



The effectiveness of the current temporary skilled visa system in targeting genuine skills shortages

Submission



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1. Introduction

Tourism Accommodation Australia (TAA), a division of the AHA, welcomes the opportunity to make a submission to the *Legal and Constitutional Affairs References Committee* inquiry into the effectiveness of the current temporary skilled visa system in targeting genuine skills shortages.

TAA represents the needs and interests of the major hotels, motels, and serviced apartments in Australia's accommodation sector. In 2016–17, GDP from tourism increased 6.1% (or \$3.2 billion), to reach a record of \$55.3 billion in nominal terms. The accommodation sector is a dominant player in the tourism industry and in terms of GVA \$8 billion was directly contributed and more than 88,800 people are directly employed and 101,900 indirectly employed in the sector.¹ This figure will continue to increase with the industry going through a rapid period of growth.

The Federal Government projections show that Accommodation and Food Services employment is projected to increase by 81,400 (9.1%) over the five years to May 2023.² This is supported by the growth in both restaurants and hotels and strength in both domestic and international tourism as a result of the low Australian dollar and an expanding middle class in Asia.

As TAA has outlined in previous submissions, the temporary skilled migration program has been critical to the accommodation sector in meeting the significant skills needs of a global industry. Low unemployment, a strong supply pipeline, a local labour force that does not see hospitality as a career and tightened skilled migration settings have all combined to place increased pressure on access to labour and skills for the accommodation sector.

While TAA has welcomed improvements in the integrity of the skilled migration framework and the current moves to prioritise the employment and training of Australian workers, we are concerned that neither of these are working effectively to deliver the employment outcomes required to support industry growth.

This submission will outline our concerns with the current temporary skilled migration system in the context of the labour and skills requirements of the industry and provide recommendations on how the system can better meet the needs of our sector.

¹ Australian Bureau of Statistics, 2017, *Tourism Satellite Account 2016-17* and AEC Group, 2017, *Economic Contribution of the Tourism Accommodation Sector in Australia*

² Department of Jobs and Small Business, *2018 Industry Employment Projections – five years to May 2023*, <http://lmip.gov.au/default.aspx?LMIP/EmploymentProjections>.

TAA Policy Recommendations:

The policy recommendations outlined below are described in detail throughout this submission.

Better Resources and Funding for Training Australians

1. That Government and industry work together to actively counter the negative perceptions of the hospitality industry and show Australians it is a career and not just a short term job.
2. Reverse the funding decline in VET and review VET Student Loans to widen their availability and make them competitive with higher-education loans.
3. Consider incentives and initiatives to attract more Australians into the industry such as:
 - Work with industry to identify pre-apprenticeship programs;
 - Continue to provide incentives for employers who hire adult apprentices;
 - Provide funding for industry-led initiatives which identify and promote career pathways into the sector.

Greater Flexibility in Skilled Migration

4. Recognise that skilled migration is crucial in meeting labour and skills shortages in the global tourism sector by:
 - Providing improved access to skilled migrants for employers who have operated with integrity;
 - Ensuring we have the policy settings that facilitate skilled migration inclusive of:
 - a) Support the Global Talent Scheme in recognising the need for exchange of skills globally, but lower the salary threshold at the pilot period conclusion to \$90,000, in recognition of senior salary levels in the hospitality and tourism sector.
 - b) Halve the Skilling Australians Fund levy (SAF) to \$600 for small business and \$900 for large businesses for each sponsored temporary migrant, in recognition of the already significant costs associated with accessing overseas labour.
 - c) Maintain the Sponsorship Accreditation scheme that recognises employers who operate with integrity by providing faster processing times.

Responsiveness to Skills Shortages

5. TAA would support examination of the effectiveness of the ANZSCO system in underpinning the skills list, but would caution against wholesale restructuring without adequate evidence based rationale. This includes measures taken to continue to improve data collection.
6. Maintain flexibility in skills list but introduce caveats to protect against integrity concerns.
7. Fund a further economic report into Labour & Skills shortages to determine the nature and quantum of gaps in the tourism and hospitality sector to 2030.
8. Government continue to engage with industry in determining workforce shortages, including regular consultation i.e. the Traffic Light Bulletin, and approaching relevant industry bodies.
9. Housekeeping needs to be recognised as an area of skills shortage and put on the skills list; even including Executive Housekeepers on the STSOL would mean that we would be able to improve service, provide better certainty on the quality of output, and reduce turnover.
10. Recognising the importance of intra-corporate transfers as both allowing shortages to be addressed efficiently and facilitating the exchange of international best practice, skills and knowledge.

11. More flexible labour market testing: acknowledge genuine documented shortages; should not be required for occupations on the MLTSSL (given that these occupations already have a well-documented labour shortage), and should be required only at the time of the initial visa application, not subsequent renewals.

Other Visas

12. Maintain the inclusive nature of the Working Holiday Maker visa (WHM) but improve its competitiveness in terms of processing times. Commence benchmarking visa fees and charges and processing times to ensure we remain competitive.
13. Provide international students undertaking qualifications relevant to the STSOL and MTSSL with opportunities to work in Australia post-graduation and with pathways to migration.

We recommend the following policy settings to assist in achieving this:

- Duration of the 485 *Temporary Graduate Visa*, Graduate work stream be extended from 18 months to two years to enable graduates to apply for a temporary work visa; and/or
- That the relevant practical experience of international students gained throughout their studies counts towards the calculation of two years' work experience for occupations on the STSOL and MLTSSL.

