

# Regional Impacts of Working Holiday Makers

A Final Report prepared for National Farmers' Federation, Australian Tourism Export Council and Backpacker & Youth Tourism Advisory Panel

1 August 2024

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# 1. Background and scope

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## Scope

Aither (a Ricardo company) was engaged by the National Farmers' Federation (NFF), Australian Tourism Export Council and Backpacker & Youth Tourism Advisory Panel to provide a review and analysis of the economic impacts of Working Holiday Makers (WHM) in regional Australia. This research will be used by NFF and project partners to develop and submit their submission to the Australian Government in response to a review of WHM arrangements, under the broader migration review and the follow up independent review instigated by the Federal Government.

Aither was asked to:

- Undertake a desktop review of relevant reports and analyse data provided by NFF and project partners
- Draw out key findings and their implications from the reports and data
- Deliver a concise and targeted report that provides clear and succinct findings from the review and analysis and presents cohesive arguments supported by data on the contribution of WHM.

## Limitations

This report was prepared in a short period of time. It is a rapid and preliminary assessment reliant on the reports provided by NFF and their partners. It is not a comprehensive review of all current literature available on this subject.

The purpose of this report was not to evaluate all the costs and benefits of the proposed policy change. It answers one part of the policy change only, not all policy considerations.

Given the short timeframe to deliver this project we have used input-output multipliers to estimate the economic impacts of this potential policy change to selected regional economies.

The input-output data and tables used in this type of economic analysis is based on interdependent relationships between various economic industries or sectors in an economy. With this approach we can estimate the effect of negative and positive shocks on the economy and analyse the flow on effects across the economy. But it must be noted that there are several limitations to this approach. These include the potential for:

- Overstating impacts: Multipliers assume that any resources required (such as labour and capital) are unlimited and will not be drawn from other activities and sectors of the economy, thereby overstating the economic and employment benefits of the project.
- Fixed prices: As resources are considered to be unlimited, multipliers assume that their price is unaffected by changes in demand. Any unintended consequences, such as the crowding out of other activities or price increases for scarce resources are not captured.
- Fixed coefficients: Multipliers assume a fixed input structure in each industry and fixed ratios for production. This would imply, for example, that additional consumer expenditure from increased income would be allocated to average consumption patterns and, as such, would assume increased consumption of household necessities, such as food (rather than holidays or savings).



- Regional distortions: Multipliers that have been calculated from national IO tables are limited for analysing the impacts of projects in small regions. Interindustry linkages tend to be shallow in small regions since they usually don't have the capacity to produce the wide range of goods used for inputs and consumption, instead importing a large proportion of these goods from other regions<sup>1</sup>.

## Background

Australia has the most desired WHM visa program in the world, attracting over 200,000 WHMs every year to work, travel and live around Australia.<sup>2</sup> Starting in 1975, the WHM program aimed to attract travellers on temporary visas to bridge labour shortages and increase cultural and social exchange. WHMs are often skilled, with 63% of them working full-time in their country of origin.<sup>3</sup> WHMs work and earn money, contributing to the labour market and economy. The Australian labour force and tourism industries get a boost, and WHMs get paid to travel. Globally, there are about 7 million potential WHMs.<sup>4</sup>

First year WHMs are eligible to work and travel anywhere within Australia. In 2005, the Australian Government introduced a pathway to a 2<sup>nd</sup> year. WHMs must complete 88 days' worth of work ('the 88-days') in regional Australia doing specified work during their first year to be eligible. Starting in January 2020, WHMs in their second year who completed 196 days' worth of work in regional Australia doing specified work are now eligible to stay for a third year.

Specified work includes plant and animal cultivation, fishing and pearling, tree farming and felling, mining, and construction. WHMs provide labour to these industries. In 2022-23, there were 224,431 WHMs. While not all work in regional areas, they fill the much-needed labour shortfalls that these industries experience. The WHM program also provides a platform for social and cultural exchange that benefits regional communities.

Figure 1 shows the number of WHM visas granted since 2013-14. In the pre-Covid years, the proportion of 2<sup>nd</sup> year visas granted steadily increased from 2016-17 (averaging ~20%). On average, 3<sup>rd</sup> year visas are provided to 2% of the WHM cohort. This program has proven to be an effective tool at encouraging WHMs to stay and work in the regions. These additional visa pathways target areas which need support to meet labour needs.

<sup>1</sup> Adapted from

<https://www.abs.gov.au/ausstats/abs@.nsf/7d12b0f6763c78caca257061001cc588/fdd270c1482957f9ca257e6e0011ad5d!OpenDocument> (Last accessed 1 August 2024).

<sup>2</sup> Tourism Australia. (2021, October). *Working Holiday Maker infographic*.

<https://www.tourism.australia.com/content/dam/digital/corporate/documents/ta-whm-infographic-october-2021.pdf> (Last accessed 17 July 2024).

<sup>3</sup> Tourism Australia. (2021, October). *Working Holiday Maker infographic*.

<https://www.tourism.australia.com/content/dam/digital/corporate/documents/ta-whm-infographic-october-2021.pdf> (Last accessed 17 July 2024).

<sup>4</sup> Tourism Australia. (2022, November). *Global future of tourism demand research public report*.

<https://www.tourism.australia.com/content/dam/digital/corporate/documents/future-of-demand/tourism-australia-global-future-of-tourism-demand-research-public-report.pdf> (Last accessed 17 July 2024).

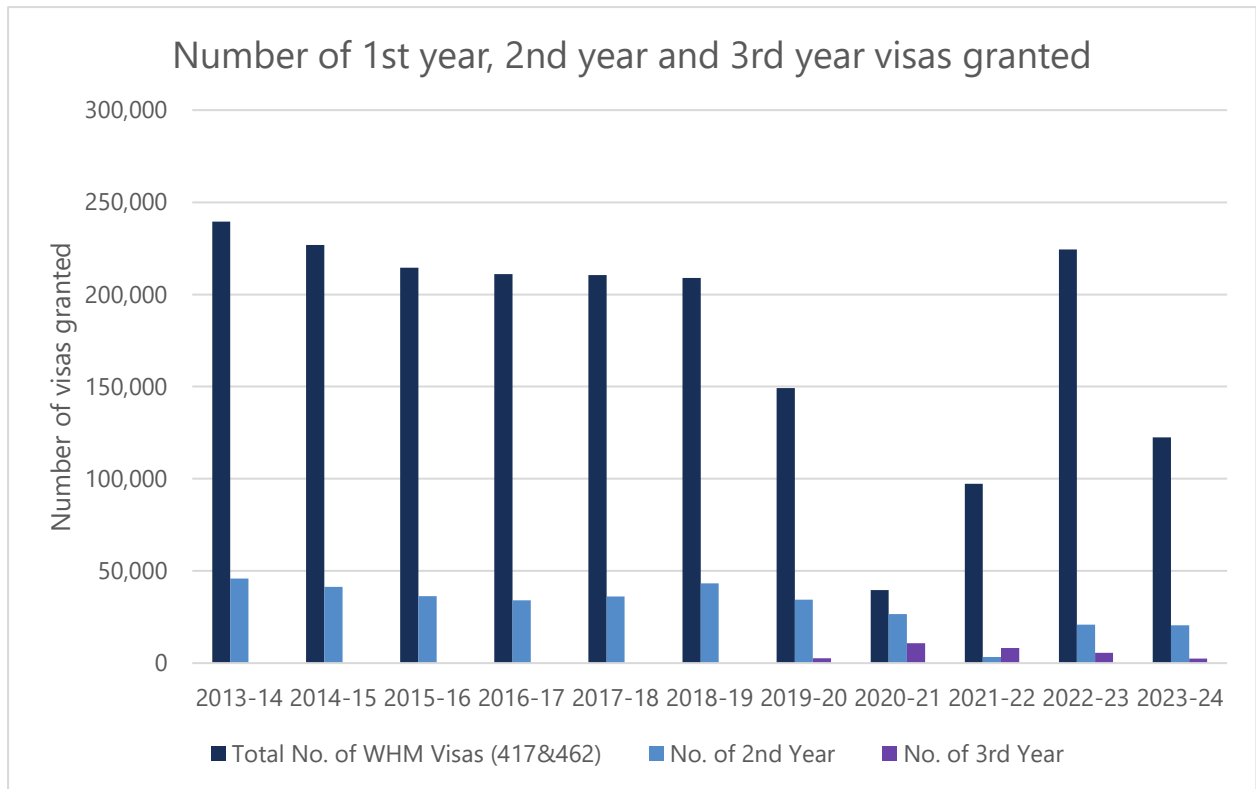


Figure 1 Number of visas granted<sup>5</sup>

<sup>5</sup> Australian Department of Home Affairs. (December 2023). *Working Holiday Maker report*. Retrieved from <https://www.homeaffairs.gov.au/research-and-stats/files/working-holiday-report-dec-23.pdf> (Last accessed 17 July 2024).

