineering, project management, electrical or business administration. The skilled occupation list and consolidated skilled occupation list exclude key agricultural occupations, such as farm overseer or farm manager.

On the administrative side, preparing and negotiating a labour agreement application is time-consuming task requiring specialist expertise beyond the resources of most individual farmers. It can take more than two years and a substantial commitment of private and public resources to negotiate a labour agreement. Overcoming these barriers has required support from industry-owned Research and Development Corporations, who are marginally better placed to manage heavy workloads and navigate government processes, but who still lack the specific migration expertise and adequate policy resources to undertake the task on their own. Australian Pork led the way for the pork industry, and more recently, Dairy Australia developed a pilot labour agreement for skilled dairy workers. The aim is to establish a base from which individual farmers can work when sourcing skilled workers from overseas.

The NFF welcomed recent recommendations of the 457 Review that labour agreement negotiation times be significantly improved. The recommendation is

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<sup>11</sup> Subclass 457 State/Territory summary report 2013-14 to 30 June 2014, Table 1.10.

<sup>12</sup> Subclass 457 State/Territory summary report 2013-14 to 30 June 2014, Table 1.10.

<sup>13</sup> ABS, Catalog. 6302.0 *Average Weekly Earnings, Australia, May 2014* (calculated by multiplying average weekly earnings of \$by 52.14)

one that should be implemented without delay. In the meantime, further thought should be given as to why, after having gone to the significant effort of negotiating a 'template' labour agreement, a second round of negotiations must begin so that individual employers can access the workers they need. Once government is satisfied that a particular skill is needed in a particular industry, because of evidence presented through the labour agreement negotiation process, it is a triumph of process over outcomes to require individual employers to prove this over and over again. Instead, where there is a labour agreement covering the occupation of those workers, access to 457 visa workers should be streamlined for employers who agree to operate in accordance with the template labour agreement. This would cut years off the delay in access to workers and reduce both taxpayer and business costs significantly.

### Pathways to permanency

Small farm employers find it difficult to access employer sponsored pathways due to compliance requirements, paperwork, associated costs and red tape. As a result, they commonly seek alternative sources of labour, including backpackers on working holiday visas who seek out work in regional areas in such numbers that harvest demands can be met, with minimal cost in comparison to sponsored workers.

A common frustration among the farming community is the inability to retain good workers who first come to work on a farm under a working holiday visa. For example, the Regional Sponsored Migration Scheme (RSMS) does not accommodate this need and barriers to access to the 457 programme mean that agricultural operators continue to face difficulty in securing ongoing, suitable employees at the middle and entry level.

Ongoing widespread and severe drought in Queensland has led to reports of difficulty sourcing experienced stockmen and women as well as station hands. Positive experiences with working holiday makers who have demonstrated skills and experience, but do not hold an agricultural qualification, end in frustration when a mutual desire for continuing working relationships is defeated by the lack of pathways to permanency for temporary migrants.

Consideration should be given to a new category of visa which enables working holiday makers to remain in Australia under sponsorship on the basis that their qualifications and experience are relevant to the business of the sponsoring employer, even if their qualifications are not specific to the particular industry sector.

### 3. Regulatory and related costs of employment

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#### Coverage of Australian and overseas workers

Employment can be a complex, costly and time-consuming process, from recruitment and selection to processing of payroll.

Overwhelmingly, Australian and overseas workers are covered by the *Fair Work Act 2009* (FW Act) and relevant modern awards or enterprise agreements as well relevant State or Territory work, health and safety laws. There are some exceptions to coverage, related to State decisions to refer power to the Commonwealth for the purposes of the FW Act. The reach of the FW Act also extends beyond Australian territorial boundaries in relation to certain seafarers and employees working overseas, where there is a relevant connection to Australia. Importantly, coverage under Australian workplace and safety laws is not dependant on one's status as a citizen, permanent resident or visa holder.

Equal application of Australian workplace and safety laws to employees, regardless of country of origin, means that, at least in principle, there is no cost advantage to employment of one group in preference to another. There are, however, additional costs related to the employment of overseas workers under sponsored migration programs. These include labour market testing requirements, migration agent fees, travel and accommodation costs and relevant insurance.

Commentary at the 2014 Seasonal Worker Program Conference suggested these initial costs under the Seasonal Worker Program were in the order of \$2000 per worker, once set-up costs, regulatory compliance and travel and accommodation arrangements were taken into account. Similar accounts in relation to the 457 visa program suggest that the cost of securing approval for a skilled overseas worker, through a migration agent, can be in the order of \$6,000. In contrast, working holiday makers, who are often actively seeking agricultural employment in connection with a second year extension to their visa, pay their own way to find farm work at no cost to employers.