2. Importance of temporary skilled visas to the accommodation sector

2.1 Growth in the industry

As the tourism industry is in an unprecedented period of growth and has been identified as one of the super-growth sectors of Australia's transitioning economy, it is important that the industry – and the accommodation sector – are supported by a skilled and productive workforce. International visitors to Australia have soared, with 8.4 million recorded for September 2018, staying 270 million nights and spending a record amount of \$43.16 billion.³ Domestic visitors are also on the rise, with overnight visitors across all accommodation categories up to 102.7 million, and expenditure hitting a record breaking \$70.3 billion.⁴

This growth in visitors is necessarily complemented by growth in supply, with 270 hotels and 40,000 rooms in the pipeline across Australia as at June 2018. Every new hotel opening means significant new demand for labour, with an average of 0.43 employees per room.⁵

2.2 A workforce to meet the growth

Employing Australian workers is always the first priority of accommodation businesses because it is the most efficient and lowest cost way of sourcing skilled and unskilled labour. However, our research shows that the following combine to create substantial labour market gaps across the accommodation sector:

³ Tourism Research Australia, *International Visitors in Australia: September 2018 Quarterly Results of the International Visitor Survey*, <https://www.tra.gov.au/research/latest-ivs-report.html>.

⁴ Tourism Research Australia, *Travel by Australians: September 2018 Quarterly Results of the National Visitor Survey*, <https://www.tra.gov.au/Research/Domestic-tourism-by-Australians/National-Visitor-Survey-results>.

⁵ Tourism Accommodation Australia NSW, *Hotel Labour Benchmarking Study*, 2019, p 49.

- Limited applicants with sufficient skills, education and experience;⁶
- Competition from other sectors;⁷
- Growth in supply;
- Seasonality of demand in regional areas; and
- A lack of interest in careers in hospitality and tourism.⁸

As indicated earlier, by May 2023 Accommodation and Food Services employment is projected to increase by 81,400 (or 9.1%). Of this increase, there will be a need for an additional:

- 4,000 Hotel and Motel Managers (increase of 1.7%);
- 10,200 Accommodation and Hospitality Managers (increase of 9.4%);
- 13,300 Miscellaneous Hospitality, Retail and Service Managers (increase of 7.6%);
- 5,500 Other Hospitality, Retail and Service Managers (increase of 7.3%);
- 16,800 Chefs (increase of 16.7%); and
- 4,300 Housekeepers (increase of 12.5%).⁹

Ultimately, a two-pronged approach is required to meet the skills shortages of the industry: create a pipeline of skilled Australian workers and at the same time, enable employers who have acted with integrity to more easily access skilled migrant workers.

2.2.1 Better resources and funding for training Australians

The current training system is not providing the pipeline of Australian workers required for the accommodation sector. Reports from industry, and from the Colmar Brunton research commissioned by the Federal government in 2016, show that there is a need to address the perceptions amongst Australians that hospitality is a short term job, while you work your way through university or try to work out what you want in life.¹⁰

Over the last decade, the number of students enrolled in publicly funded VET has fallen and funding has declined, as can be seen in the graph below on revenues from Government, 2013–17:

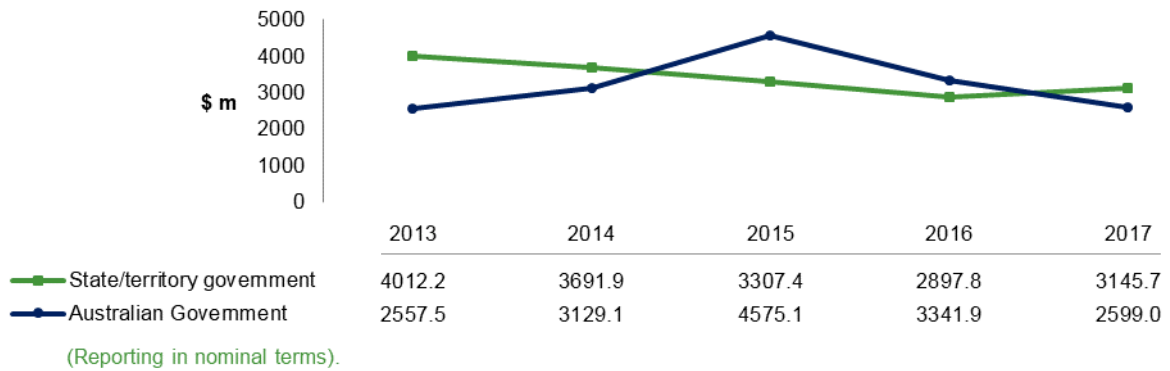
⁶ Ibid, p. 27.

⁷ Ibid.

⁸ Colmar Brunton, Australian Trade Commission. Tourism and Hospitality Careers, 8 March 2016.

⁹ Department of Jobs and Small Business, *Occupation Projections – five years to May 2023*, <http://lmip.gov.au/default.aspx?LMIP/EmploymentProjections>.

¹⁰ Colmar Brunton, Australian Trade Commission. Tourism and Hospitality Careers, 8 March 2016.