## 2. WHMs impact on the tourism industry

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### Labour shortages are a significant issue for the regional tourism industry

The regional tourism industry suffers from seasonal labour shortages that WHMs help fill. Most tourism operators are also small or micro businesses, compounding the reliance on WHMs to fill labour requirements during peak periods.

The dependency of the regional tourism industry on WHMs is evidenced by ongoing recovery issues caused by border closures from the Covid-19 pandemic. Tourism Australia found the recovery for regional tourism businesses coming out of the pandemic has been a challenge, largely caused by a limited supply of labour.<sup>6</sup> June 2023 tourism job vacancies across Australia were 176% higher than in 2019, with around 17,000 openings.<sup>7</sup> This disproportionately impacts regional communities, where in some parts of regional Australia, tourism can account for six in ten jobs.<sup>8</sup> The tourism industry has been working hard to recruit and fill the demand that exists post-pandemic. 65% of food and accommodation service providers reported that they were actively or had been actively recruiting staff. 52% of those businesses noted that they were having difficulty doing so.<sup>9</sup> These rates were highest in inner and outer regional and remote areas, meaning regional small businesses will be the most affected to any reduction or removal of the 88-day requirement.<sup>10</sup>

### WHMs supply crucial labour for regional tourism operators

The WHM program provides an inflow of young, motivated and mobile workers who are both able and willing to travel around Australia, filling roles that are otherwise unattractive to domestic workers. WHMs are incentivised to travel and work in regional areas with the granting of 2<sup>nd</sup> and 3<sup>rd</sup> visas if conditions are met. The authorities granted 20,483 2<sup>nd</sup> year WHM visas between July-December 2023. This shows that around 20% of WHMs spent at least 88-days working in regional areas.

Flinders University found that without this requirement to work in regional area, the tourism sector would be significantly affected. 169 employers from agricultural, tourism and hospitality industries were surveyed.<sup>11</sup> 91% reported the WHM program provides an essential workforce for their operations.<sup>12</sup> The 88-day requirement for regional work helps alleviate some of the pressure of this demand.<sup>13</sup>

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<sup>6</sup> Tourism Research Australia. (2023, October). *Tourism workforce report*. <https://www.tra.gov.au/content/dam/austrade-assets/global/wip/tra/documents/tourism-workforce-report-october-2023.pdf> (Last accessed 19 July 2024).

<sup>7</sup> Tourism Research Australia. (2023, October). *Tourism workforce report*. (Last accessed 19 July 2024).

<sup>8</sup> Deloitte Access Economics. (April 2021). *The value of tourism*. <https://www.deloitte.com/au/en/services/economics/perspectives/value-of-tourism.html> (Last accessed 17 July 2024).

<sup>9</sup> Tourism Research Australia. (2023, October). *Tourism workforce report*. (Last accessed 19 July 2024).

<sup>10</sup> Tourism Research Australia. (2023, October). *Tourism workforce report*. (Last accessed 19 July 2024).

<sup>11</sup> Flinders University. (2021, July). *The Australia Experience: Perceptions of Australia's WHM Program*. (Last accessed 17 July 2024).

<sup>12</sup> Flinders University. (2021, July). *The Australia Experience: Perceptions of Australia's WHM Program*. (Last accessed 17 July 2024).

<sup>13</sup> NFF Employer Survey, April 2024. (Last accessed 17 July 2024).

## WHMs provide a motivated and mobile workforce

Griffith University research found backpackers travelling to Australia on a WHM visa hold a broad romanticised view of working and travelling that does not exist in the same way for domestic workers. A high proportion of WHM respondents answered that they want to 'experience a new culture', 'look for a new challenge', 'experience an adventure', and 'combine work with travel'.<sup>14</sup> These responses confirm WHMs are eager to work in diverse jobs in diverse locations around regional Australia. Respondents labelled "world class beauty and natural environments" as the top response when asked for reasons for considering a working holiday to Australia. Working in regional Australia allows WHMs to experience that natural beauty.<sup>15</sup>

WHMs have a greater capacity than domestic workers to move around the country and address regional shortages when they occur. Backpackers are attracted to the idea of moving around the country and are unlikely to maintain a fixed addresses for the duration of their stay.<sup>16</sup>

Flinders University found that WHMs visit 2.9 SA2<sup>17</sup> locations on average.<sup>18</sup> 84% of the 2,310 SA2 locations were visited by WHMs, including most rural and remote SA2s. 10% of WHMs visited Cairns, the most frequented regional area visited in 2019-20.<sup>19</sup> Other popular regional areas for WHMs include Darwin, Bundaberg, Moreton Bay, Coffs Harbour, Yarra Valley, Sunraysia, Alice Springs, Townsville, and Mildura.<sup>20</sup>

In any given year, WHMs can follow the work.<sup>21</sup> This mobility ensures that the WHM workforce can react to any changes in variability across Australia's different industries and areas of higher labour demands. This is evident in the data. Figure 2 represents the diversity and sparsity of locations WHMs are willing and able to travel to. Tourism Australia data highlights 43% of WHMs visit 3-7 locations, while 19% visit more than 8 locations. Non-WHM youth visitors just 29% visit 3-7 locations, while only 8% visit 8 locations or more.<sup>22</sup> This highlights the effectiveness of the WHM program as a motivator to travel, as well as reflecting WHMs mobility.

<sup>14</sup> Gardiner, S., Pietsch, J., & Yang, E. C. L. (November 2022). *Creating a New Future for the Working Holiday Market: Implications for Australia*. Prepared for Tourism Australia. (Last accessed 17 July 2024).

<sup>15</sup> Gardiner, S., Pietsch, J., & Yang, E. C. L. (November 2022). *Creating a New Future for the Working Holiday Market: Implications for Australia*. Prepared for Tourism Australia.

<sup>16</sup> Gardiner, S., Pietsch, J., & Yang, E. C. L. (November 2022). *Creating a New Future for the Working Holiday Market: Implications for Australia*. Prepared for Tourism Australia. (Last accessed 17 July 2024).

<sup>17</sup> Statistical Areas Level 2 represent communities that have social and economic interaction. They have an average population of 10,000 people. <https://www.abs.gov.au/statistics/standards/australian-statistical-geography-standard-asgs-edition-3/jul2021-jun2026/main-structure-and-greater-capital-city-statistical-areas/statistical-area-level-2> (Last accessed 17 July 2024).

<sup>18</sup> Flinders University. (July 2021). *The Australia Experience: Perceptions of Australia's WHM Program*.

<sup>19</sup> Flinders University. (July 2021). *The Australia Experience: Perceptions of Australia's WHM Program*.

<sup>20</sup> Flinders University. (July 2021). *The Australia Experience: Perceptions of Australia's WHM Program*.

<sup>21</sup> Flinders University. (July 2021). *The Australia Experience: Perceptions of Australia's WHM Program*. <https://www.flinders.edu.au/content/dam/documents/research/aiti/the-australia-experience-perceptions-of-australias-whm-program.pdf> (Last accessed 17 July 2024).

<sup>22</sup> Tourism Australia. (2019). Working Holiday Maker Snapshot, December 2019. <https://www.tourism.australia.com/content/dam/digital/global/documents/whm-snapshot-dec-2019.pdf> (Last accessed 17 July 2024).



