

# **ECONOMIC OPPORTUNITY OF MIGRATION FOR THE SOUTH AUSTRALIA: CASE STUDIES FOR THE HOSPITALITY AND AGED CARE INDUSTRIES**

**A Report for Regional Development  
Australia Adelaide Metro**

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## ABBREVIATIONS

ABS	Australian Bureau of Statistics
ACIA	Aged Care Industry Association
AHA SA	Australian Hotels Association (South Australian Branch)
ANZSCO	Australian and New Zealand Standard Classification of Occupations
ANZSIC	Australian and New Zealand Standard Industrial Classification
DAMA	Designated Area Migration Agreements
DHA	Department of Home Affairs
FTE	Full time equivalent
GRP	Gross Regional Product
GSP	Gross State Product
ILA	Industry Labour Agreement
IVI	Internet Vacancy Index
LMT	Labour Market Testing
MLTSSL	Medium and Long-term Strategic Skills List
MRIO	Multi-region Input-Output
NSC	National Skills Commission
RDA	Regional Development Australia
RDAEP	Regional Development Australia Eyre Peninsula
RDAMR	Regional Development Australia Murraylands and Riverland
RDAYMN	Regional Development Australia Yorke and Mid North
RISE-MR	Regional industry Structure and Employment - Multi-region
ROL	Regional Occupation List
RWD	Regional Workforce Data
SA4	Statistical Area Level 4
STSOL	Short-term Skilled Occupations List
TSMIT	Temporary Skilled Migration Income Threshold
TSS	Temporary Skills Shortage
WHM	Working Holiday Maker

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## EXECUTIVE SUMMARY

The national labour shortage has left employers across Australia struggling to meet their workforce needs. Although training Australians to fill current job vacancies is a priority, organisations need workers to fill the skills shortage in the short term. The labour shortage is adversely impacting organisations across a variety of industries throughout South Australia’s metropolitan and regional areas. Currently, Australia’s migration policy takes a national perspective and is therefore not conducive to filling skills gaps in regional areas. Regional Development Australia Adelaide Metro (RDAAM) seeks to articulate the economic opportunity for South Australia of allowing businesses to make more appropriate use of the migration program as part of their strategy to meet their workforce needs. South Australia’s RDA boards are also undertaking research to better understand regional workforce needs and need to demonstrate the value of continuing this research. BDO EconSearch have been engaged to meet these needs by delivering an evidence based analysis of workforce shortages in regional South Australia.

The analysis is based upon a method and set of models developed by BDO EconSearch in 2021 as part of an Opportunities Study funded by Migration Solutions into the economic opportunity foregone in South Australia by migration program settings that are not sensitive to South Australia’s workforce needs (BDO EconSearch 2021). The Opportunities Study explored the issue at a high-level and included a case study of the horticulture industry in South Australia. Our approach to this study is based around undertaking two additional case studies of focus industries to further develop our understanding. The focus industries are:

1. Hospitality Industry in South Australia
2. Aged Care Industry in South Australia

The overall approach involved background research, stakeholder consultation, economic opportunity analysis and social impact analysis. BDO EconSearch undertook consultation with South Australian businesses and industry associations reporting workforce shortfalls as part of the research. Our estimates of the economic opportunity of migration for South Australia are based on our stakeholder consultation, communications with RDAAM and our multi-region model of the South Australian economy (RISE-MR). Economic impact is quantified in terms of employment, gross regional and state product (GRP and GSP) and household income. Results are presented by region and reported separately for the hospitality industry and the aged care industry.

### South Australian Hospitality Industry Case Study

The labour shortage in the hospitality industry is significantly affecting Australian businesses, with estimates suggesting approximately 200,000 additional hospitality workers are needed throughout Australia (Lewin 2022). Hospitality has been one of the hardest-hit sectors during the pandemic, and data from Seek reveals that applicants for hospitality jobs are at a two-year low, with the number of job ads at a two-year-high, jumping 20 per cent in February 2022 alone (Powell 2022).

Table ES-1 summarises the results of the economic opportunity analysis for the South Australian hospitality industry. In addition to the employment and production of the migrants themselves, the economic analysis results estimate that filling the 290 current hospitality vacancies in regional South Australia with demand driven migrants would generate approximately 173 fte jobs and \$21.8 million of gross state product in the South Australian economy through flow-on effects. Across regional South Australia, this includes approximately 120 fte jobs and \$15.1 million of gross regional product in flow-on effects. While the scenario



modelled includes no migration to Adelaide, approximately \$6.7m in gross regional product and 53 fte jobs are expected to be generated in Adelaide due to the inter-regional economic linkages to the regions.

**Table ES-1 Summary economic opportunity analysis results of filling current hospitality vacancies in regional South Australia with demand driven migrants, 2021/22**

	Regional South Australia	Adelaide	South Australia Total
<b>GRP (\$m)</b>			
Direct	16.7	0.0	16.7
Flow-on	15.1	6.7	21.8
<i>Total GRP Impact</i>	31.8	6.7	38.5
<b>Employment (fte)</b>			
Direct	266	0	266
Flow-on	120	53	173
<i>Total Employment Impact</i>	387	53	440

Source: BDO EconSearch analysis

Stakeholder consultation confirmed that hospitality businesses in regional South Australia are experiencing critical labour shortages. The impact of Covid-19 created a variety of issues for hospitality employers due to both the nature of the industry and the nature of the employees. Interviewees expressed that filling vacancies in food and beverage services has been particularly challenging. The reasons provided by participants for the current shortages in the hospitality industry are all largely related to Covid-19. These include a lack of international students and working holiday makers, and that the ever changing Covid-19 restrictions made the hospitality industry an unreliable employment option, resulting in many employees exiting the industry at the time.

Participants indicated that there are many changes that would make it easier for hospitality businesses to engage with the immigration system. The infrastructure and policy challenges that businesses are facing when attempting to recruit and relocate staff members to regional South Australia include skilled worker requirements, housing availability and rules that make it difficult to retain staff unless sponsoring them directly. Further to this, the specific barriers businesses face to using the current immigration system to meet current and future workforce needs in South Australia include the cost, the time and resources required, and a lack of education about the immigration process and options available to businesses.

The interviews also identified a range of benefits that could eventuate if they were able to access migrant labour more easily, some of which would extend to the wider community. Several businesses noted that they are currently unable to operate at full capacity. A sustainable migrant labour solution could allow business owners to expand their operations back to normal capacity and deliver better customer service. As a result, service standards and reputations of hospitality business would improve. This could develop the existing tourism and hospitality industries more broadly and bring more people to South Australia. Additionally, with more workers employed within businesses, shifts per worker can be reduced. This would result in better working conditions for staff and generate higher retention of Australians already employed in the labour market.

## South Australian Aged Care Industry Case Study

Labour supply in the aged care industry is a growing problem nationally, with estimates suggesting approximately 35,000 additional aged care workers are needed per year in order to address the growing skill shortage in the industry (Swerissen 2022). Studies suggests that only 5 per cent of Australian aged care providers have sufficient staff to meet new mandatory minimum ratios implemented for 2023, and many are simply unable to find more staff (Sutton and Ma 2022; Swerissen 2022).