Source: NCVET 2017 Financial information 2017, Statistical Report, 1 November 2018, <https://www.ncver.edu.au/research-and-statistics/publications/all-publications/financial-information-2017>.¹¹

From 2016 to 2017:

- Australian Government revenues decreased by \$743.0 million (22.2%) to \$2599.0 million
- State and territory government revenues increased by \$247.9 million (8.6%) to \$3145.7 million.

From 2013 to 2017:

- Australian Government revenues increased by \$41.4 million (1.6%)
- State and territory government revenue decreased by \$866.5 million (21.6%).

With higher education funding uncapped and demand driven, more school leavers are going to university and more training providers are gravitating to the higher education system which has greater funding certainty.

The replacement program for VET FEE-HELP, VET Student Loans, is too restrictive. These loans offer income contingent loan support to eligible students studying certain diploma level (and above) vocational education and training qualifications.

Training Australian Workers

Accessible and relevant training at the secondary level is an important aspect of attracting students into the sector. Equally important for attracting students is reputable tertiary training that recognises the required skills and the pathways within the industry, which needs adequate funding support.

As a snapshot of the problem, NCVET data for the June 2018 quarter demonstrates a decline across the board for food trades apprentices and trainees:

| Table 1: Food trades apprentices and trainees | | |
|--|-----------------------|-----------------------|
| | 2017-18 change | 2014-18 change |
| Commencements | -16.5% | -45.1% |
| Cancellations and withdrawals | -10.7% | -29.3% |
| Completions | -9.6% | -48.5% |
| In training as at 30 June 2018 | -11.4% | -28.2% |

Source: NCVET, Apprentices and trainees 2018: June quarter - Australia

¹¹ 'Revenues from government' include government funds appropriated for VET and Commonwealth payments to the states and territories under the Intergovernmental Agreement on Federal Financial Arrangements framework (IGAFFA).

Apprenticeships

Year 13 research shows that three out of four young people would not consider an apprenticeship or traineeship as a career.¹² To fill skills gaps in the industry, employers in our sector are re-introducing internships and traineeships to encourage attraction and retention of employees. One area that has declined is mature-age apprenticeships because of considerable costs attached to employing and training them versus apprentices under 21.

Mature age workers were the most common source of alternative labour when faced with deficiencies, with half the businesses surveyed in the Deloitte *Australian Tourism Labour Force Report* having sought workers from this group.¹³ However, as of 1st January 2014, employers were required to pay adult apprentices wages up to \$200 per week more. This has resulted in poorer employment outcomes for adult apprentices (66% of adult trade apprentices obtained jobs compared to 84% of younger apprentices)¹⁴ and this needs to be addressed.

Industry Initiatives

One industry-led future workforce initiative is the *Hotel Careers Expo* which identifies and promotes career pathways for young Australians in the accommodation sector. The Expo showcases the hotel careers paths available and seeks to positively influence young people to seek a highly skilled or knowledge intensive career in all aspects of hotel operations including marketing, accounting, human resources, food and beverage, engineering, business development, and IT.

2.2.2 More flexibility in skilled migration is needed

It is important that Australia invests in its local tourism workforce. It is equally important that we continue to have flexibility in attracting skilled migrants to meet the needs of a global industry.

Skilled migrants play an important role in the accommodation sector, which supports close to 200,000 full-time-equivalent jobs.¹⁵ The 2019 TAA *Hotel Labour Benchmarking Study* showed that 24.2% of all employees are international workers:¹⁶

- 12.4% were international students; and
- 4.2% were working holiday makers.

Of the temporary skilled migrants:

- 1.1% were on the SLTSL;
- 0.9% on the Medium and Long-term Strategic Skills List (MLTSSL);
- 5.7% on other visas.

Of those on the MLTSSL, 0.3% were sponsored for permanent residency.

¹² Year 13: Bisson, R & Stublely, W, *After the ATAR: Understanding How Gen Z Transition into Further Education and Employment*, 2017, p 33.

¹³ Deloitte, *Australian Tourism Labour Force Report*, p ii.

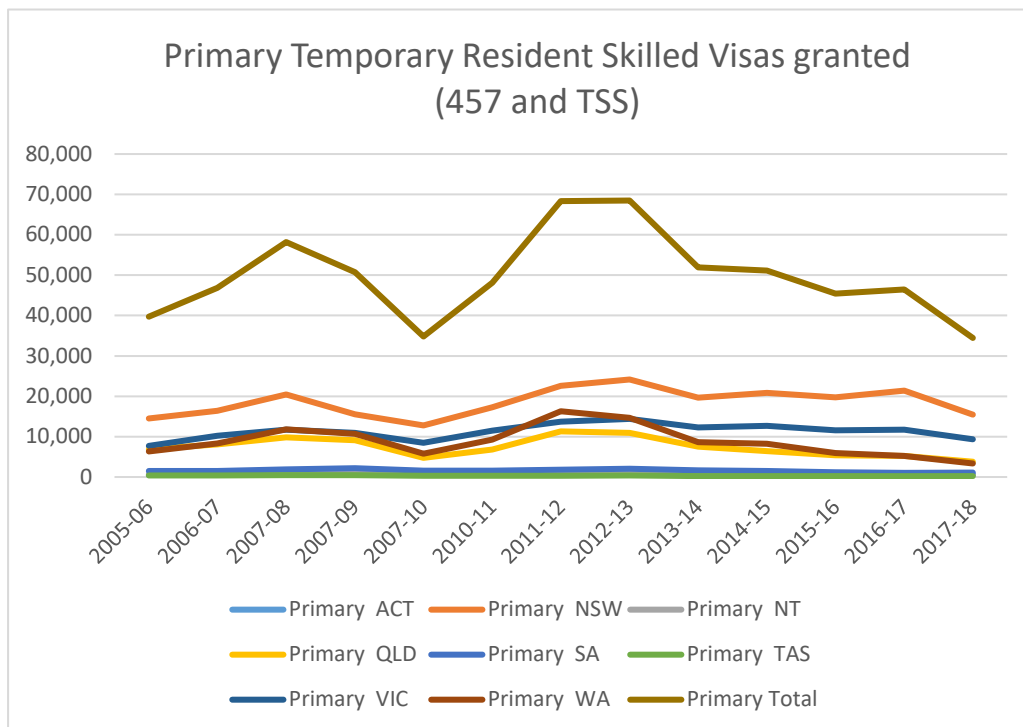
¹⁴ Hargreaves, J. Stanwick & P. Skujins, 'The changing nature of apprenticeships 1996-2016', National Centre for Vocational Education and Research, 2017, p. 14.