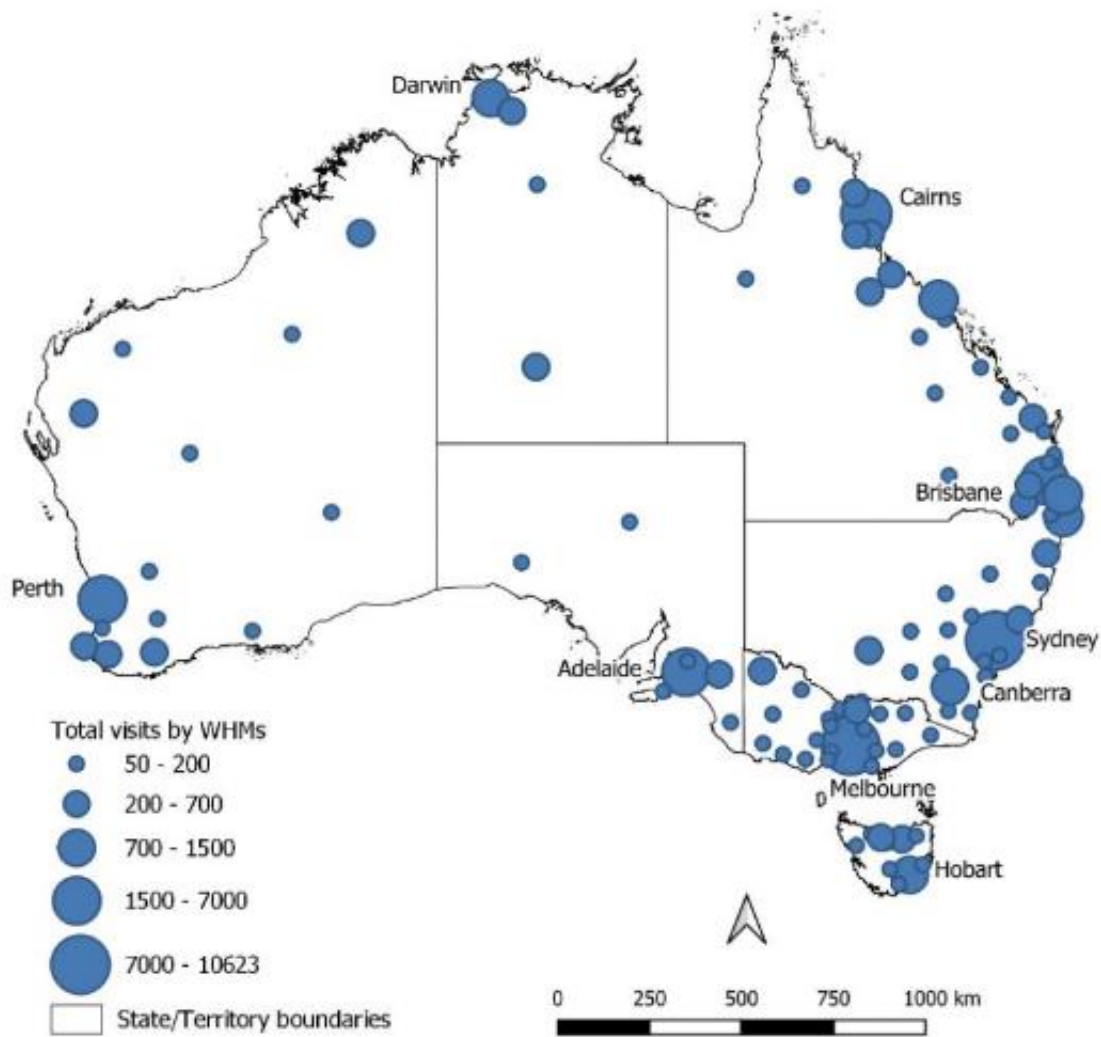


Figure 2 Areas visited by WHMs<sup>23</sup>

## The WHM program incentivises them to work and contribute to regions they would otherwise not visit

Australia's remoteness, unique wildlife, natural wonders, and low domestic population has meant that it is a popular destination for tourists who want to experience natural environments away from tourist hotspots.<sup>24</sup> Globally, Australia is regarded as a top destination for this kind of tourism, and this has created an important regional tourism sector, that is a pivotal part of Australia's tourism industry.<sup>25</sup>

<sup>23</sup> Flinders University. (2021 July). *The Australia Experience: Perceptions of Australia's WHM Program*.

<sup>24</sup> Torrens University Australia. (2022). *6 reasons why tourism is so important to Australia's post-COVID-19 economy*. <https://www.torrens.edu.au/stories/blog/hospitality/6-reasons-why-tourism-is-so-important-to-australias-post-covid19-economy> (Last accessed 17 July 2024).

<sup>25</sup> Gardiner, S., Pietsch, J., & Yang, E. C. L. (November 2022). *Creating a New Future for the Working Holiday Market: Implications for Australia*. Prepared for Tourism Australia. (Last accessed 17 July 2024).

Work was the most common reason WHMs visited 25% of SA2s. It was the only reason 9% of SA2s were visited. These SA2s include regional areas such as Greater Darwin, Greater Adelaide and Greater Hobart.<sup>26</sup>

## WHMs contribute to tourism through their high levels of spending

WHMs stimulate economic activity in the regions they visit and work in. WHMs fill employment shortages and increase direct economic output in these regional areas. WHMs also increase economic activity across other industries in the supply chain such as accommodation, tourism, retail, cultural and recreational services and transport.<sup>27</sup>

WHMs are considered high-return tourists. They often stay for longer periods of time, earning money and then spending a large portion of the money they earn.<sup>28</sup> They are known to spread themselves around the country to a greater extent (than other tourist groups), spending their money more widely.<sup>29</sup> Visitors aged between 15 and 29 years old make up 27% of all tourists visiting Australia but contribute 45% of total visitor spend. They are the second largest contributors to Australia's 'leisure market'.<sup>30</sup>

Tourism Australia found for every 10 WHM visas granted, 1 full time equivalent Australian job is created.<sup>31</sup> This factor is likely to be higher in regional areas. Regional areas in popular employment spots heavily rely on the financial injection that WHMs bring. Flinders University's 2019 report interviewed WHM employers to measure the extent of the impacts of WHMs in regional communities. "Most shops will tell you, they only make money during the harvest season - the rest of the year they just survive. These backpackers are very important to our small town - they earn good money, and they spend a fair portion of that here."<sup>32</sup> Flinders University determined that 74.8% of employers believe WHMs bring an economic boost to the local area.<sup>33</sup>

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<sup>26</sup> Flinders University. (July 2021). *The Australia Experience: Perceptions of Australia's WHM Program*.

<sup>27</sup> Torrens University Australia. (2022). *6 reasons why tourism is so important to Australia's post-COVID-19 economy*. (Last accessed 17 July 2024).

<sup>28</sup> Torrens University Australia. (2022). *6 reasons why tourism is so important to Australia's post-COVID-19 economy*. (Last accessed 17 July 2024).

<sup>29</sup> Reserve Bank of Australia. (December 2022). *The recovery in the Australian tourism industry*.  
<https://www.rba.gov.au/publications/bulletin/2022/dec/pdf/the-recovery-in-the-australian-tourism-industry.pdf>  
(Last accessed 30 July 2024).

<sup>30</sup> Tourism Australia. (October 2021). *Working Holiday Maker infographic*.  
<https://www.tourism.australia.com/content/dam/digital/corporate/documents/ta-whm-infographic-october-2021.pdf> (Last accessed 17 July 2024).

<sup>31</sup> Tourism Australia. (October 2021). *Working Holiday Maker infographic*.  
<https://www.tourism.australia.com/content/dam/digital/corporate/documents/ta-whm-infographic-october-2021.pdf> (Last accessed 17 July 2024).

<sup>32</sup> Flinders University. (July 2021). *The Australia Experience: Perceptions of Australia's WHM Program*.  
<https://www.flinders.edu.au/content/dam/documents/research/aiti/the-australia-experience-perceptions-of-australias-whm-program.pdf> (Last accessed 17 July 2024).

<sup>33</sup> Flinders University. (July 2021). *The Australia Experience: Perceptions of Australia's WHM Program*. (Last accessed 17 July 2024).

In 2023-24 it is estimated WHMs will spend \$4.68 billion in the Australian economy.<sup>34</sup> Individuals will spend on average \$32,188 over an average of 286 days (9.4 months).<sup>35</sup> Tourism Australia estimate WHMs contribute \$1.5 billion in labour income to the Australian economy.<sup>36</sup> Table 1 represents the breakdown of WHM spending in 2024 dollars.

Table 1 Average WHM trip spend breakdown (\$ 2024)<sup>37</sup>

Element	Average WHM spend as a percentage of total spend	Average WHM spend in \$
Accommodation	30%	9,608
Food and drink	18%	5,525
Other expenses	14%	4,466
Entertainment	12%	3,964
Tourism	11%	3,494
Transport	10%	3,161
Bills	7%	2,301

Regional areas receive 44 cents of every tourist dollar spent in Australia.<sup>38</sup> Currently, 23% of the WHM spend occurs in regional towns, injecting \$726 million directly into regional economies.<sup>39</sup> Regional accommodation services have benefitted from this. When staying in remote and very remote locations, 25% of WHMs stay in backpackers and hostels. Motels, pubs and private dwellings are converted to hostels and homestays for regional workers, revitalising existing spaces, encouraging longer term stays and improving tourist infrastructure in those regions.<sup>40</sup>

<sup>34</sup> Flinders University. (July 2021). *The Australia Experience: Perceptions of Australia's WHM Program*. Inflation adjusted Australian June 2024 CPI. (Last accessed 17 July 2024).