Table ES-2 summarises the results of the economic opportunity analysis for the South Australian aged care industry. In addition to the employment and production of the migrants themselves, the economic analysis results estimate that filling the 196 current aged care vacancies in regional South Australia with demand driven migrants would generate approximately 192 fte jobs and \$24.9 million of gross state product in the South Australian economy through flow-on effects. Across regional South Australia, this includes approximately 108 fte jobs and \$14.1 million of gross regional product in flow-on effects. While the scenario modelled includes no migration to Adelaide, approximately \$10.8m in gross regional product and 85 fte jobs are expected to be generated in Adelaide due to the inter-regional economic linkages to the regions.

**Table ES-2 Summary economic opportunity analysis results of filling current aged care vacancies in regional South Australia with demand driven migrants, 2021/22**

	Regional South Australia	Adelaide	South Australia Total
<b>GRP (\$m)</b>			
Direct	21.1	0.0	21.1
Flow-on	14.1	10.8	24.9
<i>Total GRP Impact</i>	35.2	10.8	45.9
<b>Employment (fte)</b>			
Direct	199	0	199
Flow-on	108	85	192
<i>Total Employment Impact</i>	306	85	391

Source: BDO EconSearch analysis

Stakeholder consultation confirmed that aged care businesses in regional South Australia are among those experiencing critical labour shortages. It was also established that these roles cannot be filled with local recruitment due to the skills gap. Although many participants mentioned the additional challenges that Covid-19 border closures have presented, the labour shortages pre-date those restrictions due the aging population in Australia. The impact of Covid-19 has added additional pressure to the existing labour shortage and the shortage within the South Australian aged care is now substantial. Current explanations for the shortage include an aging population of staff, workers exiting the industry, less availability of staff and other complications due to Covid-19.

The interviews indicated that there are many changes that would make it easier for aged care businesses to engage with the immigration system. The infrastructure and policy challenges that businesses are facing when attempting to recruit and relocate staff members to regional South Australia include housing availability, childcare availability, public transport reliability, job security and qualification requirements. Further to this, the specific barriers businesses face to using the current immigration system to meet current

and future workforce needs in South Australia include the cost, the time and resources required and the risk of staff being ‘poached’.

Participants also identified a range of benefits that could eventuate if they were able to access migrant labour more easily, some of which would extend to the wider community. Within the aged care industry, the increased capacity of businesses would allow them to take on more clients. This would permit businesses to provide access to care for people that need it, and the increased capacity would support them taking on the clients that are currently on waiting lists. Additionally, a labour shortage solution would allow current staff to work less, which would promote staff wellbeing and retention. As a result of these factors, the quality of service offered to aged care clients would meaningfully improve.

### **Summary of findings**

The economic and social impact analysis in the report focuses on the economic opportunity foregone in South Australia by migration program settings that are not sensitive to South Australia’s workforce needs for the hospitality industry and the aged care industry.

The economic contribution analysis focuses on three non-metropolitan regions in South Australia but also reports results for all of Regional South Australia, Adelaide and South Australia. Table ES-1 and Table ES-2 shows the impact of filling 290 current hospitality vacancies and 196 current aged care vacancies in Regional South Australia with 100 per cent migrant labour. The results highlight that besides the direct benefits that are reflected through higher GRP and additional household income due to direct activities by migrant labour, a cascading effect is created within the regions which spills over to the Adelaide metropolitan area through flow-on effects. These flow-on benefits in terms of additional GRP and additional fte employment would not be possible without the opportunity to fill the vacant positions.

The social impact analysis presents consolidated views from stakeholder consultation and highlights the labour shortage issues currently faced by our focus industries. This analysis conveyed the importance to businesses of being able to access migrant labour and the impediments businesses face when attempting to use the immigration system. This analysis also identified a range of benefits to businesses and the broader community that could eventuate if businesses were able to access migrant labour more easily.

## 1. INTRODUCTION

The national labour shortage has left employers across Australia struggling to meet their workforce needs. Although training Australians to fill current job vacancies is a priority, organisations need workers to fill the skills shortage in the short term. The skilled labour shortage is adversely impacting organisations across a variety of industries throughout South Australia’s metropolitan and regional areas. Currently, Australia’s migration policy takes a national perspective and is therefore not conducive to filling skills gaps in regional areas. Regional Development Australia Adelaide Metro (RDAAM) seeks to articulate the economic opportunity for South Australia of allowing business to make more appropriate use of the migration program as part of their strategy to meet their workforce needs. South Australia’s RDA boards are also undertaking research to better understand regional workforce needs and need to demonstrate the value of continuing this research. BDO EconSearch have been engaged to meet these needs by delivering an evidence based analysis of current workforce shortages in regional South Australia.

The analysis is based upon a method and set of models developed by BDO EconSearch in 2021 as part of an Opportunities Study funded by Migration Solutions into the economic opportunity foregone in South Australia by migration program settings that are not sensitive to South Australia’s workforce needs (BDO EconSearch 2021). The Opportunities Study explored the issue at a high-level and included a case study of the horticulture industry in South Australia. Our approach to this study is based around undertaking two additional case studies of the following focus industries:

1. Hospitality Industry in South Australia
2. Aged Care Industry in South Australia

BDO EconSearch undertook consultation with South Australian businesses and industry associations reporting labour shortages as part of the research. Our estimates of the economic opportunity of migration for South Australia are based on our stakeholder consultation, communications with RDAAM and our multi-region model of the South Australian economy (RISE-MR). Economic impact is quantified in terms of employment, gross regional and state product (GRP and GSP) and household income. Results are presented by region and reported separately for the hospitality industry and the aged care industry.

Our estimates of the economic opportunity of migration for South Australia are based on the concept of demand driven migration as opposed to skills based migration adopted nationwide. In short, it is where a migrant arrives in Australia with employment already arranged. From the business perspective, it is where an employer hires a foreign worker who is appropriately qualified and suitable for the role and who intends to remain in the role indefinitely. This might be as a permanent resident or a temporary migrant with a realistic pathway to permanent residency that involves them remaining in their role.

The remainder of the report is structured as follows: methods and data (Section 2), hospitality industry results (Section 3), aged care industry results (Section 4) and conclusion (Section 5).

### 1.1. Background

Australia takes a two-pronged approach to skilled immigration, combining a skills accumulation program with a demand driven program to help address demographic imbalances and labour market needs while also addressing skills shortages (OECD 2018). Historically, Australia used its immigration policies to reach objectives of nation building and addressing demographic issues, however in recent decades objectives have shifted towards ‘attracting a diverse range of immigrants with the attributes to make a significant contribution to the Australian economy and society’ (Productivity Commission 2016, p. 55). This shift has

coincided with a pivot from favouring direct permanent migration towards facilitating temporary migration of employer-sponsored skilled migrants, working holiday makers, and students with pathways to permanent migration and eventually citizenship (Rizvi 2020).

The Permanent Skilled Migration Program is essentially a skills accumulation program that is designed to enhance the human capital available in Australia. The composition of permanent skilled immigration is determined using the points-based system which allocates points according to age, English language skills, skilled employment experience, Australian skilled employment and education (DHA 2020). In the past, Australia's points system emphasised family ties, occupation, education, and language skills. More recently, however, the focus has shifted to attracting a diverse range of immigrants with the attributes to make a significant contribution to the Australian economy and society at a national scale, specifically higher skilled and higher wage (Productivity Commission 2016). This suggests a shift towards migration to where higher skilled and higher wage people tend to live in Australia, and away from meeting the workforce needs of the employers who require lower skilled workers in regional areas.

