

## What the government can learn from the backpacker tax debacle

Written by The Conversation

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At the eleventh hour, and after a protracted saga beginning with the May 2015 federal budget, the furore over the backpacker tax has finally ended. Despite the federal government initially proposing a 32.5% tax rate for backpackers, followed by a post-election compromise of 19% and a refusal to negotiate below this, [the federal government reached a deal](#) with One Nation and Nick Xenophon to introduce a 15% tax rate from the first dollar earned. But what the backpacker tax controversy points to is the inadequacy of relying on backpackers as the primary labour source for critical jobs.

There's little doubt this deal comes as welcome relief to fruit and vegetable growers who rely on backpackers at harvest time. With the harvest now well underway in many parts of the country, it is crucial that backpackers are willing and available to work in the sector. [For example, in Tasmania](#), the indecision around the backpacker tax has led farmers to report a 40% drop in the number of backpackers working in the sector.

It has been extremely short-sighted for Treasurer Scott Morrison and his government to quibble about the minuscule contribution that backpackers can make to the budget bottom line, when the horticulture sector is so reliant on backpacker labour for its very existence. Horticulture is critical to Australia's economic development and food security into the future.

The sector [produced 93% of the total volume of food](#) consumed in Australia, and is part of an agriculture industry that contributed A\$48.7 billion to our GDP in 2010/11. It also supports an export horticulture market [valued at A\\$2.1 billion per annum](#)

. It's too important an industry to suffer because of a lack of stable workers resulting from political inertia, or because the [Treasurer wants to offset](#) A\$120 million lost from budget coffers.

Since the introduction of an incentive for backpackers to work in certain occupations for 88 days in order [to secure a second year visa extension](#) in 2005, between 30,000 and 40,000 backpackers apply for this additional year on their visa, using a stint in horticulture to meet the criteria. This has meant that backpackers have become the dominant source of labour supply at harvest time for growers.

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But this poses many serious risks for growers, who have no choice but to rely on backpacker labour as part of their business model.

Backpackers do not come here on a work visa, their visa is officially for “cultural exchange”. We are increasingly reliant on backpackers to perform low-skilled jobs in the economy and in particular, in harvest-related jobs. But as the backpacker tax saga has exposed, backpackers are not a stable labour supply.

Backpackers are young people who will change their planned trip to Australia based on a number of variables. Changes in taxation arrangements, fluctuating exchange rates and Australia’s reputation as a desirable tourist destination are all factors outside of growers’ control. Nonetheless, they impact upon the decision of backpackers to travel to Australia and work in horticulture.

Another key issue with using backpackers as the central labour supply for the horticulture sector is the vulnerability of this group in the labour market. [A landmark report by the Fair Work Ombudsman](#) into the backpacker visa found that the 88 day extension created a license for unscrupulous growers to [coerce backpackers into exploitative work](#)

The Ombudsman’s inquiry uncovered countless examples of wage underpayments and working conditions that were not compliant with the award given to these workers- the Horticulture Award. If the instances of exploitation prove to be endemic, arising from the use of backpacker labour in the horticulture sector, it’s highly likely there will be increasing calls for the second year extension for backpackers to be abolished.

But exploitation of backpackers is not just an issue for the workers themselves. It’s an issue that undermines the viability of the entire horticulture sector.

As Emma Germano, general manager of I Love Farms [told Q&A a few weeks back](#) , “the biggest issue” she faces is that the horticulture sector is not a level playing field for growers, as the non-compliant ones are able to use worker exploitation to sell their produce at a much lower cost.

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What we need is a comprehensive solution for addressing growers' needs. Although the government's compromise has sought to neutralise this as a political issue, it fails to address the underlying problem- using an unstable labour source for an industry of critical importance to Australia's food security and economic prosperity.

Similarly, although Labor is doing its best to keep the backpacker issue alive to maximise the government's discomfort, it also does not have a sustainable and coherent policy around how farmers can best meet their labour needs at harvest time. Labor's policy is to keep the backpackers coming, despite all that we now know about the inadequacy of backpackers as the primary labour solution for growers.

Australia needs a more targeted and sustainable way of meeting farmers' labour needs. This should be through a dedicated pathway for horticulture workers, rather than a backdoor labour source like the Working Holiday Maker visa, which is riddled with problems. A dedicated pathway for horticulture workers would allow growers to plan for the harvest time and would allow regulators like the Fair Work Ombudsman to more properly monitor the wages and conditions of these workers.

In developing a dedicated visa pathway for horticulture workers, new and innovative attempts should be made to encourage local workers into the sector. Nick Xenophon's proposal for the unemployed to remain on benefits whilst employed in horticulture is a step in the right direction.

His proposal reduces the disincentive to work for this cohort, and through the promise of a greater financial reward, it may lead to them gaining vital work experience and skills that make them employable. Nonetheless, it is clear that local workers alone cannot meet the labour needs of the horticulture sector.

Although the backpacker tax debacle has been an unedifying spectacle of policy-making on the run and partisan politics, it has exposed the vulnerability of Australian growers at harvest time. This presents an opportunity for us to pave the way for more far-reaching reform that addresses the core problem of labour supply challenges facing the horticulture sector and the need to develop more targeted and sustainable visa pathways to supplement the local workforce.

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*vegetable industry (VG 15025) commissioned by Horticulture Innovation Australia in 2016. The project's report, co-authored with Associate Professor Alex Reilly, Associate Professor Diane van den Broek and Dr Chris F Wright will be released in early 2017.*

**Read more** <http://theconversation.com/what-the-government-can-learn-from-the-backpacker-tax-debacle-69550>