In addition to modern award wages and conditions, overseas workers temporarily in Australia are entitled to have superannuation contributions made on their behalf into a relevant fund, as long as they earn the minimum amount each month. These payments can be cashed out by departing workers. In our view, this policy measure is worth reconsidering at the right time, given the underlying purposes of superannuation to provide an adequate level of retirement income, relieve pressure on the Age Pension and increase national savings.<sup>14</sup> Each of these objectives can be achieved without the need to extend the benefit to temporary, overseas workers.

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<sup>14</sup> The Treasury *Charter of Superannuation Adequacy and Sustainability and Council of Superannuation Custodians* <http://www.treasury.gov.au/Policy-Topics/SuperannuationAndRetirement/supercharter/Report/Chapter-4>

Consistency of treatment under the Australian public health system is another issue in relation to migrant workers. While workers from countries which have reciprocal health care arrangements with Australia have some coverage under Medicare, others are responsible for their own health insurance unless agreement is reached with their employer. This can, and often does, mean that employers take on responsibility for the costs of private health insurance for overseas workers, a factor which should ultimately be taken into account when setting visa program fees and costs to stakeholders.

Ultimately, employers are responsible for compliance with the FW Act and liable for breaches of migration law under the *Migration Amendment (Reform of Employer Sanctions) Act 2013*, as well as being vulnerable to prosecution in relation to contractor breaches of the FW Act.

#### Labour market testing in the agriculture sector

The NFF supports measures to improve job opportunities for Australians in the labour market, but we do not support labour market testing. This is for two reasons: the regulatory impost, and the potential for it to expose employers to liability for discrimination.

Labour shortages in the agriculture sector are nothing new. The labour market testing regime makes no acknowledgment of this circumstance. Instead, it applies across the board, to all sectors and industries seeking access to migrant workers, both in relation to the 457 visa program and the Seasonal Worker Program.

Publicly available information about labour market testing requirements, or exemptions from those requirements, is not easy to find. In the context of the Seasonal Worker Program, information of the requirements is made available only after an employer becomes an ‘Approved Employer’. For 457 visas, the description of labour market testing requirements is buried in general language about a “commitment to local labour” and links to the detail of exemptions to labour market testing direct the user to the 457 visa homepage. 457 visa sponsorship applications must be completed online and (unlike most other visa programs) there is no hard copy alternative, which presents an additional challenge for rural and remote businesses where internet access is limited.

Labour market testing requirements for short-term migration programs represent a large commitment for little return. Approved Employers under the Seasonal Worker Program prepare a recruitment plan for each group of workers they seek to employ, place job advertisements for a minimum 2 week period, and report back to the Department of Employment, which administers the Program, before proceeding to recruit from overseas.

The requirement to advertise and offer work to Australian jobseekers before seeking to recruit overseas workers is problematic. Farmers are required to advertise jobs broadly, eliciting numerous responses from overseas workers and only very few from Australian workers. Each job application must be reviewed

and responded to, requiring allocation of significant time and resources, when the reality is that most Australians are not looking for jobs that involve hard, physical work in rural, regional and remote areas. In some cases, our members tell us that Australian workers who have applied and been offered a job have refused the offer, advising that the application was only made to meet their job application quota for the month.

Significantly, the requirement to advertise job vacancies for Australian workers is not attached to any protection for employers from the legal implications of adopting a nationality-based recruitment and selection process. Racial discrimination laws, as well as the general protections under the FW Act, expose employers to liability if they advertise only for Australian workers or if they limit their consideration of job applications to those Australians who apply (to the exclusion of those from other countries).

In our submission, in regions where there is a demonstrated labour shortage (for example, regions eligible for the Seasonal Worker Program), labour market testing requirements should be removed as a red-tape reduction measure. In the meantime, employers should be protected from liability under discrimination laws for compliance with the regime.



## 4. Proposal for entry charges

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The notion of a revised policy facilitating entry charges as the primary basis for determining migration outcomes is an interesting one. It does, however, have a number of implications which would need to be addressed.

A key consideration in designing migration policy is the link between supply and demand. Outcomes that are beneficial to the Australian economy are less likely to flow if the skills that are imported are not aligned with the skills that employers need. To participate effectively in the domestic economy, migrants need to be able to gain employment, ideally using their existing skills. The alternative is for them to obtain work through retraining or choosing unskilled work, which reduces the overall value of the migrant's contribution to Australia. Equally, businesses who have access to the skills they need, when they are needed, can innovate and grow at a faster rate than businesses whose lack of relevant skills holds them back.