Although a points-based system is effective at attracting high-skilled migrants, Legrain (2020) suggests that they do not select them well because governments do not know how many people to admit or whom. Instead, he claims that businesses are best placed to identify which employees they need and whether an applicant is qualified for a vacancy. This is because the business will suffer the consequences if they select the wrong people. Allowing businesses to select immigrants also means that migrants are guaranteed a job as soon as they arrive. The Productivity Commission (2011) noted that this is a significant disadvantage of the points based system as an applicant may be awarded a sufficient number of points for a visa but may not ever work in a high-skilled occupation or work at all.

The Temporary Migration Program can be thought of as being a demand driven program that seeks to assist businesses in Australia address labour shortages (Scanlon Institute 2021). The intake of temporary immigrants is typically subject to fewer criteria, it is uncapped and is comprised mostly of international students, temporary skilled workers and working holiday makers.

Criticisms of demand driven systems include; that employers have too much power over foreign employees on temporary work visas, the potential for lowering wages for all workers in similar jobs and that employers may favour foreign workers as a cheaper and more reliable option than local workers (Papademetrious and Hooper 2019). Perhaps more importantly, reliance on foreign workers may reduce pressure on government to make long-term investments in technology or training and education of local workers to address skills shortages. These concerns were at the heart of the abolition of the 457 Temporary Work (Skilled) visa and its replacement with the 482 Temporary Skill Shortage visa that put measures in place to prevent these pernicious outcomes. Although employer-sponsored programs are effective at addressing labour market shortages, they do not address the longer-term needs of the labour market and broader economy (Papademetrious and Hooper 2019). Demand driven systems are also often criticised for enabling foreign workers to take local jobs. However, immigrants often occupy jobs that locals either can't or won't do, such as fruit and vegetable picking or jobs that are located in less immediately desirable, regional locations (Legrain 2020). Labour shortages in industries with these characteristics have continued even throughout periods of high unemployment in the UK, US and Australia (Legrain 2020).

The Australian system places a strong focus on granting visas to skilled migrants to address labour market needs, with measures in place to prevent businesses from sourcing low-skilled labour and to ensure that Australian workers are given first priority for jobs. These measures include;

- The Temporary Skilled Migration Income Threshold (TSMIT) which serves two purposes, firstly acting as a “proxy for a skilled occupation and second as a reasonable minimum salary for migrant workers to support themselves in the absence of eligibility for government benefits and assistance” (OECD 2018, pp. 103)
- Skilled occupation lists, including the;
  - The Short-term Skilled Occupations List (STSOL), containing occupations to address short-term labour market needs;
  - The Medium and Long-term Strategic Skills List (MLTSSL), designed to fill high value occupations over the long-term; and
  - The Regional Occupation List (ROL), comprising additional occupations available to regional employers (Commonwealth of Australia 2021)
- Compulsory Labour Market Testing (LMT) for Temporary Skills Shortage visas (482)
- Minimum English Language requirements.

The differing strengths and weaknesses of the demand driven and points-based systems has led Australia to combine the two approaches to meet both long and short-term goals. Assessments of Australia’s labour migration system are generally positive, indicating that it functions well to achieve its goals at the national level (OECD 2018, Joint Departmental Submission 2019).

## 1.2. The Permanent Migration Program

There are two distinct programs that migrants wishing to enter Australia on a permanent basis can pursue. These are the Permanent Migration Program, which includes both a skill stream and a family stream, and the Refugee and Humanitarian Program. Migrants may also arrive on a temporary visa and later apply for permanent residence. Of the two permanent streams, the Permanent Skilled Migration Program is the primary avenue for migration and in 2018/19, almost 70 per cent of permanent migrants to Australia were skilled migrants and their families (Commonwealth of Australia 2018). Rizvi (2020) suggests that employer sponsored permanent migration has traditionally been treated as high priority in the skill stream, with demand for these places resulting in changes in the number of places. Between 2012 to 2018 the Migration Program cap was 190,000, however migrant numbers were well below the ceiling figure in 2017-18 at 162,417, providing justification for a reduction of the ceiling to 160,000 (Sherrell, H. 2019). For 2021-22 the total number of places available is set at 160,000. However, some migration and demography experts have suggested that the waning migration numbers seen since 2017 were not a result of lower demand for places in the program, but were actually a result of increasing processing times, evidenced by escalating numbers of people in Australia on bridging visas (Allen 2020, Rizvi 2020). For instance, Rizvi (2020, p. 32) notes that the number of people on bridging visas has grown from 110,894 in December 2011 to 216,141 in December 2019.

Recently the Grattan Institute undertook modelling which suggests that the permanent skilled migration program should be refocussed away from addressing skills shortages and instead it should aim to prioritise younger, higher-skilled workers (Coates et. al. 2021). This would ensure that migrants who are granted these visas would have the characteristics necessary to be successful in Australia. Implementing this shift would include abolishing occupation lists as well as removing the allocation of points for migrant characteristics that do not specifically generate positive labour market outcomes.

The Permanent Migration Program is comprised of a skill stream, a family stream, and a special eligibility stream. The number of places available in each of these streams is capped, except those for partners and children in the family stream which are demand driven and not subject to a ceiling. Numbers shown for partner and child visas in the table below are DHA estimates, but are not a cap. All other numbers are a set cap for the year, announced as part of the Federal Budget. The number of places available for each visa stream in the 2022-23 Migration Program is outlined in Table 1-1, with 2021-22 places provided for comparison.

**Table 1-1 2021-22 and 2022-23 Migration Program streams and places available**

Stream	Description	2021-22 places	2022-23 places
Skill	This stream is designed to improve the productive capacity of the economy and fill skill shortages in the labour market, including those in regional Australia.	79,600	142,400
Family	This stream is predominantly made up of Partner visas, enabling Australians to reunite with family members from overseas and provide them with pathways to citizenship. The specific breakdown of numbers in each category for 2022-23 is provided below, those with an asterisk (*) are demand driven, with indicative planning levels only. These categories are therefore not capped. Partner: 40,500* Parent: 8,500 Child: 3,000* Other family: 500	77,300	52,500  (Of which 6,500 are capped)
Special eligibility	This stream covers visas for those in special circumstances, including permanent residents returning to Australia after a period overseas.	100	100

Source: DHA 2022a

As shown in Table 1, the most notable changes to the migration program have been to the skill stream and family stream visas. The change to family stream visas is predominantly attributable to a reduction in the estimate of partner visas, with the 2021-22 estimate at 72,300 places and 2022-23 estimate at 40,500 places. The parent visa cap has increased by 89 per cent between 2021-22 and 2022-23, from 4,500 to 8,500 places. Table 1-2 outlines the change in skill stream visa places between 2021-22 and 2022-23 in more detail.

Table 1-2 2021-22 and 2022-23 Migration Program Skill visa stream categories and places available

Skill visa category	2021-22	2022-23
Employer Sponsored	22,000	35,000
Skilled Independent	6,500	32,100
Regional	11,200	34,000
State/Territory Nominated	11,200	31,000
Business Innovations & Investments	13,500	5,000
Global Talent	15,000	5,000
Distinguished Talent	200	300
<b>Total</b>	<b>79,600</b>	<b>142,400</b>

Source: DHA 2022a

Migrants entering Australia through the Humanitarian Program are permanent residents and free to live anywhere in Australia (Economic and Finance Committee 2019). The purpose of the Humanitarian Program is to resettle people in need, rather than to meet Australia’s social and economic goals. The 2022-23 budget has allocated 13,750 places in the Refugee and Humanitarian Program for the year, an additional 4,125 places have been allocated for Afghan nationals each year over a four-year period starting in the 2022-23 financial year (total allocation of 16,500) (DHA 2022b). South Australia’s share of humanitarian migrants is small at around 6 per cent in 2017 (Economic and Finance Committee 2019).