<sup>35</sup> Flinders University. (July 2021). *The Australia Experience: Perceptions of Australia's WHM Program*. Inflation adjusted Australian June 2024 CPI. (Last accessed 17 July 2024).

<sup>36</sup> Tourism Australia. (October 2021). *Working Holiday Maker infographic*.  
<https://www.tourism.australia.com/content/dam/digital/corporate/documents/ta-whm-infographic-october-2021.pdf> (Last accessed 17 July 2024).

<sup>37</sup> Flinders University. (July 2021). *The Australia Experience: Perceptions of Australia's WHM Program*. Inflation adjusted Australian June 2024 CPI. (Last accessed 17 July 2024).

<sup>38</sup> Deloitte Access Economics. (April 2021). *The value of tourism*.  
<https://www.deloitte.com/au/en/services/economics/perspectives/value-of-tourism.html> (Last accessed 17 July 2024).

<sup>39</sup> Tourism Australia. (October 2021). *Working Holiday Maker infographic*.  
<https://www.tourism.australia.com/content/dam/digital/corporate/documents/ta-whm-infographic-october-2021.pdf> (Last accessed 17 July 2024).

<sup>40</sup> Flinders University. (July 2021). *The Australia Experience: Perceptions of Australia's WHM Program*.  
<https://www.flinders.edu.au/content/dam/documents/research/aiti/the-australia-experience-perceptions-of-australias-whm-program.pdf> (Last accessed 17 July 2024).

Tourism WA states that WHM spend on average \$5,900 per trip to WA, which is more than double the spending of other international tourists.<sup>41</sup> Survey respondents, from all but three countries, spent more than they earned on average while in Australia.<sup>42</sup> With no 88-day requirement, these contributions to regional areas will dwindle, as the incentive to visit the regions declines.<sup>43</sup> Removing the 88-day requirement may not necessarily affect the amount WHMs spend across Australia, but it will disproportionately affect regional work-based destinations that rely heavily on their economic activity.<sup>44</sup> Per capita, regional work-based locations are likely to benefit more from the big spending habits of WHMs, because they are likely to spend a higher proportion of their time in the regions in which they work. The 88-day requirement pulls WHMs into regional towns, where they spend more time and more money.<sup>45</sup> The removal of the 88 days will see a larger proportion of WHMs remaining in capital cities and tourist hotspots, limiting their spending in regional areas.

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<sup>41</sup> Tourism Council WA. (April 2021). *Federal cap on backpackers devastating for regional WA*. <https://tourismcouncilwa.com.au/advocacy-research/media-releases/federal-cap-backpackers-devastating-regional-wa> (Last accessed 17 July 2024).

<sup>42</sup> Flinders University. (July 2021). *The Australia Experience: Perceptions of Australia's WHM Program*. (Last accessed 17 July 2024).

<sup>43</sup> Australian Fresh Produce Alliance (AFPA). (July 2020). *Submission to the Australian Parliament's inquiry into the Working Holiday Maker program*. [https://freshproduce.org.au/\\_static/3312227d59891c225a3b105085d1ed3a/final-afpa-submission-aph-inquiry-into-whm.pdf](https://freshproduce.org.au/_static/3312227d59891c225a3b105085d1ed3a/final-afpa-submission-aph-inquiry-into-whm.pdf). (Last accessed 17 July 2024).

<sup>44</sup> Flinders University. (July 2021). *The Australia Experience: Perceptions of Australia's WHM Program*. (Last accessed 17 July 2024).

<sup>45</sup> Torrens University Australia. (2022). *6 reasons why tourism is so important to Australia's post-COVID-19 economy*. <https://www.torrens.edu.au/stories/blog/hospitality/6-reasons-why-tourism-is-so-important-to-australias-post-covid19-economy> (Last accessed 17 July 2024).

### 3. WHMs impact on the agriculture industry

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#### Labour shortages cause problems for the agricultural industry

Like tourism, labour shortages in Australia's regional areas are an enormous challenge for agricultural businesses that operate in these locations.<sup>46</sup> The agricultural sector in these regions has traditionally been dominated by small-scale independent producers, but is being increasingly corporatised. In regional areas with large agricultural industries, working populations are generally relatively small, which limits the supply of workers. Domestic workers are often immobile, reluctant or unable to move for work because of family, housing and established lifestyle. The work is often onerous and physically demanding. Working hours can be long and conditions harsh. Long hours and remote work are more conducive to live-in operations.<sup>47</sup> This reduces the pool of local workers with families or those that cannot move around for work.

The seasonal nature of the work furthers these challenges, particularly in industries like agriculture. Temporary and inconsistent work creates cyclical spikes in demand for labour that is unattractive for domestic workers looking for more secure positions.<sup>48</sup> The combination of these factors disincentivises the majority of the domestic workforce from working in seasonal agricultural roles, resulting in labour shortages, particularly in agricultural industries such as horticulture and grain crops.<sup>49</sup>

Figure 3 presents the regional spread of demand for labour around the country for the horticulture industry in 2020. The supply of labour rarely meets this sector's demand requirements. Figure 4 highlights the percentage of horticulture farms in each state that had difficulties in recruiting labour. The businesses operating in these regional areas rely heavily on non-permanent overseas labour (like WHMs) to fill the shortfall in the labour market.

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<sup>46</sup> Australian Fresh Produce Alliance (AFPA). (July 2020). *Submission to the Australian Parliament's inquiry into the Working Holiday Maker program*. [https://freshproduce.org.au/\\_static/3312227d59891c225a3b105085d1ed3a/final-afpa-submission-aph-inquiry-into-whm.pdf](https://freshproduce.org.au/_static/3312227d59891c225a3b105085d1ed3a/final-afpa-submission-aph-inquiry-into-whm.pdf). (Last accessed 17 July 2024).

<sup>47</sup> Flinders University. (July 2021). *The Australia Experience: Perceptions of Australia's WHM Program*. <https://www.flinders.edu.au/content/dam/documents/research/aiti/the-australia-experience-perceptions-of-australias-whm-program.pdf> (Last accessed 17 July 2024).

<sup>48</sup> Flinders University. (July 2021). *The Australia Experience: Perceptions of Australia's WHM Program*. (Last accessed 17 July 2024).

<sup>49</sup> Horticulture Innovation Australia, Ernst and Young. (2020, September). *Understanding the demand for paid and unpaid work placements*. <https://www.horticulture.com.au/growers/help-your-business-grow/research-reports-publications-fact-sheets-and-more/st19040/> (Last accessed 17 July 2024).



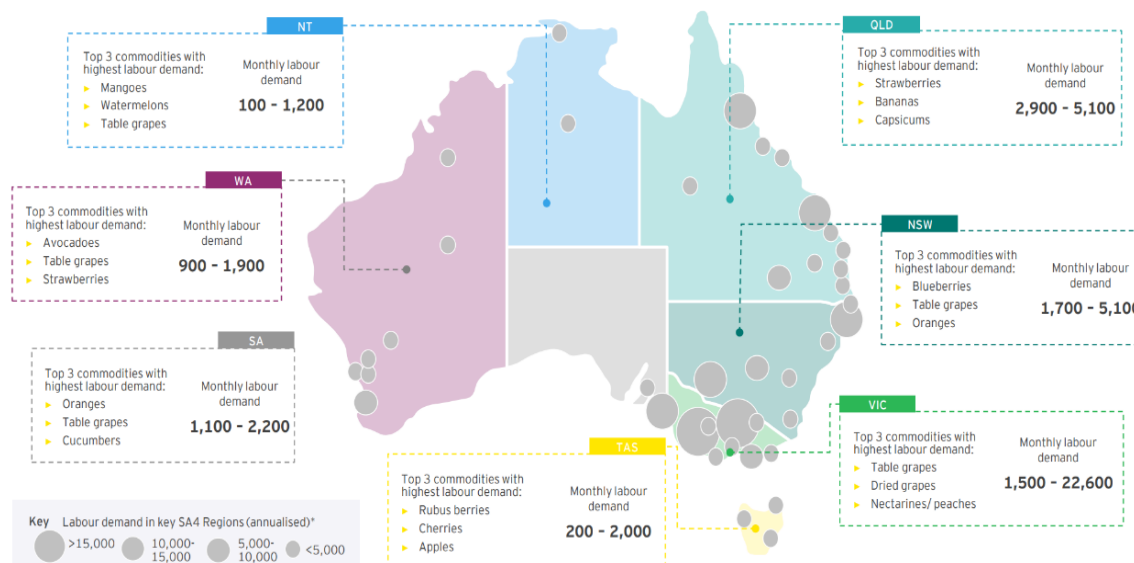


Figure 3 Regional agriculture labour demand (2020)<sup>50</sup>

Percentage of horticulture farms that had "some" to "lots of" difficulty with recruiting labour