A key element of current migration programs with work rights is the ability to match employer needs with the skills of migrants seeking to enter Australia, either permanently or temporarily. Employer sponsorship ensures that migrants who arrive in Australia immediately have access to work to support themselves and employers are able to quickly derive the benefits of productive employment. Any price-based immigration model would need to accommodate a process for matching employers and migrants in relation to workforce needs and available skills.

Another issue for the agriculture sector is the level of charges that might apply. As discussed above, average incomes in the agriculture sector are approximately \$70,600. While this reflects above average weekly earnings more broadly, entry charges set too high are likely to appeal more to the professional workforce than those in the lower to mid-tier income brackets. In such cases, self-selection based on capacity to pay could act as a barrier to entry for migrants who might otherwise make a valuable contribution to the Australian agriculture sector. This could be addressed, for example, through different fee levels applied to migrants depending on the category of work they seek in Australia. Such an approach would need to be developed in conjunction with a mechanism for matching employers and employees, as suggested above, to minimise fee avoidance strategies.

Related to the issue of capacity to pay is the question of motivation. Individuals who can afford high entry fees are less likely to be attracted to occupations at the lower skill levels, including much agricultural work. For this reason, consideration might be given to exemptions from entry charges (or exclusion from the price-based system) for persons who are likely to engage in low skilled work in Australia. Constant demand in the agriculture sector for low skilled workers, particularly at peak harvest times may mean that a price-based immigration system is inappropriate for such workers. An alternative, low-skilled work visa could sit outside, but complement, such a scheme.

This raises the broader question as to whether a price-based system should apply to temporary visas at all. In our view, self-selection through user charges aligns well with the permanent migration model in that it is part of a range of considerations that a person seeking to relocate permanently to another country would consider as part of the overall cost / benefit analysis. Depending on the level of fees, such a model is unlikely to act as a significant barrier to entry and if designed well, could in fact encourage migration in a way that is beneficial to the economy overall.

The picture in relation to temporary visas is somewhat different. In many cases, the motivation for temporary entrants coming to Australia has more to do with the opportunity to experience something new than the opportunity to create a better life. As discussed earlier in this submission, the number of first year working holiday makers has been declining in recent years, but those who are in Australia are increasingly choosing to stay longer. In some cases, working holiday makers are seeking to make the transition to permanency after a period of working and living in Australia. For those seeking permanent visa status, entry fees could apply at the time when an application to convert from temporary to permanent resident is made.

Aid-based visa programs such as the Seasonal Worker Program are unlikely to benefit from a shift to price-based immigration, given limits on the capacity of sending nations to contribute more than they already do to the program. Such a model could in fact undermine development outcomes currently flowing to Pacific nations and East Timor through sending workers to Australia.

Changes in temporary migration policy settings may also further discourage working holiday makers from coming to Australia. Already, a proposal to increase taxes for this group of migrants is causing concern among travellers and the agriculture sector alike, related to how this will affect the decisions of working holiday makers over whether they choose Australia as their destination, and what type of work they undertake during their stay. Imposing additional costs on overseas workers has significant potential to divert valuable workers away from the Australian agriculture sector, restoring the kind of chronic labour shortages that cannot be readily filled by the domestic workforce. Accordingly, any such policy should be approached with care.

## 5. Conclusion

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A primary consideration in any proposed change to migration policy settings must be continued access to overseas workers for businesses and communities in regional Australia. The agriculture sector is a significant user of Australian migration programs, and this trend is likely to continue over the long term. Overseas workers fill a critical gap in the local workforce in terms of regional agricultural work. They also contribute to greater social cohesion in rural Australia, by bringing new life and diversity to regional communities. Overseas workers play an important part in ensuring that the Australian agriculture sector can continue to meet growing demand for Australian fresh produce from overseas.

A price-based immigration solution appears to have significant potential in relation to permanent migration programs, as long as consideration is given to aligning supply and demand for relevant skills. The relevance of such a solution to temporary migration programs is less clear, given the differing motivations of temporary entrants and in some cases, their reduced capacity to pay. It may be that price-based eligibility is more suitable to some temporary migration programs than others and that longer term visas involving significant periods of work in Australia are more likely to deliver positive outcomes than more short-term, aid-based programs.