### 1.3. The Temporary Migration Program

The temporary visa program in Australia is largely uncapped and the number of places available in a given year changes in response to business demand for temporary overseas labour. However, policy settings such as minimum salary thresholds, minimum work experience, and potential for permanent residency influence the number of migrants coming to Australia. In 2018 there were nearly 1.6 million temporary migrants in Australia (Commonwealth of Australia 2018). These migrants included students, working holiday makers, temporary skilled migrants and New Zealanders living in Australia. Around 90 per cent of temporary migrants have visas that enable them to work. New Zealanders make up around 40 per cent of temporary migrants, while another quarter are international students (Commonwealth of Australia 2018).

The current temporary skilled visa system consists primarily of four different visa types:

- Temporary Work (Short Stay Specialist) (subclass 400) visa.
- Temporary Work (International Relations) (subclass 403) visa.
- Temporary Activity (subclass 408) visa.
- Temporary Skill Shortage (TSS) visa (subclass 482), which replaced the Temporary Work (Skilled) (subclass 457) visa in March 2018. (Commonwealth of Australia 2019).

Almost half of the individuals granted permanent residency are already in Australia on a temporary visa (Commonwealth of Australia 2018; CEDA, 2018). This indicates that temporary visas are used as a pathway to permanent residency and can play a significant part in deciding who becomes a permanent resident and where they are likely to settle. However, one of the key pathways, via the 457 visa was removed in 2018.



Until 2018 the 457 was Australia's main temporary skilled migration pathway. The OECD (2018) noted that 37 per cent of permanent labour migration flows in 2015/16 were holders of 457 visas. This suggests that the 457 visa was attractive to migrants as a pathway to permanent residency. However, allegations of exploitation and abuse led to the abolition of the 457, replacing it with the 482 visa (or TSS visa). The 482 visa differs in several ways but one of the most significant has been the removal of that pathway for most applicants. There is also the introduction of two streams within the 482 visa, the Short Term Stream which is granted for up to two years, with the possibility of onshore renewal just once, and the Medium Term Stream which enables onshore renewal multiple times after three years and pathways for permanent residency (Commonwealth of Australia 2019). This is in contrast to the 457 visas which were granted for up to four years if the occupation was listed on the Medium and Long-term Strategic Skills List (MLTSSL).

The 482 visa differs from the 457 in the following ways;

- Strengthened English language requirements.
- A requirement for visa applicants to have two years' work experience in their skilled occupation.
- Mandatory labour market testing (LMT), unless an international trade obligation applies, or the occupation or position is considered 'select'.
- Capacity for only one onshore visa renewal under the Short-Term stream.
- Capacity for visa renewal onshore and permanent residence eligibility after three years under the Medium-term stream.
- A non-discriminatory workforce test to ensure employers are not actively discriminating against Australian workers.
- A requirement for all sponsoring employers to pay a contribution to the Skilling Australians Fund (the Fund - administered by Education and Training) by way of a SAF levy (collected by DHA) (Joint Departmental Submission 2019),
- Caveats that exclude selected occupations in certain circumstances.
- A requirement that the applicant be considered a genuine temporary entrant if the applicant's occupation is on the STSOL.

In the 2021-22 program year (to 30 June 2022), 29,030 temporary resident (skilled) visa holders were granted permanent residence or a provisional visa. The vast majority of permanent visa grants to TSS and existing subclass 457 visa holders were in the economic migration stream (93.0 per cent). The top three sponsor industries for 482 TSS visas in 2021-22 were Professional, Scientific and Technical; Information Media and Telecommunications; and Health Care and Social Assistance. The top three occupations specifically were Software Engineer, Chef and Resident Medical Officer (DHA 2022c).

### **Working Holiday Makers**

In addition to the temporary labour migration visas outlined above, working holiday makers (WHM) also contribute significantly to Australia's migrant labour force. The WHM program includes the Working Holiday visa (subclass 417) and Work and Holiday (subclass 462). Its main purpose is to 'foster people-to-people links between Australia and partner countries, with particular emphasis on young adults' (DHA 2019c, p. 3). As at 30 June 2019 there were 42 partner countries and regions with bilateral agreements enabling citizens to come to Australia under the WHM program. Of these, 19 were Working Holiday (subclass 417) visa arrangements and 23 were Work and Holiday (subclass 462) visa arrangements. The key differences between

the two visas are that Work and Holiday visas have caps on the number of visas granted annually and have additional eligibility requirements such as English requirements, successful completion of at least two years of post-secondary study and a letter of home government support (DHA 2019c). Conditions that apply to all WHM applicants include that they must:

- be aged 18-30 (inclusive) at time of application, or 18-35 for citizens of Canada, France and Ireland
- hold a passport from an eligible partner country or region
- not be accompanied by dependent children during their stay in Australia
- meet financial, health and character requirements

Working holiday makers can work for the full duration of their 12-month stay in Australia, though they are usually not able to remain with a single employer for longer than six months except under certain conditions. However, this six month work limitation was temporarily relaxed from 19 January 2022 to 31 December 2022 in order to allow employers to retain trained staff, and the arrangements will be reviewed towards the end of that period (DHA 2022d). First-time 417 and 462 visa holders who complete three months of work in the agriculture, mining or construction industries in regional Australia may also apply for a second 12-month visa (totalling two years). From June 2021, visa holders can also work in tourism and hospitality in northern or remote and very remote Australia to qualify for a second 417 or 462 visa. A third WHM visa is also available to visa holders who carry out six months of the specified work for their respective visas. Industries and roles that count towards ‘specified work’ can change depending on circumstances. For example, bushfire recovery and flood recovery work have both been added to the ‘specified work’ list where relevant, as has critical Covid-19 work in the healthcare and medical sector. Table 1-3 shows that of the 21,315 WHMs that participated in the WHM survey, the majority are employed in hospitality and agriculture (Hordacre et al. 2021).

Table 1-3 Top 10 WHM occupations in 2020 for WHMs that participated in the WHM survey

Occupation group	%
Crop farm worker (e.g. fruit, vegetable, nut picker, farm hand)	21.8%
Waiter	8.5%
Bar attendant or barista	6.3%
Other farm, forestry and garden workers	5.7%
Other hospitality, tourism & sport	5.2%
Hand packer	4.6%
Nanny or au pair	4.0%
Meat, chicken and fish process worker	3.4%
Building labourer	3.1%
Kitchen hand	2.5%

Source: Hordacre et al. 2021

## International students

International students are another significant contributor to the Australian migrant labour force. The OECD (2018) found that between 2010/11-2015/16 students and holders of graduate visas (485 visa holders) accounted for 37 per cent of new permanent skilled independent visas (excluding skilled, employer sponsored and State/Territory nominated).

International students who visit Australia on a Student Visa (subclass 500) can work up to 40 hours per fortnight while their course is in session, or for an unlimited number of hours during course breaks. The student program is demand driven, with no cap on the number of student visas available (OECD 2018). There are different constraints on spouses and partners undertaking work, which depend on the level of course being studied.