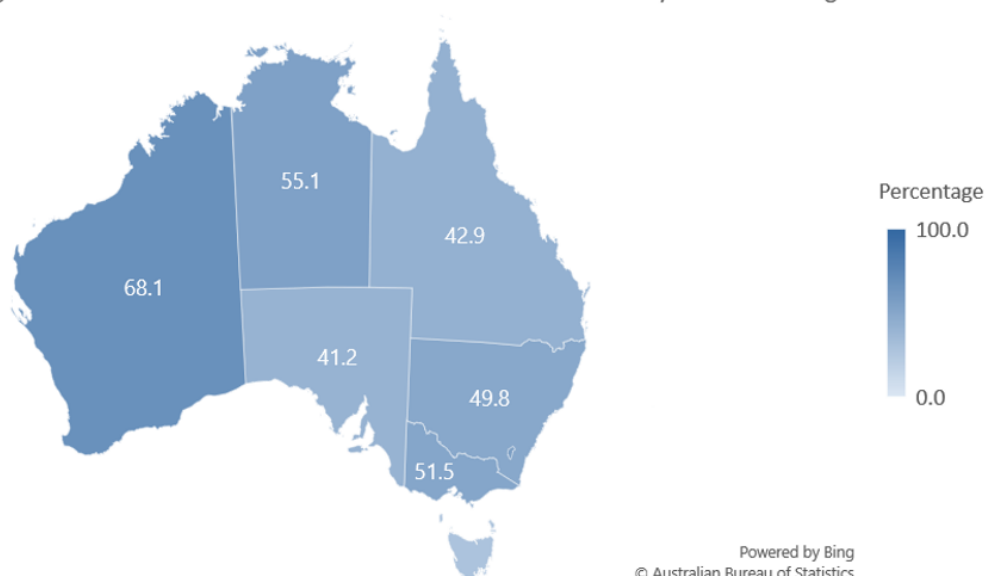


Figure 4 Percentage of horticulture farms that has difficulty with recruiting labour<sup>51</sup>

The Covid-19 pandemic illustrated the labour challenges for the sector, with travel restrictions creating a supply shock to the horticultural industry. The reduction in WHMs coming to Australia (due to international border closures) contributed to a sizable reduction in overall labour. Further supply challenges were created with the restrictions placed on the domestic labour force who were unable to

<sup>50</sup> Horticulture Innovation Australia, Ernst and Young. (2020, September). *Understanding the demand for paid and unpaid work placements*. <https://www.horticulture.com.au/growers/help-your-business-grow/research-reports-publications-fact-sheets-and-more/st19040/> (Last accessed 17 July 2024).

<sup>51</sup> Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES). (2022). *Labour use in Australian agriculture 2022*. <https://www.agriculture.gov.au/abares/research-topics/agricultural-workforce/labour-use/2022> (Last accessed 17 July 2024).

travel between locations.<sup>52</sup> Senate Estimates reported a labour downturn of 170,000 workers for agriculture and horticulture in 2022.<sup>53</sup> The ABS reported that across Australia, 57% of farms struggled to recruit labour, with the rate in Western Australia reaching as high as 68%.<sup>54</sup> AUSVEG found that the horticulture industry was short by 10,000 individual workers, each able to fill multiple jobs over the course of the year.<sup>55</sup> The food supply chain represents about 10% of Australia's GDP and was working at a limited capacity because of these labour shortages.<sup>56</sup>

Figure 5 shows a 36,000-worker shortfall at its peak that occurred because of Covid-19. Farms were unable to fill the void in labour supply once overseas workers were not available. This is evidence of the effects a supply shock can have on the labour market and how the labour market was unable to recover. It also showcases how migrant workers, some of which are on WHM visas, help fill the labour shortfall.

The agricultural sector is concerned that removing WHMs incentives to work in regional areas will lead to similar negative outcomes on the labour force, restricting their output.<sup>57</sup>

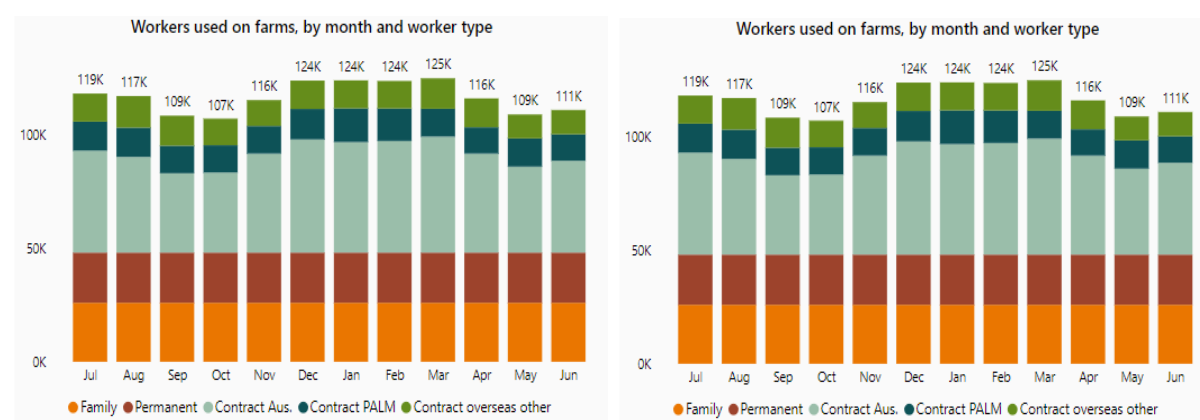


Figure 5 Comparison of types of workers used on farms across between 2019-20–2021-22<sup>58</sup>

<sup>52</sup> Australian Fresh Produce Alliance (AFPA). (July 2020). *Submission to the Australian Parliament's inquiry into the Working Holiday Maker program*. [https://freshproduce.org.au/\\_static/3312227d59891c225a3b105085d1ed3a/final-afpa-submission-aph-inquiry-into-whm.pdf](https://freshproduce.org.au/_static/3312227d59891c225a3b105085d1ed3a/final-afpa-submission-aph-inquiry-into-whm.pdf). (Last accessed 17 July 2024).

<sup>53</sup> Gardiner, S., Pietsch, J., & Yang, E. C. L. (November 2022). *Creating a New Future for the Working Holiday Market: Implications for Australia*. Prepared for Tourism Australia. (Last accessed 17 July 2024).

<sup>54</sup> Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES). (2022). *Labour use in Australian agriculture 2022*. <https://www.agriculture.gov.au/abares/research-topics/agricultural-workforce/labour-use/2022> (Last accessed 17 July 2024).

<sup>55</sup> Australian Vegetable and Potato Growers' Federation. (2022, August). *Food supply chain alliance highlight job shortages ahead of jobs and skills summit*. <https://ausveg.com.au/articles/food-supply-chain-alliance-highlight-job-shortages-ahead-of-jobs-and-skills-summit/>. (Last accessed 17 July 2024).

<sup>56</sup> Refrigerated Warehouse and Transport Association of Australia (RWTA). (2023, June). *Media release: National Food Supply Chain Alliance*. <https://www.rwta.com.au/rwtanews/media-release-national-food-supply-chain-alliance>. (Last accessed 17 July 2024).

<sup>57</sup> NFF Employer Survey, April 2024.