¹⁵ Australian Bureau of Statistics, 2017, *Tourism Satellite Account 2016-17* and AEC Group, 2017, *Economic Contribution of the Tourism Accommodation Sector in Australia*.

¹⁶ Tourism Accommodation Australia NSW, *Hotel Labour Benchmarking Study*, 2019, p.13.

The accommodation sector relies on workers from overseas, both skilled and unskilled, for a range of different roles. International workers are both important in filling vacancies unable to be filled by the local labour supply and in facilitating the global exchange of skills through intra-corporate transfers (ICTs). Hotels have reported that visa restrictions are among the most common reasons they have lost key operational staff.¹⁷

According to statistics from the Department of Home Affairs, as of 30 June 2018, the size of the overall TSS program (and residual subclass 457 visa) has substantially decreased when compared to the previous 2016-17 period. The graph below shows that the number of primary applicant visas granted for temporary resident (skilled) visas are the lowest they have been in 13 years:¹⁸



When the skilled migration system runs smoothly, employers who have acted with integrity and demonstrated areas of need should have ease of access to the workers they require. However, as detailed below, the system is not running as effectively as it could, particularly in addressing genuine workforce shortages in the accommodation sector.

¹⁷ Ibid, p. iv.

¹⁸ Department of Home Affairs, Temporary Work (Skilled) visa program, <https://data.gov.au/dataset>.

TAA Recommends:

1. That Government and industry work together to actively counter the negative perceptions of the hospitality industry and show Australians it is a career and not just a short term job.
2. Reverse the funding decline in VET and review VET Student Loans to widen their availability and make them competitive with higher-education loans.
3. Consider incentives and initiatives to attract more Australians into the industry such as:
 - Work with industry to identify pre-apprenticeship programs;
 - Continue to provide incentives for employers who hire adult apprentices;
 - Provide funding for industry-led initiatives which identify and promote career pathways into the sector.

3. Impact of the Skilled Visa changes on Skills Shortage

The new Temporary Skills Shortage (TSS) visa (subclass 482) has resulted in tighter eligibility criteria, higher costs, longer processing times, and reduced the responsiveness of the system. Of additional concern is that the TSS short-term stream has only a two year initial validity (renewable once, for a further two years). We welcome the four year validity where an international trade obligation (ITO applies). We have also welcomed a number of new initiatives such as:

1. The new Sponsorship Accreditation process which rewards accredited employers who have met the sponsorship criteria, with faster processing times.
2. Directing funds from the training levy to the Skilling Australians Fund (SAF) to foster the growth in apprenticeships. However, we remain concerned at the quantum of the SAF levy and in line with The Australian Chamber of Commerce and Industry (ACCI) we recommend that the levy be halved to \$600 per year for small business and \$900 for large business for each sponsored temporary migrant.
3. The intent of the Global Talent Scheme (GTS). However, the salary threshold of \$145,000 is a blunt instrument not reflective of the substantial salary differences across industries. TAA has advocated that a pilot of the GTS be available for positions above \$90,000, which would open up the scheme to high performers across the accommodation sector.
4. The introduction of Designated Area Migration Agreements (DAMA) targeted at critical skills shortages in geographic regions offering pathways to permanent migration. Feedback at this stage is that to be effective, more streamlined processing is required.

TAA Recommends:

4. Recognise that skilled migration is crucial in meeting labour and skills shortages in the global tourism sector by:
 - Providing improved access to skilled migrants for employers who have operated with integrity;
 - Ensuring we have the policy settings that facilitate skilled migration inclusive of:
 - d) Support the Global Talent Scheme in recognising the need for exchange of skills globally, but lower the salary threshold at the pilot period conclusion to \$90,000, in recognition of senior salary levels in the hospitality and tourism sector;

- e) Halve the Skilling Australians Fund levy (SAF) to \$600 for small business and \$900 for large businesses for each sponsored temporary migrant, in recognition of the already significant costs associated with accessing overseas labour.
- f) Maintain the Sponsorship Accreditation scheme that recognises employers who operate with integrity by providing faster processing times.