Following graduation from at least 2 years full-time study an international student can also apply for a Temporary Graduate Visa (subclass 485). There are no restrictions on the type of work a Temporary Graduate visa holder can do and visa holders may work or study in any field, regardless of their study and qualifications. However, if a 485 visa holder wishes to apply for permanent residency they are incentivised by the additional points they can earn by gaining work experience in their field of study. There are three streams to this visa, including:

- Graduate Work stream - for international students who have recently graduated with the skills and qualifications that relate to an occupation on the Medium and Long-term Strategic Skills List. Applicants in this stream must have completed a trade qualification, diploma or degree. A positive skill assessment is also required at the time of decision. Successful applicants are granted a visa of 18 months validity.
- Post-Study Work stream - for international students who have recently graduated with an Australian Bachelor degree, Masters degree or Doctorate from an Australian educational institution. This stream is only available to international students who applied for, and were granted, their first student visa on or after 5 November 2011. Successful applicants are granted a visa of two, three or four years duration, depending on the highest educational qualification they have obtained.
- Second Post-Study Work stream - for holders of a first Temporary Graduate visa in the post-study work stream who graduated with a degree from an Australian institution located in a regional area. It allows successful applicants to live, work and study in Australia for between 1 and 2 years (DHA, 2022e).

Since December 2016 the proportion of international students in Australia who were studying in the Higher Education sector averaged around 57 per cent. An average of 30 per cent were studying in the Vocational Education and training sector over the same period (DHA 2018 & 2020).

Being able to work during and after the completion of study is an important factor in international students' decision to study in Australia rather than another destination (Tran et. al. 2019). A 2019 survey found that the pathway to permanent residence was the most important feature of the 485 visa for respondents (Tran et. al. 2019). However, only 36 per cent of 485 holders who remained in Australia worked in their field of study compared to almost 50 per cent for those returning to their home country. The most common sectors that 485 visa holders worked in that were not related to their field of study were retail (23 per cent, restaurant and cafes (14 per cent) and the education and training sector (15 per cent) (Tran et. al. 2019).

### 1.4. Recent Developments in Migration Policy and COVID-19

Demand driven migration was identified in a Rudd Government migration review as a means to ensure migrants are employed in industries that have the highest need. This contrasts with independent skilled

migrants who have high human capital but no employment arranged in Australia prior to their arrival. The review took place following the global financial crisis in 2008-09 (Commonwealth of Australia 2010). While the challenges of COVID-19 are very different to those of the GFC, both involved large scale disruption to business in South Australia. The Rudd Government found that demand driven migration would play a useful role in recovery from the GFC.

Since the border closures were introduced in South Australia in March 2020 in response to the COVID-19 pandemic, flows of migrants have been restricted, creating even more acute labour shortages in regional South Australia. Several measures have been introduced to address the crisis, some of which could have long lasting benefits. The measures introduced included:

- Introduction of the Temporary Activity visa (subclass 408) aka 408 COVID-19 Pandemic Event Visa - this visa was introduced to allow migrants working in a critical sector (agriculture, food processing, health care, aged care, disability care, child care, or tourism and hospitality) for up to 12 months (Hawke 2021).
- Removal of work caps for Student Visa holders employed in the tourism and hospitality sector (Hawke 2021) - the 40 hour per fortnight cap on working hours during study periods was removed for students working in these critical sectors.
- Increasing the number of migrants in Australia through the PALM Scheme to address workforce shortages. Under the scheme, Australian businesses can hire workers from nine Pacific Island countries and Timor-Leste to fill unskilled, low-skilled or semi-skilled positions when there are not enough local workers available. Employers can recruit workers for seasonal placements up to 9 months or longer-term placements of between one and 4 years.

### 1.5. Labour Migration in South Australia

Although Australia's labour migration system is highly effective at achieving national goals, its singular application across the nation means that some states have found it more fit for purpose than others (Economic and Finance Committee 2019). Immigration laws in Australia are centrally administered at the Federal level through DHA and are largely applied uniformly across the whole country, with some provisions for areas classified as 'regional and low population growth' (Category 2 or 3). For the purpose of immigration, the whole of South Australia, including metropolitan Adelaide, is classified as regional to encourage migration to the state. In Adelaide, this Category 2 regional status means that it has access to the following regional incentives:

- Priority processing of regional visas
- Access to the Regional Occupations List - more jobs compared to non-regional lists
- International graduates with a bachelor or higher qualification from a regional campus of a registered institution will be eligible to access an additional 1 year in Australia on a post-study work visa.

The rest of South Australia is classified as Category 3 and receives the additional incentives:

- International graduates with a bachelor or higher qualification from a regional campus of a registered institution are eligible to access an additional 2 years in Australia on a post-study work visa
- Priority in negotiating region-specific Designated Area Migration Agreements (DAMAs).

The South Australian Government has entered into two DAMAs:

- The Adelaide Technology and Innovation Advancement Agreement:  
This agreement focuses on Adelaide’s high-tech growth industries including defence, space, technology and advanced manufacturing industries. This DAMA covers metropolitan Adelaide and includes concessions such as increasing the age eligibility from under 45 to under 50 years old for the temporary visa and permanent residence pathway (Economic and Finance Committee 2019).
- South Australian Regional Workforce Agreement:  
This agreement focuses on South Australia’s regional high growth industries including agribusiness, forestry, health and social services, tourism and hospitality, construction and mining. This DAMA covers the entire state of South Australia and includes the following concessions:
  - providing access to additional occupations that are not listed on the standard 482 occupation lists;
  - up to a 10 per cent reduction in the TSMIT and other TSMIT concessions;
  - reducing the English language requirement;
  - concession in the skills assessment;
  - increasing the age limit from under 45 to under 50 years old for the temporary visa and permanent residence pathway (Economic and Finance Committee 2019).

These two agreements make it possible for South Australian businesses to sponsor skilled and semi-skilled overseas workers for positions they cannot fill with local workers.

There are also Industry Labour Agreements (ILA) that South Australian businesses can benefit from. These agreements are industry specific and allow businesses to sponsor skilled overseas workers in specific occupations for up to 4 years and, usually have provisions for pathways to permanent residence.

Existing ILAs include:

- The Dairy Industry Labour Agreement
- The Fishing Industry Labour Agreement
- The Meat Industry Labour Agreement
- The Minister of Religion Labour Agreement
- The On-hire Industry Labour Agreement
- The Pork Industry Labour Agreement
- The Restaurant (fine dining) Industry Labour Agreement
- The Advertising Industry Labour Agreement
- The Horticulture Industry Labour Agreement

In South Australia, there is a preference amongst employers to recruit local workers, however they are finding it increasingly difficult to do so as local people out-migrate for study and better employment opportunities (Economic and Finance Committee 2019). This means that, in some industries, regional employers are becoming increasingly dependent on migrant workers to fill gaps in their operations and opportunities for growth and expansion are hampered by the lack of a readily available workforce.

## 2. METHODS AND DATA

### 2.1. Overview of Approach

The approach for the analysis followed the below steps:

1. Background research
2. Preliminary analysis
3. Stakeholder consultation
4. Economic opportunity analysis
5. Social context and qualitative analysis

Each step is described in further detail below.