<sup>58</sup> Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES). (2022). *Labour use in Australian agriculture 2022*. (Last accessed 17 July 2024)

## WHMs supply critical labour to the agricultural sector

Like the tourism industry, the WHM program provides incentives that encourage WHMs to work in the agricultural workforce. WHMs make up 14% of all farm worker jobs and can supply up to 80% of the fresh produce's peak season harvest labour force.<sup>59</sup> During peak labour demand periods, employers reported WHMs make up one third of the labour force for all commodities.<sup>60</sup> This proportion is higher for horticulture, which relies on WHMs to make up 44% of its entire labour force. Grains (31%), red meat (26%), and cotton (25%) all also rely heavily on WHMs during peak labour demand periods. The quality of labour provided by these workers is a further benefit of the WHM program. The NFF found that 83% of respondents believe that WHMs are as productive or even more productive than what is experienced from a typical worker.<sup>61</sup>

## WHMs contributing to agriculture industries

ABS data reflects the significance of the Australian agriculture industry on the broader economy. In 2023, it produced 13.6% of goods and services exports, accounted for 55% of total land use, and added 2.7% to Australia's GDP.<sup>62</sup> In 2022-23, the horticulture industry had a value of production<sup>63</sup> of \$16.3 billion.<sup>64</sup> Despite this significant contribution to the economy, the industry is still heavily reliant on WHM supplied labour. About 52,000 WHMs work in horticulture per year, or 36% of WHMs.<sup>65</sup> Horticulture is classified as a "specified work", and benefits directly from the requirement of regional work for visa extensions.<sup>66</sup>

If the requirements for the visa extension were removed, the industry would not be able to attract the number of WHMs to work.<sup>67</sup> Reducing or abandoning the 88-day requirement would potentially disincentivise WHMs to work and live in the regions. The NFF found that the removal of WHM from the horticultural industry would lead to 379 average lost hours of labour per week per farm at peak season. Similar reductions would occur in other agricultural industries, including rice (448 hours), red meat (163 hours), timber (144 hours), cotton (133 hours), and grains (111 hours).<sup>68</sup>

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<sup>59</sup> Australian Fresh Produce Alliance (AFPA). (July 2020). *Submission to the Australian Parliament's inquiry into the Working Holiday Maker program*. [https://freshproduce.org.au/\\_static/3312227d59891c225a3b105085d1ed3a/final-afpa-submission-aph-inquiry-into-whm.pdf](https://freshproduce.org.au/_static/3312227d59891c225a3b105085d1ed3a/final-afpa-submission-aph-inquiry-into-whm.pdf). (Last accessed 17 July 2024).

<sup>60</sup> NFF Employer Survey, April 2024.

<sup>61</sup> NFF Employer Survey, April 2024.

<sup>62</sup> Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES). (2024). *Snapshot of Australian Agriculture*. Retrieved from <https://www.agriculture.gov.au/abares/products/insights/snapshot-of-australian-agriculture>. (Last accessed 17 July 2024).

<sup>63</sup> The final value of sales of the produced goods.

<sup>64</sup> Horticulture Innovation Australia. (2023). *Horticultural Statistics Introduction 2022-2023*. <https://www.horticulture.com.au/contentassets/3f91006fdf6940fab7d4753987e871af/ort-stats-intro-22-23.pdf>. (Last accessed 17 July 2024).

<sup>65</sup> Australian Fresh Produce Alliance (AFPA). (July 2020). *Submission to the Australian Parliament's inquiry into the Working Holiday Maker program*. (Last accessed 17 July 2024).

<sup>66</sup> Australian Fresh Produce Alliance (AFPA). (July 2020). *Submission to the Australian Parliament's inquiry into the Working Holiday Maker program*. (Last accessed 17 July 2024).

<sup>67</sup> Australian Fresh Produce Alliance (AFPA). (July 2020). *Submission to the Australian Parliament's inquiry into the Working Holiday Maker program*. (Last accessed 17 July 2024).

<sup>68</sup> NFF Employer Survey, April 2024

WHMs absence from the horticulture industry would cost the industry \$6.3 billion.<sup>69</sup> An estimated 127,000 jobs would be lost across the supply chain, reducing the Australian GDP by \$13 billion.<sup>70</sup> The ambitious targets set by the industry to increase production value by 33% by 2030 is heavily reliant on the contributions of the WHM labour force.<sup>71</sup> It is anticipated by the agriculture industry that the labour supply would reduce considerably, if WHMs were no longer motivated with a visa extension to work in these regional areas.<sup>72</sup>

The Covid pandemic period reduced the supply of WHMs travelling and working in Australia. The number of WHM visas granted decreased from 209,036 in 2018-19 (the last full pre-Covid year), to 39,586 in 2020-21.<sup>73</sup> The National Lost Crop Register reported that this reduction in labour supply led to a loss of \$45 million in farmgate value in 8 weeks between December 2021 and February 2022. \$33 million of that came from Queensland, a state which relies heavily on WHM labour.<sup>74</sup> Consequently, the consumer bears the loss in crop volume, with ABARES predicting it increased the price of fresh produce by 15-25%.<sup>75</sup> This outcome, were it to eventuate, would place further cost of living pressure on Australian households. Removing the 88-day requirement would similarly reduce the labour supply to these highly important agricultural industries. The evidence highlights how a reduction in labour not only impacts the industries themselves, but also the consumers.

As of 1 July 2024, WHMs from the UK are no longer required to complete the 88- or 196-day regional work to be eligible for a 2<sup>nd</sup> or 3<sup>rd</sup> year visa.<sup>76</sup> It is too early to assess the impacts of this change, but assessing the temporal data will help to understand the impacts those requirements have on regional economies. The current outlook from employers is not positive. The NFF survey report found that 72% of agriculture employers believe scrapping the 88-day requirement for UK passport holders will have a 'significant' to 'catastrophic' impact on their business. UK travelers make up 16% of all WHMs.<sup>77</sup>

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<sup>69</sup> Deloitte Access Economics. (2020). Economic impact of workforce changes to the Australian fresh produce industry. (Last accessed 17 July 2024)

<sup>70</sup> Deloitte Access Economics. (2020). Economic impact of workforce changes to the Australian fresh produce industry. (Last accessed 17 July 2024)

<sup>71</sup> Horticulture Innovation Australia. (2023). *Horticultural Statistics Introduction 2022-2023*. <https://www.horticulture.com.au/contentassets/3f91006fdf6940fab7d4753987e871af/ort-stats-intro-22-23.pdf>. (Last accessed 17 July 2024).

<sup>72</sup> Australian Fresh Produce Alliance (AFPA). (July 2020). *Submission to the Australian Parliament's inquiry into the Working Holiday Maker program*. [https://freshproduce.org.au/\\_static/3312227d59891c225a3b105085d1ed3a/final-afpa-submission-aph-inquiry-into-whm.pdf](https://freshproduce.org.au/_static/3312227d59891c225a3b105085d1ed3a/final-afpa-submission-aph-inquiry-into-whm.pdf). (Last accessed 17 July 2024).

<sup>73</sup> Australian Department of Home Affairs. (December 2023). *Working Holiday Maker report*. Retrieved from <https://www.homeaffairs.gov.au/research-and-stats/files/working-holiday-report-dec-23.pdf> (Last accessed 17 July 2024).

<sup>74</sup> Liveris, J. (February 2021). *National lost crop register surpasses \$45 million in losses*. ABC Rural. <https://www.abc.net.au/news/rural/2021-02-09/national-lost-crop-register-surpasses-45-million-in-losses/13132274> (Last accessed 17 July 2024).

<sup>75</sup> Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES). (December 2020). *Agricultural forecasts and outlook: December quarter 2020*. [https://daff.ent.sirsidynix.net.au/client/en\\_AU/search/asset/1031121/0](https://daff.ent.sirsidynix.net.au/client/en_AU/search/asset/1031121/0) (Last accessed 17 July 2024).

<sup>76</sup> Australian Department of Home Affairs. (2024). *Arrangements for UK passport holders under the Working Holiday Maker program*. <https://immi.homeaffairs.gov.au/what-we-do/whm-program/latest-news/arrangements-uk-passport-holders> (Last accessed 17 July 2024).

<sup>77</sup> Australian Department of Home Affairs. (December 2023). *Working Holiday Maker report*. (Last accessed 17 July 2024).

## Employer sentiments reflect positive views on the WHM program

Employer sentiments reflect wider concerns over the removal of the 88-day requirements and the reduction in the supply of labour. Many believe it will change the way they can operate. Figure 6 presents farmers thoughts on the elimination of the existing 88-day WHM visa requirements. 83% of employers surveyed believe abandoning the 88-day requirement for all WHM visa holders would be 'significant' to 'catastrophic' to their businesses. 54% of respondents would consider changing commodities or industries if the ability to attract labour was further reduced.<sup>78</sup>