4. Issues with the Current System

4.1 Flexibility of the Skills list

A relevant matter to addressing skills shortages in the tourism industry is the flexibility of the skills list in responding to the changing needs of the workforce. The lists need to be broad enough to be responsive to the needs of different industries, as well as account for regional differences and fluctuations in the market, but also have caveats to protect against integrity concerns. The accommodation sector is unique, and whilst it has recruitment needs like other sectors that cannot always be filled by Australian workers, it also operates as part of a wider global industry and relies on being attractive to skilled workers from overseas.

The Australian and New Zealand Classification of Occupations (ANZSCO), which underpins the skills list, has only been reviewed and revised twice (2009 and 2013). TAA believes that more agility is needed in the ANZSCO system so that it can better incorporate emerging occupations and skills. A number of hotels are unhappy with the current codes, and find that they are not well defined or pragmatic for the accommodation sector.¹⁹ For example:

“They're very non-specific and no longer have certain roles. For example HR roles are no longer on the list, however it keeps changing anyway.

Removal of key roles and other roles such as Hotel/Motel manager are too brief and broad to apply to many roles.

Positions on the list are not very relevant/inclusive for the hospitality industry. The positions are very restrictive.”²⁰

Any consultation on improving ANZSCO needs to be in conjunction with industry, needs adequate reasoning to be restructured, and needs a sound model to replace it with if that is the agreed course of action.

4.1.1 Determining Skills shortages

Government

The Government determines skills shortages through the Department of Jobs and Small Business (hereafter the Department). The three lists (MLTSSL, ROL, STSOL) contain the occupations that the Department deems to be in different levels of shortage.

¹⁹ Tourism Accommodation Australia NSW, *Hotel Labour Benchmarking Study*, 2019, p 14.

²⁰ Ibid.

The identification of national skills shortages is an outcome of the assessment undertaken by the Department on a 6 monthly basis.²¹ The methodology used by the Department has improved over the past three years to meet industry's increasing demands for more responsive and timely identification of shortages (refer Appendix 1). Industry welcomed the Traffic Light Bulletins, which provided an opportunity to respond on occupations of concern and highlight the inclusion of new occupations, however this process has continually been delayed.

Industry

Industry uses time taken to recruit, and quality of responses, to determine areas of shortage. Respondents to TAA's NSW *Hotel Labour Benchmarking Study 2019* of 3, 4 and 5 star hotels reported that overall the average time to recruit was 4.1 weeks, and this timeframe increased for Executives (5.8 weeks) and Department Managers (5.4 weeks), if people were available. Overall current vacancies represented 4.9% of total reported employment.²²

A number of occupations had a very high to high extent of skills shortage (insufficient employees with qualifications) being experienced. Of these Spa Manager, Executive Chef and Chef de Partie were the highest. Restaurant/Outlet Manager (26.5% vacancy rate) followed by Bartender/Cocktail Attendant (18.5% vacancy rate) and F&B Manager/Director (18.4% vacancy rate) had a high level of vacancy compared to total employment.²³ Not all of these occupations are featured on the skills list.

The other area of significant skilled and labour shortage is Housekeepers, which are largely outsourced and are therefore not reflected in the above industry figures, nor are they recognised by Government on any skills list as an area of shortage.

1. The workforce is largely international consisting of international students, Working Holiday Makers, and a very small percentage of skilled migrants.
2. Efforts to attract an Australian workforce, inclusive working with Job Active, have not worked effectively as Australians are not interested in engaging in menial jobs such as 'cleaning toilets'.
3. There is a considerable cost in training with high turnover experienced, because of the nature of workforce and the inability to provide pathways for internationally trained housekeepers.
4. This means we are not getting the calibre of Executive Housekeepers to manage and ensure quality standards and train the next generation.

4.2 Supporting the global transfer of skills

Intra-corporate Transfers (ICTs) provide significant economic benefit to the Australian economy through the transfer of their expertise to Australian businesses. They allow shortages to be addressed efficiently without losses to business productivity. Local employees benefit from ICT programmes as they become exposed to the skills and knowledge of their global peers. It also offers employees attractive international career pathways.

²¹ Department of Jobs and Small Business, *Migration Occupation Lists – Update and Methodology*, <https://docs.jobs.gov.au/documents/skilled-migration-occupation-lists-proposed-methodology>.

²² Tourism Accommodation Australia NSW, *Hotel Labour Benchmarking Study*, 2019, p 35.

²³ Ibid, p 29.

Skilled migrants in the accommodation sector are commonly employed as Department Managers, often as part of an ICT, providing leadership and mentoring for other hotel employees. Under the current settings, there is no pathway to permanent residency for Department Managers as they are commonly holders of STSOL 482 visas (approximately 5.3%).²⁴ They can stay for two years with an option of renewal for a further two years (or four years if an ITO applies). Removing permanent residency eligibility for occupations on the STSOL reduces the ability of accommodation hotels to access senior staff through ICTs. The changes meant that the skills development of the local workforce, currently boosted by exposure to international best-practice, is hampered.

The accommodation sector has particular concerns around the global transfer of skills in a sector that operates internationally. This is recognised by the US, Canada, and other nations with policy settings that seek to attract talent globally.