#### Step 1: Background research

Reviewed and summarised information specific to industries/cases under consideration to update our understanding of the strategic context of the study and appropriately reference existing information.

#### Step 2: Preliminary analysis

- Prepared the RISE-MR model of South Australia developed in the Opportunities Study by instantiating it and updating its base data with the change in CPI. RISE-MR is a multi-region model of South Australia's economy that describes the inter-regional and inter-industry linkages in the economy.
- Updated the internet vacancies index (IVI) in the vacancies model developed in the Opportunities Study work with the latest available data from the National Skills Commission.
- Reviewed the Regional Workforce data provided by RDA in context of the vacancies model described above and evaluated its utility for the purpose of this study.
- Augmented the vacancies model with Regional Workforce data.
- Developed a preliminary model of the economic opportunity for each focus industry taking vacancies data as given and using placeholder assumptions for the proportion of the vacancies that demand driven migration could appropriately fill.

#### Step 3: Stakeholder consultation

Developed consultation materials to support semi-structured interviews with stakeholders in each focus industry. These were developed based on the questionnaire created as part of the Opportunities Study. The questionnaire included:

- current labour shortages
- current strategies employed to attract and/or maintain skills and people
- current use of the migration program
- potential use of the migration program if its settings were more accommodating
- hypothetical changes to the migration program at either a local, state or national level that would make it more accommodating

- expected impact on business, industry and relevant communities of realising the potential of appropriate migration to fill relevant labour shortages
- other infrastructure or policy constraints relevant to the industry.
- Undertook consultation with stakeholders in each focus industry. Interviews were conducted by phone or video calls.

#### **Step 4: Economic opportunity analysis**

Updated the model described in ‘Preliminary analysis’ with assumptions developed from client communication before running it again.

#### **Step 5: Social context and qualitative analysis**

Analysed consultation data to identify key themes within each industry that connect the business and industry impacts to the impacts on people and communities. We focused on the below key themes:

- Current labour shortages and related community impacts (e.g. reduced quality of aged care due to insufficient staffing)
- Current use of the migration program and hypothetical changes to make it more accommodating
- Both the direct and flow-on impacts of meeting skilled labour needs through an improved migration program (e.g. upskilling local workers, meeting demands more effectively)
- Broader effect of migration on the community (e.g. improved employment rates, local skills growth, more people in the regions, diversity, etc.)

## **2.2. Data**

Data that were utilised in the development of assumptions and economic modelling are detailed below.

**Internet Vacancy Index (IVI)** is a monthly count of online job advertisements compiled by the National Skills Commission (NSC) (NSC 2022). Listings are aggregated from job advertisement websites. All other channels of job advertisement are excluded such as word of mouth, community notice boards and employer websites. Each advertisement is counted once so the dataset does not include multiple positions on one advertisement. As a consequence, it is difficult to estimate the true number of vacant positions based on the IVI. At a national scale, datasets are available at the detailed 4-digit ANZSCO occupation classification or separately by skill level. At the regional scale, datasets are available at the less detailed 2-digit ANZSCO occupation classification. At both the national and regional scales, datasets are published as a 3 month moving average and monthly index. Data from September 2022 was the most recent release at the time of the analysis and was utilised for the economic modelling.

**The Census of Population and Housing, 2016** collects data on South Australia’s workforce structure by industry, region and occupation (ABS 2017). This data provides a detailed breakdown of South Australia’s workforce and was used as a base for understanding the existing structure of employment. The Census data was combined with the Internet Vacancies Index data during the economic modelling stage to estimate the current labour shortage in South Australia by industry.

**Regional Workforce Data (RWD)** was provided by RDA Adelaide Metro and is a monthly count of current job vacancies by industry and region. The RWD aims to capture job advertisements more accurately at the regional level than the estimates generated by the IVI data. The RWD does so by utilising local Facebook job boards and various other data sources in addition to the vacancies listed on the job advertisements websites.

The estimates of the current labour shortage calculated with the IVI and Census data were compared with the number of vacancies estimated by the RWD.

### 2.3. Economic Opportunity Analysis

The analysis is based upon a method and set of models developed by BDO EconSearch in 2021 as part of the Opportunities Study into the economic opportunity foregone in South Australia by migration program settings that are not sensitive to South Australia's workforce needs (BDO EconSearch 2021). As part of the Opportunities Study, a multi-region input-output (MRIO) model of South Australia (known as RISE-MR) was developed for the 2019/20 financial year based on ABS SA4 geography (ABS 2022). This geography divides the state into 7 regions:

1. Adelaide - Central and Hills
2. Adelaide - North
3. Adelaide - South
4. Adelaide - West
5. Barossa - Yorke - Mid North
6. South Australia - Outback
7. South Australia - South East.

This model is capable of estimating the net economic impact on any sector in any region, of some activity occurring in a given sector and region in terms of employment, gross regional product and generation of household income (see Section 2.3.3).

While this demand-side approach is helpful to demonstrate the types of regional and sectorial effects discussed above, it likely overestimates the economic impact as input-output analysis does not incorporate the equilibrating changes in wages and prices also discussed above with respect to general equilibrium modelling.

The hospitality and aged care industry scenarios were modelled separately, using the RISE-MR model for each. Each scenario was developed using a combination of interview data, published data and data from the RISE-MR model itself. In each scenario, demand driven migrants were assumed to migrate with their families in the same proportions as have skilled migrants in recent years, contributing to the demand for goods and services in the regions the families migrate to. They are also assumed to be seeking permanent residence though the modelling undertaken here consider only the first year of effects.

#### 2.3.1. Hospitality industry

The economic opportunity analysis of the hospitality industry followed the below steps:

1. Estimate the current number of job vacancies in the hospitality industry within each SA4 region of South Australia. This involved converting Internet Vacancy Index (IVI) regional vacancy counts from occupations to industries with a set of occupations (ANZSCO 2-Digit) by industry (ANZSIC 1-digit) matrices of employed persons across regions using 2016 Census data (ABS 2017). The hospitality industry was assumed to include 100% of vacancies in the Accommodation and Food Services industry at the ANZSIC 1-digit level. This estimate assumes that one internet advertised vacancy equals one job vacancy. It does not account for jobs advertised through other channels or instances where multiple positions are listed under one advertisement.



2. The estimate generated in Step 1 was compared to the Regional Workforce Data provided by RDA Adelaide Metro. This data is a monthly count of current job vacancies by industry and region that includes job vacancies listed on job advertisements websites, and those listed on local Facebook job boards. The comparison found that in the Accommodation and Food Services industry, the Regional Workforce Data job vacancies estimate was 90 per cent higher than the estimate produced in Step 1. The Step 1 estimate was scaled up by 90 per cent to account for this difference.
3. Transform the ANZCIS 1-digit (19 industries) estimate of regional vacancies in the Accommodation and Food Services industry to the RISE model 78 industry classification. The estimated number of vacancies in the hospitality industry for each of the three non-metropolitan SA4 regions are summarised in Table 2-1.