### How would the elimination of the '88 days arrangements' for all WHMs impact your business?

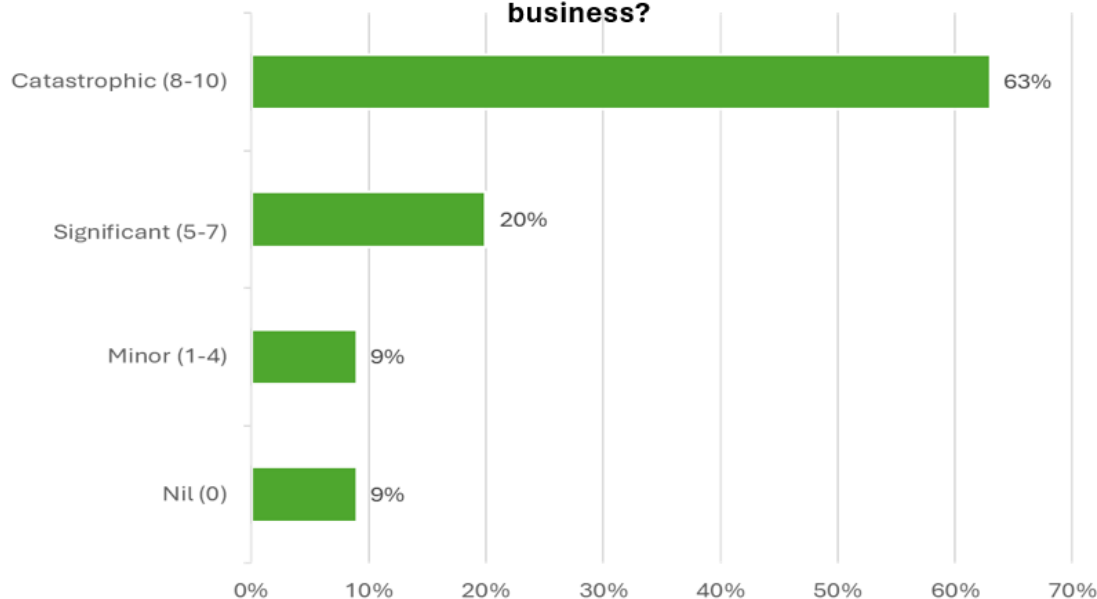


Figure 6 Employer sentiments<sup>79</sup>

Farmers also responded with how they expect the change will affect them.

### How will your business be impacted by the elimination of the '88 days arrangements'\*

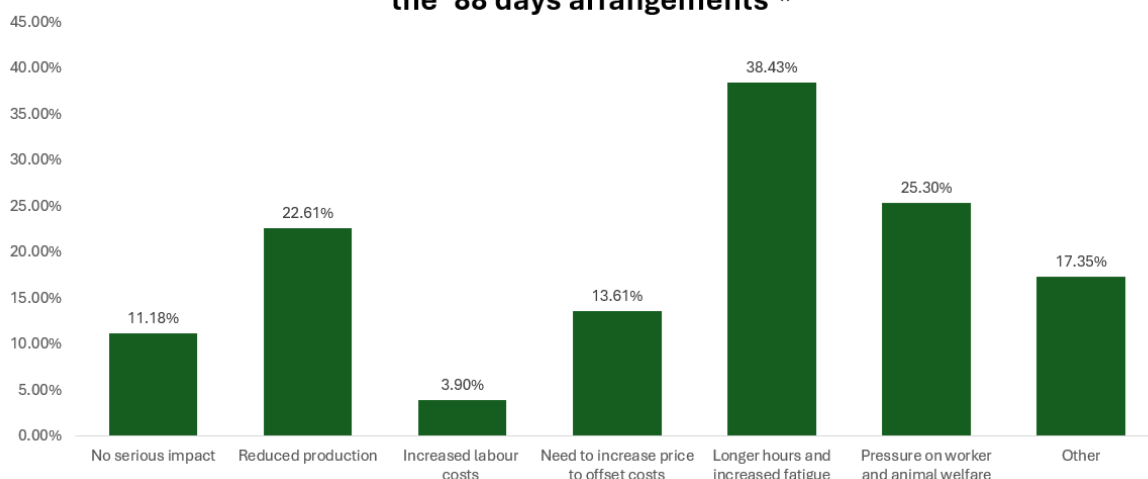


Figure 7 highlights how the potential removal of the 88-day requirements would impact their businesses. 38% believe they would need to work longer hours and endure increased fatigue, while

<sup>78</sup> NFF Employer Survey, April 2024.

<sup>79</sup> NFF Employer Survey, April 2024.



23% believe they would be forced to reduce production. 14% indicate they would need to increase prices to offset increased costs. Just 11% of employers believe it would have no serious impact on their business.

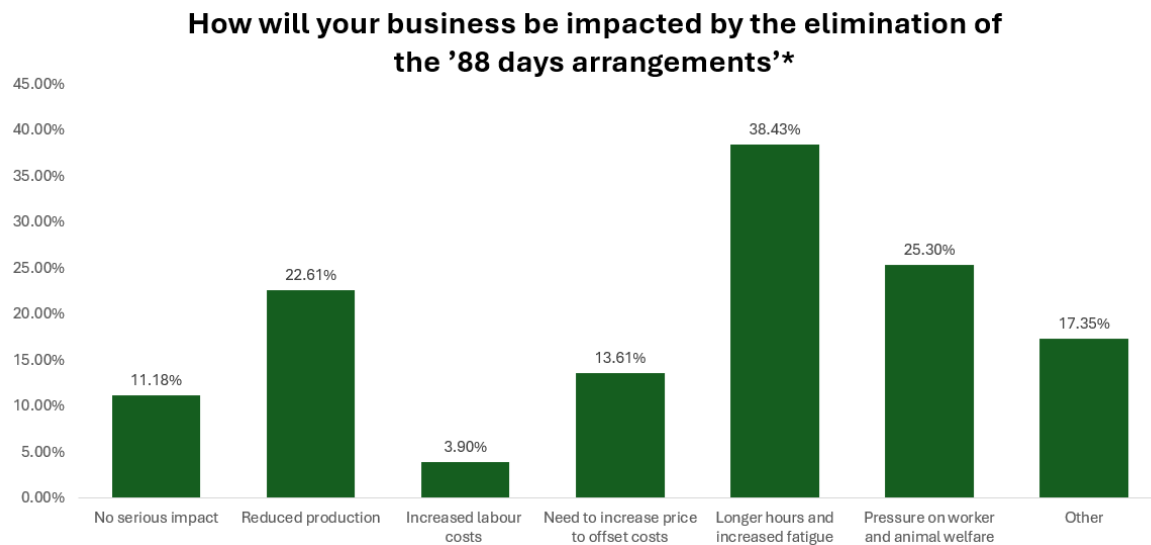


Figure 7 Employer sentiment on the elimination of the 88-day arrangement<sup>80</sup>

<sup>80</sup> NFF Employer Survey, April 2024.

## 4. Economic impacts of WHM to regional economies

### REMPPLAN modelling

To provide an accurate estimate of the economic impact of the loss of WHMs jobs to a region, we have estimated the value-added impact using REMPLAN<sup>81</sup>. The modelling provides an estimate of the first round and supply chain impacts resulting from the loss in direct output if WHMs were to be lost to the region.

The following assumptions were made:

- 88 days of work at \$29.33<sup>82</sup> an hour for 7.6 hours a day
- an implied tax rate of 15%
- 1,000 WHMs are lost to a region
- 44% of earnings are spent in the region<sup>83</sup>
- the allocation of income spent is distributed as per Table 1 above
- “Consumption” induced impacts (commonly referred to as Type 2) are not reported.

Table 2 describes the sectors and value of the impact, modelled for the loss in economic output if 1,000 WHMs were lost to a region.

Table 2 Sectors impacted by the loss of jobs in a region over one year

Sector	Description	Amount impacted (\$m p.a)
Arts & Recreation Services	Covers tourism and a component of entertainment eg. live performances	-1.3
Accommodation & Food Services	Includes all short-term accommodation related costs plus food and beverage services eg. preparation and serving of meals and alcoholic beverages	-3.9
Retail Trade	All retail trade activity, including on-line shopping	-1.0
Transport, Postal & Warehousing	Covers transportation of passengers and freight by road, rail, water or air	-0.7

<sup>81</sup> REMPLAN is an input-output model used to estimate the economy-wide impacts from a change in output. Whilst REMPLAN is an approximation of how the impacts of jobs losses may manifest across the local economy, we believe this tool is a useful approach in the timeframe (and given the uncertainty and potential complexity of estimating specific impacts in more detail). Data is sourced from the Australian Bureau of Statistics (ABS).

<sup>82</sup> Minimum hourly rate in horticulture (adult casual level/grade 1 employee) from 1 July 2024.

<sup>83</sup> A conservative estimate based on a typical WHM expenditure over the duration of their travel in Australia

Sector	Description	Amount impacted (\$m p.a)
Information Media & Telecommunications	Includes all phone and internet related costs	-0.3
Electricity, Gas, Water & Waste Services	Includes all related bill activities for electricity, gas, water, sewage and the treatment and disposal of waste materials	-0.3

The following impacts are explored for each region:

- **Output** – a direct decrease in output (gross revenue) caused by the reduction in demand for intermediate goods and services. The flow-on supply chain effects (in terms of local purchases of goods and services), as servicing sectors decrease their own output and demand for local goods and services.
- **Employment** - the decreases in direct and indirect output would typically correspond to the loss of jobs in the economy.
- **Wages and salaries** – the decrease in direct and indirect output and the corresponding loss of jobs in the economy, will see a decrease in the wages and salaries paid to employees in a region.
- **Value-Added** - represents the marginal economic value that is added by each industry sector for the region. It serves as the major element in the calculation of Gross Regional Product (GRP) / Gross State Product (GSP) / Gross Domestic Product (GDP) for a region.