TAA has previously put forward a proposal for an Australian Trusted Employer Programme (TEP) to be incorporated as a distinct stream into the Temporary Skills Shortage (TSS) visa. The purpose of the TEP would be to allow improved access for employers who operate with integrity, in particular ICTs of executive and senior management staff on annual salaries above \$90,000. Visa changes have most impacted occupations which are on the STSOL, which includes a number of senior management positions in accommodation hotels. A breakdown of the senior management positions which accommodation hotels are now finding it difficult to fill from Australian citizens as well as with an ICT, and an indicative salary, are included in Table 2 below:

| Occupation | Mean Salary²⁵ | ANZSCO Classification | STSOL/MLTSSL |
|-----------------------------|---------------------------------|------------------------------|---------------------|
| Executive Assistant Manager | \$98,916 | Corporate Services Manager | STSOL |
| Rooms Division Manager | \$93,765 | Hotel or Motel Manager | STSOL |
| Revenue Manager | \$91,786 | Finance Manager | STSOL |
| Food & Beverage Manager | \$105,600 | Hotel or Motel Manager | STSOL |
| Sales & Marketing Director | \$123,538 | Sales and Marketing Manager | STSOL |
| Sales & Marketing Manager | \$91,896 | Sales and Marketing Manager | STSOL |
| Human Resources Director | \$122,942 | Human Resource Manager | STSOL |

Understandably, it is very difficult to attract senior staff from international operations to relocate to Australia as an ICT for only two guaranteed years. TAA suggested that a guaranteed four year stay, in lieu of no eligibility for permanent residency, be introduced for ICTs of executives and senior management on salaries above \$90,000 for occupations on the STSOL.

The Government advised that all ICTs of Executives and Senior Managers from WTO countries will have an initial stay of up to four years, even if the occupation is on the STSOL. While this is welcome,

²⁴ Tourism Accommodation Australia NSW, *Hotel Labour Benchmarking Study*, 2019, p 13.

²⁵ The indicative mean salary relates to a 5 star CBD hotel of 0-350 rooms, and is taken from TAA NSW's *2016/2017 Salary Survey*.

it leaves Rooms Division Managers, Food & Beverage Managers and Cooks only eligible for the initial two-year visa. TAA continues to seek further changes that can be implemented across the accommodation sector.

4.3 Processing Delays and Costs

There are high economic and productivity costs to seeking out an employee from overseas. Employers who do utilise temporary skilled migration are paying high costs to do business in terms of sponsorship. This becomes a tax on business productivity. The average cost to hotels of employing a person on a STSOL visa averages \$6,100 with a maximum of \$9,000. For a MLTSSL visa the cost averages \$6,500 with a maximum of \$11,000.²⁶ As these businesses cannot source suitably skilled Australian workers, they are forced to pay these sponsorship costs. However, as pointed out above, the Sponsorship Accreditation goes some way to addressing our concerns in processing times, where applicable.

Of equal concern is the length of time taken in processing, impacting hotel productivity. The STSOL average processing time stated by hotels of 2.9 months is similar to the 90% processing time reported by Department of Home Affairs (DHA) (see Table 3), whilst the average processing time stated by hotels for the MLTSSL of 4.3 months is a couple of months longer than the 90% processing time of 2.4 months reported by DHA.

| Visa | Stream | 75% of visas processed | 90% of visas processed |
|-------------------------------------|------------------|------------------------|------------------------|
| 482 - Temporary Skill Shortage visa | Short-term | 50 days (1.7 months) | 87 days (2.9 months) |
| 482 - Temporary Skill Shortage visa | Medium-term | 41 days (1.4 months) | 72 days (2.4 months) |
| 482 - Temporary Skill Shortage visa | Labour Agreement | 62 days (2.1 months) | 5 months |
| 482 - Temporary Skill Shortage visa | Sponsorship | 37 days (1.2 months) | 45 days (1.5 months) |

Source: <https://immi.homeaffairs.gov.au/visas/getting-a-visa/visa-processing-times/global-visa-processing-times>

4.3.1 Quantum of the SAF

Utilising SAF funds to support the delivery and promotion of apprenticeships and traineeships is a step in the right direction. However, revenue collected into the SAF should be spent proportionately on skills/training programmes targeting occupations most reliant on skilled migration. It is a high cost on employers, and exceeds what was recommended by the 457-programme integrity review (Azarius Review).²⁷ As recommended earlier, TAA supports halving the SAF Levy to \$600 per year for small business and \$900 for large business for each sponsored temporary migrant, given the costs outlined above.

4.4 Labour Market Testing

Given the proven labour and skills shortages in the accommodation sector, TAA continues to believe that labour market testing is not necessary and only adds cost, time, and frustration to the recruitment process.

²⁶ Tourism Accommodation Australia NSW, *Hotel Labour Benchmarking Study*, 2019, p 18.

²⁷ Azarius, J, et al, *Robust New Foundations: A Streamlined, Transparent and Responsive System for the 457 Programme*, Commonwealth of Australia, 2014.

For the temporary skilled migration programme to be an effective and sustainable means of filling labour shortages, labour market testing should be flexible and acknowledge employers' existing recruitment efforts (such as online website, referrals, social media and recruitment agencies) without placing additional burdens on employers. Part of this flexibility would be a differentiation in the labour market testing requirements between occupations on the STSOL and MLTSSL, and that labour market testing is only required at the time of the initial visa application – not at a subsequent renewal.