**Table 2-1** Estimated number of job vacancies in each of the regional SA4's for September 2022 in the hospitality industry

	South Australia: Barossa - Yorke - Mid North	South Australia: Outback	South Australia: South East	South Australia: Regional Total
Accommodation	8	21	42	71
Food and Beverage Services	32	48	139	219
<b>Hospitality Total</b>	<b>40</b>	<b>69</b>	<b>181</b>	<b>290</b>

Source: BDO EconSearch analysis

4. Express vacancies as a proportion of total employment in the industry in each region using estimated workforce data from MRIO model development.
5. Estimate the proportion of current job vacancies that could be filled with new international demand driven migrants. Assume 100% of roles across all regions could be filled with demand driven migration (RDAAM pers. comm.). Multiply this percentage by estimated current job vacancies from Step 2.
6. Assume that filling the vacancies described in Step 3 will increase industry output by the proportions calculated in Step 4.
7. Based on permanent migrant outcomes between 2015-16 and 2019-20 (DHA 2019a, DHA 2019b, DHA 2020), assume that for each 100 primary applicants, there are 28 secondary applicants.
8. Assume a 65% participation rate for the 28 secondary applications (implying that 18 will be employed) and that they undertake similar work to the primary migrant.
9. Apply an increase in output of 18% (based on Step 8) to include the productive activity and demand for goods and services associated with secondary migrants.
10. Shock the MRIO model with the multi-region shock to hospitality industry production described in Step 9.

### 2.3.2. Aged care industry

The economic opportunity analysis of the aged care industry followed the below steps:

1. Estimate the current number of job vacancies in the aged care industry within each SA4 region of South Australia. This involved converting Internet Vacancy Index (IVI) regional vacancy counts from

occupations to industries with a set of occupations (ANZSCO 2-Digit) by industry (ANZSIC 1-digit) matrices of employed persons across regions using 2016 Census data (ABS 2017). Based on the Aged Care Workforce Census Report (Department of Health, 2021), the aged care industry was assumed to include 34% of vacancies in the Health Care and Social Assistance industry at the ANZSIC 1-digit level. This estimate assumes that one internet advertised vacancy equals one job vacancy. It does not account for jobs advertised through other channels or instances where multiple positions are listed under one advertisement.

2. The estimate generated in Step 1 was compared to the Regional Workforce Data provided by RDA Adelaide Metro. This data is a monthly count of current job vacancies by industry and region that includes job vacancies listed on job advertisements websites, and those listed on local Facebook job boards. The comparison found that in the Health Care and Social Assistance industry, the Regional Workforce Data job vacancies estimate was 10 per cent higher than the estimate produced in Step 1. The consistency between the datasets indicates a level of accuracy in the data. Therefore, an adjustment for the Regional Workforce data was not warranted.
3. Transform the ANZSIC 1-digit (19 industries) estimate of regional vacancies in the Health Care and Social Assistance industry to the RISE model 78 industry classification. The estimated number of vacancies in the Health Care and Social Assistance industry attributed to the aged care industry for each of the three non-metropolitan SA4 regions are summarised in Table 2-2.

**Table 2-2** Estimated number of job vacancies in each of the regional SA4's for September 2022 in the aged care industry

	South Australia: Barossa - Yorke - Mid North	South Australia: Outback	South Australia: South East	South Australia: Regional Total
Aged Care	31	59	105	196

Source: BDO EconSearch analysis

4. Express vacancies as a proportion of total employment in the industry in each region using estimated workforce data from MRIO model development.
5. Estimate the proportion of current job vacancies that could be filled with new international demand driven migrants. Assume 100% of roles across all regions could be filled with demand driven migration (RDAAM, pers. comm.). Multiply this percentage by estimated current job vacancies from Step 2.
6. Assume that filling the vacancies described in Step 3 will increase industry output by the proportions calculated in Step 4.
7. Based on permanent migrant outcomes between 2015-16 and 2019-20 (DHA 2019a, DHA 2019b, DHA 2020), assume that for each 100 primary applicants, there are 28 secondary applicants.
8. Assume a 65% participation rate for the 28 secondary applications (implying that 18 will be employed) and that they undertake similar work to the primary migrant.
9. Apply an increase in output of 18% (based on Step 8) to include the productive activity and demand for goods and services associated with secondary migrants.
10. Shock the MRIO model with the multi-region shock to aged care industry production described in Step 9.

### 2.3.3. Indicators of economic activity

The results from the modelling are presented using the indicators of economic activity defined in this section.

- **Employment:** Employment numbers are reported in either full time equivalent (fte) units or total job units defined as follows:
  - **Fte jobs:** is a way to measure a worker's involvement in a project or industry activity. An fte of 1.0 means that the person is equivalent to a full-time worker, while an fte of 0.5 signals that the worker is only half-time. Typically, different scales are used to calibrate this number, depending on the type of industry and scope of the analysis but the basic calculation is the total hours worked divided by average annual hours worked in full-time jobs. In our analysis, 1 fte is equivalent to 37.5 hour weeks. In some industries, the average week is longer than 37.5 hours so there are more fte jobs than total jobs.
  - **Total jobs:** is used to refer to the number of workers employed in an industry at any point in time.
- **Gross Regional Product (GRP):** is a measure of the contribution of an activity to the economy. GRP is measured as value of gross output (business revenue) less the cost of goods and services (including imports) used in producing the output. In other words, it can be measured as the sum of household income, gross operating surplus and gross mixed income net of payments to owner managers and taxes less subsidies on products and production. It represents payments to the primary inputs of production (labour, capital and land). Using GRP as a measure of economic impact avoids the problem of double counting that may arise from using value of output for this purpose. GRP is referred to as gross state product (GSP) at the state scale and gross domestic product (GDP) at the national scale.
- **Household Income:** is a measure of the wages and salaries of employees and the drawings of owner operators. Household income is a component of GRP and is included in the GRP values in this report but is also reported separately to provide an understanding of how much of the value represented by GRP is received on households.

## 2.4. Social Impact Analysis

The survey aimed to identify the potential economic benefit to South Australia and its regions of making it easier for businesses to address workforce needs through migration in the hospitality and aged care industries. Businesses and associations were asked about the extent of the labour shortages, the drivers of the shortages and the measures taken to combat the shortages. Additionally, interviewees were asked about infrastructure and policy constraints that impact the use of the migration program, barriers of the current immigration system and hypothetical changes that would facilitate greater utilisation of the current immigration system. Specific questions about the impacts on the businesses, industry and region if current vacancies were filled by migrants were also included.

BDO EconSearch contacted businesses and associations in the hospitality and aged care industries to invite them to participate in the research. Phone calls and emails were used to approach organisations, and interviews were then conducted using phone or video call. Six organisations from the South Australian hospitality industry and five organisations from the South Australian aged care industry participated in the interviews process. Thematic analysis was conducted on the interview responses to extract key themes and concepts from the interviews.

## 3. SOUTH AUSTRALIAN HOSPITALITY INDUSTRY

### 3.1. Background

The labour shortage in the hospitality industry is significantly affecting Australian businesses, with estimates suggesting approximately 200,000 additional hospitality workers are needed throughout Australia (Lewin 2022). Hospitality has been one of the hardest-hit sectors during the pandemic, and data from Seek reveals that applicants for hospitality jobs are at a two-year low, with the number of job ads at a two-year-high, jumping 20 per cent in February 2022 alone (Powell 2022).