## Results and discussion

The economic impact that WHMs make to a region is widespread. The potential loss of WHMs from these regions, if the 88-day requirement is removed, would be significant. Table 3 sets out the approximate direct impact of 20,000 WHMs choosing not to work in rural regions<sup>84</sup> (for 88 days) and the supply chain (industrial) or second round impacts of this<sup>85</sup>. We estimate that it would decrease the demand for intermediate goods and services to these regions of \$200 million. This would also negatively impact the job market, with an average 939 direct jobs lost and a further 143 jobs lost through the supply chain.

Table 3 Economic impact from a reduction of 20,000 WHMs in the regions

Impact	Direct impact	Supply chain impact	Total impact
Output (\$m)	-149	-54	-203
Employment (jobs)	-939	-143	-1,082
Wages and salaries (\$m)	-43	-11	-54

<sup>84</sup> Estimate is calculated using similar multipliers to that of Forrest, noting that these impacts will be different across regional areas depending on the main economic drivers in each location.

<sup>85</sup> We would expect this reduction in the labour force to be partially offset from other sectors and regions in the economy. This highlights one of the limitations of this modelling approach.

Impact	Direct impact	Supply chain impact	Total impact
Value-added (\$m)	-67	-22	-90

Further to this we would expect there to be even more wide-ranging impacts, as evidenced during the pandemic, when there was a supply side shock to the labour market. The supply and cost of labour has considerable impacts on a business's profitability and sustainability, especially for labour intensive industries like horticulture. If producers are not able to find the labour resources, then broader business decisions will need to be made. Whilst many larger growers are turning to automated technology to reduce their reliance on labour, this is beyond the financial capability of many of the smaller producers, where it is just not economically efficient or possible to change their production methods, without the appropriate scale.

A shortage of workers leads to a loss of farm productivity and profitability. This loss of production causes upwards pressure on prices for consumers. For every dollar value-added within these industries in the regions, an additional 30 cents is created throughout the broader economy.

When tourism businesses face labour shortages and are forced to restrict their offerings, the flow on effect into the local economy can be significant. For each dollar spent by a tourist in the Federal Electorate of Flynn (see below), it is estimated that typically \$0.53 is spent on accommodation and food services, \$0.12 on transport, postal & warehousing and \$0.10 on ownership of dwellings.

## Regional impacts

In this section we explore the economic impacts of the loss of 1,000 WHM jobs in three regions across Australia.

### Federal Electorate of Forrest

Table 4 and Table 5 describe the economic impacts of the loss of 1,000 WHMs to the Federal electorate of Forrest.

Table 4 Economic impact from a reduction of 1,000 WHMs in the electorate of Forrest

Impact	Direct impact (\$m p.a.)	Supply chain impact (\$m p.a.)	Total impact (\$m p.a.)
Output	-7.5	-3.3	-10.8
Wages and salaries	-2.2	-0.7	-2.9
Value-added	-3.4	-1.4	-4.8

Table 5 Industry sectors most impacted from a reduction of 1,000 WHMs in the electorate of Forrest

Sector	Direct impact (\$m p.a.)	Supply chain impact (\$m p.a.)	Total impact (\$m p.a.)
Accommodation & Food Services	-3.9	-0.04	-3.94
Arts & Recreation Services	-1.3	-0.12	-1.42
Retail Trade	-1	-0.10	-1.10
Transport, Postal & Warehousing	-0.7	-0.26	-0.96
Manufacturing	0	-0.63	-0.63
Electricity, Gas, Water & Waste Services	-0.3	-0.24	-0.54
Information Media & Telecommunications	-0.3	-0.16	-0.46
Rental, Hiring & Real Estate Services	0	-0.34	-0.34
Professional, Scientific & Technical Services	0	-0.30	-0.30
Administrative & Support Services	0	-0.25	-0.25
Construction	0	-0.24	-0.24



## Federal Electorate of Farrer

Table 6 and Table 7 describe the economic impacts of the loss of 1,000 WHMs to the Federal electorate of Farrer.

Table 6 Economic impact from a reduction of 1,000 WHMs in the electorate of Farrer

Impact	Direct impact (\$m p.a.)	Supply chain impact (\$m p.a.)	Total impact (\$m p.a.)
Output	-7.5	-3.6	-11.1
Wages and salaries	-2.2	-0.7	-2.9
Value-added	-3.4	-1.4	-4.9

Table 7 Industry sectors most impacted from a reduction of 1,000 WHMs in the electorate of Forrest

Sector	Direct impact (\$m p.a.)	Supply chain impact (\$m p.a.)	Total impact (\$m p.a.)
Accommodation & Food Services	-3.9	-0.04	-3.94 <sup>86</sup>
Arts & Recreation Services	-1.3	-0.12	-1.42
Retail Trade	-1	-0.10	-1.10
Transport, Postal & Warehousing	-0.7	-0.26	-0.96
Manufacturing	0	-0.63	-0.63
Electricity, Gas, Water & Waste Services	-0.3	-0.24	-0.54
Information Media & Telecommunications	-0.3	-0.16	-0.46
Rental, Hiring & Real Estate Services	0	-0.34	-0.34
Professional, Scientific & Technical Services	0	-0.30	-0.30
Administrative & Support Services	0	-0.25	-0.25
Construction	0	-0.24	-0.24

<sup>86</sup> The impacts across each region are very similar as the multipliers derived in REMPLAN are almost identical.

## Federal Electorate of Flynn

Table 8 and Table 9 describe the economic impacts of the loss of 1,000 WHMs to the Federal electorate of Flynn.

Table 8 Economic impact from a reduction of 1,000 WHMs in the electorate of Flynn

Impact	Direct impact (\$m p.a.)	Supply chain impact (\$m p.a.)	Total impact (\$m p.a.)
Output	-7.5	-2.7	-10.2
Wages and salaries	-2.1	-0.6	-2.7
Value-added	-3.4	-1.1	-4.5

Table 9 Industry sectors most impacted from a reduction of 1,000 WHMs in the electorate of Forrest

Sector	Direct impact (\$m p.a.)	Supply chain impact (\$m p.a.)	Total impact (\$m p.a.)
Accommodation & Food Services	-3.9	-0.04	-3.94
Arts & Recreation Services	-1.3	-0.12	-1.42
Retail Trade	-1	-0.10	-1.10
Transport, Postal & Warehousing	-0.7	-0.26	-0.96
Manufacturing	0	-0.63	-0.63
Electricity, Gas, Water & Waste Services	-0.3	-0.24	-0.54
Information Media & Telecommunications	-0.3	-0.16	-0.46
Rental, Hiring & Real Estate Services	0	-0.34	-0.34
Professional, Scientific & Technical Services	0	-0.30	-0.30
Administrative & Support Services	0	-0.25	-0.25
Construction	0	-0.24	-0.24

## Limitations

The input-output data and tables used in this type of economic analysis is based on interdependent relationships between various economic industries or sectors in an economy. With this approach we can estimate the effect of negative and positive shocks on the economy (in this case job losses) and analyse the ripple effects across the economy. But it must be noted that there are several limitations to this approach. These include the potential for:

- **Overstating impacts:** Multipliers assume that resources required for the project such as labour and capital are unlimited and will not be drawn from other activities and sectors of the economy, thereby overstating the economic and employment benefits of the project.
- **Fixed prices:** As resources are considered to be unlimited, multipliers assume that their price is unaffected by changes in demand. Any unintended consequences of a project, such as the crowding out of other activity or price increases for scarce resources, are not captured.
- **Fixed coefficients:** Multipliers assume a fixed input structure in each industry and fixed rations for production. This would imply, for example, that additional consumer expenditure from increased income would be allocated to average consumption patterns and, as such, would assume increased consumption of household necessities, such as food (rather than holidays or savings).
- **Regional distortions:** Multipliers that have been calculated from national IO tables are not considered appropriate for use analysing the impacts of projects in small regions. Interindustry linkages tend to be shallow in small regions since they usually don't have the capacity to produce the wide range of goods used for inputs and consumption, instead importing a large proportion of these goods from other regions.

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