Given that the composition of occupations on the MLTSSL is based on empirical data demonstrating both prevailing and long-term skills shortages, TAA believes labour market testing is redundant and should not be required for these occupations. If the settings are correctly put in place and data is regularly supplied on shortages, labour market testing should not pose a further delay to equipping the accommodation sector with the workers it needs.

TAA Recommends

5. TAA would support examination of the effectiveness of the ANZSCO system in underpinning the skills list, but would caution against wholesale restructuring without adequate evidence based rationale. This includes measures taken to continue to improve data collection.
6. Maintain flexibility in skills list but introduce caveats to protect against integrity concerns.
7. Fund a further economic report into Labour & Skills shortages to determine the nature and quantum of gaps in the tourism and hospitality sector to 2030.
8. Government continue to engage with industry in determining workforce shortages, including regular consultation i.e. the Traffic Light Bulletin, and approaching relevant industry bodies.
9. Housekeeping needs to be recognised as an area of skills shortage and put on the skills list; even including Executive Housekeepers on the STSOL would mean that we would be able to improve service, provide better certainty on the quality of output, and reduce turnover.
10. Recognising the importance of intra-corporate transfers as both allowing shortages to be addressed efficiently and facilitating the exchange of international best practice, skills and knowledge.
11. More flexible labour market testing: acknowledge genuine documented shortages; should not be required for occupations on the MLTSSL (given that these occupations already have a well-documented labour shortage), and should be required only at the time of the initial visa application, not subsequent renewals.

5. The relationship between workers on skilled visas and other types of visas

As outlined earlier, temporary skilled migrants account for 7.7% of all employees. WHMs and international students are also vital in filling skilled shortages, particularly in regional Australia.

5.1 Working Holiday Makers

A key consideration in Australia's overall competitiveness as a destination for WHMs is the cost of visa fees and supplementary charges, along with visa processing times. TAA research on *Visa Competitiveness in Asian markets* showed that visa fees are amongst the least competitive and processing times are also relatively uncompetitive, when compared to the other destinations. *Our*

research also showed that when all fees are added, including passenger movement charges, Australia is amongst the countries that have the most expensive visa costs, along with the UK.²⁸

The World Economic Forum's 2017 Travel and Tourism Competitiveness Index ranked Australia poorly on government charges: 128th for airport taxes and charges.²⁹ The key component of that cost is the Passenger Movement Charge (PMC) and the Government increasing the charge from \$55 to \$60 confirms it as the most expensive short haul charge in the world and the second highest long haul charge. This situation is likely to worsen as visa changes are linked to Consumer Price Index (CPI) increases.

However, the Australian quota is more comprehensive than other destinations. TAA welcomes changes to the *Working Holiday Maker* (WHM) visas, particularly the introduction of third year visa option (417 and 462) and increasing the number of places available on 462 visas by lifting annual caps to a number of countries. The increase in age limit (to 35 years) for working holidaymakers from Canada and Ireland is also a positive step to expand the program.

5.2 International Students and Graduate Visas

International students and graduates are a high-value labour source filling critical labour shortages in the accommodation sector. International students represent 12.4% of the total accommodation sector workforce.³⁰ The departments recording the highest proportion of international students include:

- Restaurant/Bar (22.9%);
- Health, Spa and Fitness (16.2%); and
- Kitchen (11.1%).³¹

Demand far outstrips the local supply of cooks and chefs, and international culinary graduates are one of the most important means of filling the critical shortage of culinary occupations. As outlined above in Section 4, international students make up a large percentage of the housekeeping workforce. As housekeeping is largely outsourced the figures are not reflected in the survey.

TAA recognises there are integrity issues relating to the student visa, particularly in ensuring that it is issued only to genuine temporary entrants and is not functioning as a de-facto permanent residency programme. However, to ensure that it can maintain productivity, remain innovative and internationally competitive, the accommodation sector needs a sufficient supply of international students and culinary graduates to complement its workforce mix.

The industry is privileged to have access to dedicated Hotel Schools. Because of the cost structure and the limitations of VET Student Loans these schools largely attract international students, who with visa changes have limited ability to work in Australia post-graduation. Consequently, we lose students who are passionate about the industry and who possess the skills our sector requires.

²⁸ Tourism Accommodation Australia, *Visitor Visas for Asian Markets: Comparison Between Australia and Key Competitors*, May 2018.

²⁹ World Economic Forum, *The Travel & Tourism Competitiveness Report 2017*, http://www3.weforum.org/docs/WEF_TTCR_2017_web_0401.pdf.

³⁰ Tourism Accommodation Australia NSW, *Hotel Labour Benchmarking Study 2019*, p. 51.

³¹ *Ibid*, p. 17.

Conversion to temporary work visa

The existing *Temporary Graduate (485)* visa has validity duration of a maximum 18 months. This duration precludes graduates from applying for a temporary work visa at the expiration of their graduate visa as occupations on both the STSOL and MLTSSL require two years' work experience.

While we welcome the announcement that the duration of the 485 *Temporary Graduate* visa Post Study work stream was extended to two or more years, this was only for degree-level or above, in nominated courses not relevant to our sector. We believe that the 485 Graduate work stream should also be extended to two years and/or the relevant practical experience during studies could count towards the calculation of two years' work experience. TAA believes that this change in counting experience and employment history should only be available to international students undertaking a minimum Certificate IV qualification in a CRICOS registered course at an Australian institution.

TAA Recommends:

12. Maintain the inclusive nature of the Working Holiday Maker visa (WHM) but improve its competitiveness in terms of processing times. Commence benchmarking visa fees and charges and processing times to ensure we remain competitive.
13. Provide international students undertaking qualifications relevant to the STSOL AND MTSSL with opportunities to work in Australia post-graduation and with pathways to migration. We recommend the following policy settings to assist in achieving this:
 - Duration of the 485 *Temporary Graduate* Visa, Graduate work stream be extended from 18 months to two years to enable graduates to apply for a temporary work visa; and/or
 - That the relevant practical experience of international students gained throughout their studies counts towards the calculation of two years' work experience for occupations on the STSOL and MLTSSL.

7. Conclusion

Tourism plays a critical role in Australia's transitioning economy. The projected growth of the industry, in terms of visitors as well as hotels and rooms, requires a workforce of suitable size and skill to service future requirements. By ensuring we get the levers right regarding engagement and training as well as maintaining flexibility and integrity in the skilled migration programme, Australia can ensure there is a suitable workforce in place to reap the benefits of a thriving tourism industry.

We need to attract Australians into the accommodation sector to create a sustainable workforce that will ensure – not only that we provide quality service – but that we continue to innovate and evolve, providing a globally recognised product that enhances Australia's position as a leading tourism destination. It is paramount that the pipeline of local workers is strong, and that steps are taken now to grow that pipeline into the future.

Complementary to local workers, evidence shows that temporary skilled migrants are a critical part of the labour force. TAA supports the need to strengthen the skilled migration programme in terms of integrity, flexibility, and reactivity to the changing work landscape. The Australian

accommodation sector is global in nature, and a flexible skilled migration system is a key component to its success.

TAA looks forward to the committee considering the recommendations presented in this submission. As there are genuine skills shortages, it is important that the skilled migration system is responsive to meet the considerable growth of our sector.

Appendix

Appendix 1 – Government determination of skills shortages

The Department uses a variety of data sets and methods to determine if there is a shortage, including the marrying of education data to vacancy data. Their data sets include:

- The Internet Vacancy Index;³²
- *Survey of Employers Who Have Recently Advertised (SERA)* (telephone based survey of employers who have recently advertised vacancies in selected skilled occupations);³³
- Consultation with key associations;³⁴
- Demand and supply analysis (including industry statistics and projections, changes in employment levels, vacancy trends, graduate employment outcomes, anecdotal information, training completions and commencements, wastage, net migration, informal supply).

Areas that the Department looks at in determining a shortage include:

- Proportion of vacancies filled (%) (the Department considers a vacancy as ‘filled’ if someone is employed in the position in six weeks (professional and managerial occupations) or four weeks (trade and other occupations);³⁵
- Average number of applicants; and
- Suitable applicants per vacancy (no.).

By way of example:

The Department outlined in its *Labour Market Research – Food Trades* cluster that as of 2017 there were shortages in this industry, with 55% of vacancies being filled – this reached a record high in November 2017.³⁶ Suitable applicant numbers are low, and of the 9.8 suitable applicants per vacancy, 3.6 were qualified and 1.1 were considered to be suitable.³⁷ Regional areas in particular face tight conditions and attract half the average number of applicants when compared with metropolitan areas.

There were a number of submissions to the *Skilled Migration List Review: Traffic Light Bulletin Consultation* (November – December 2017) that outlined shortages in the tourism industry.³⁸ The below were highlighted by a range of tourism industry groups and associations:

³² Department of Jobs and Small Business, Vacancy Report, October 2018, <http://lmip.gov.au/default.aspx?LMIP/VacancyReport>.

³³ Department of Jobs and Small Business, Survey of Employers Who Have Recently Advertised (SERA), <https://www.jobs.gov.au/recruitment-conditions>.

³⁴ Department of Jobs and Small Business, *Skill Shortage Research Methodology*, <https://docs.jobs.gov.au/documents/skill-shortage-research-methodology-0>.

³⁵ Ibid.

³⁶ Department of Jobs and Small Business, *Labour Market Research - Food Trades*, 2017, <https://docs.jobs.gov.au/documents/food-trades-australia>.

³⁷ Ibid.

³⁸ *Skilled Migration List Review: Traffic Light Bulletin Consultation* (November – December 2017), submissions, <https://docs.jobs.gov.au/documents/skilled-migration-list-review-traffic-light-bulletin-consultation-november-december-2017>.

- Hotel or Motel Manager (ANZSCO 141311)
- Accommodation and Hospitality Managers not elsewhere classified (nec) (ANZSCO 141999)
(Backpackers Manager, Boarding House Manager, Casino Duty Manager, Guest House Manager, Hostel Manager, Reception Centre Manager)
- Cook (ANZSCO 351411)
- Chef (ANZSCO 351311)

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- Productivity Commission, *Migrant Intake into Australia*, Inquiry Report, no. 77, 13 April 2016, <https://www.pc.gov.au/inquiries/completed/migrant-intake/report>.
- Tourism Accommodation Australia, *Visitor Visas for Asian Markets: Comparison Between Australia and Key Competitors*, May 2018.
- Tourism Accommodation Australia NSW, *Hotel Labour Benchmarking Study*, 2019.
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- Year 13: Bisson, R & Stublely, W, *After the ATAR: Understanding How Gen Z Transition into Further Education and Employment*, 2017.