Based on the 2016 Census, the occupations with the largest number of employees in the hospitality industry are waiters, kitchenhands, sales assistants, chefs, café/restaurant managers, bar attendants, fast food cooks and baristas (ABS 2017). Currently across Australia the top five hospitality job vacancies according to Lewin (2022) are:

1. Bar and wait staff
2. Kitchen staff
3. Management roles
4. Baristas
5. Hotel staff.

Managers within the hospitality industry say it has become impossible to find skilled staff locally due to many experienced restaurant workers turning to other careers during the pandemic's prolonged lockdowns. Some suggest that hospitality employees couldn't work throughout Covid-19 and instead turned to jobs in other industries and occupations. These positions offered less working hours for comparable pay and better quality of life, and workers opted not to return to the hospitality industry once businesses reopened (Graaff 2022).

Key employment groups within the industry include backpackers, students and visa holders, and these workers became unavailable throughout Covid-19 due to a variety of factors. Typically, businesses rely on these employment options to fill the gaps and cover the more seasonal work, and the lack of this opportunity has added pressure on the labour shortage. It is suggested that it will take a number of years to rebuild the hospitality workforce (Graaff 2022; Lewin 2022).

Some employers are spending hundreds of dollars on advertising for positions and finding that around 60 percent of applicants simply don't show up, and the ones that do are lacking the required skill set, despite the competitive wages (Graaff 2022). As a result, hospitality venues across the country including high-profile bars and restaurants have embarked on multimillion-dollar overseas hiring campaigns to secure staff such as chefs, sommeliers and front-of-house managers (Powell 2022).

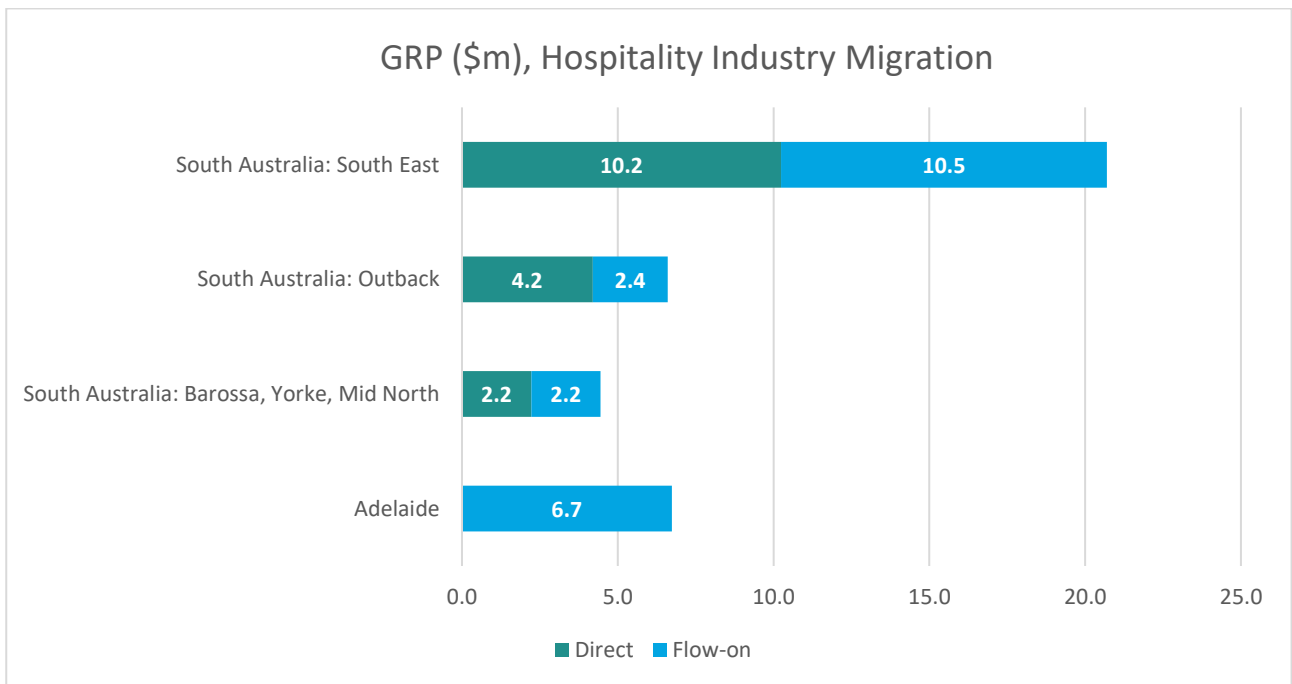
Hospitality businesses are still paying the same amount in overheads and running costs as they were prior to Covid-19, but are only able to manage 50 to 60 percent of the total output they were delivering before the Covid-19 pandemic (Graaff 2022). This results in customers facing a 25 per cent increase in wait times, reservation unavailability, increased costs, limited menus and opening hours and a decline in service quality (Lewin 2022). Reducing capacity is currently businesses' only way to manage decent service with such a significant staff shortage.

### 3.2. Economic Opportunity Analysis

The economic opportunity method used for the analysis is detailed in Section 2.3.1. As shown in Table 2-1, there are 290 current vacancies in the hospitality industry across the three regional SA4's in South Australia. The demand side economic effects of filling the 290 current aged hospitality vacancies in regional South Australia with 100 per cent migrant labour are presented in this section. The direct effects measure the employment and production of the migrants themselves. The flow-on effects measure the flow-on economic activity generated indirectly throughout the state economy by the migrants.

The results are from a static ('day after') perspective which does not consider dynamic or equilibrating effects. From this perspective and in addition to the employment and production of the migrants themselves, we expect that filling the 290 current hospitality vacancies in regional South Australia with demand driven migrants would generate approximately 173 fte jobs and \$21.8 million of gross state product in the South Australian economy through flow-on effects. While the scenario modelled includes no migration to Adelaide, approximately \$6.7m in gross regional product and 53 fte jobs are expected to be generated in Adelaide due to the inter-regional economic linkages to the regions (Figure 3-1).

Figure 3-1 Additional direct and flow-on GRP by region associated with filling current hospitality vacancies in regional South Australia with demand driven migrants, 2021/22



Source: BDO EconSearch analysis

The estimated economic impact on each region is presented in more detail in Table 3-1.

Across regional South Australia, approximately 120 fte jobs are expected from flow-on effects, mostly in the top 6 impacted sectors:

- Health (14 fte jobs)
- Retail (11 fte jobs)
- Administrative Support Services (11 fte jobs)
- Education (8 fte jobs)
- Meat Processing (8 fte jobs)
- Food and Beverage Services (8 fte jobs).

The South East region has the highest flow-on GRP and fte jobs of the three regions, \$10.5 million and 84 fte jobs respectively. The Outback region has the second highest flow-on economic activity (\$2.4 million of GRP and 19 fte jobs), and the Barossa, Yorke and Mid North region has the lowest flow-on activity (\$2.2 million of GRP and 18 fte jobs).

While the scenario modelled includes no migration to Adelaide, approximately \$6.7m in gross regional product and 53 fte jobs are expected to be generated in Adelaide due to the inter-regional economic linkages to the regions. Most of the employment is expected in the top 6 impacted sectors:

- Administrative Support Services (9 fte jobs)
- Professional, Scientific and Technical Services (8 fte jobs)
- Wholesale (3 fte jobs)
- Personal and Other Services (3 fte jobs)
- Road Transport (3 fte jobs)
- Insurance (3 fte jobs).

The demand side economic effects of filling the 290 current hospitality vacancies in regional South Australia with 25 per cent migrant labour are presented in Appendix Table 1-1. Filling 25 per cent of current hospitality vacancies in regional South Australia with demand driven migrants would fill 72 positions and generate approximately 43 fte jobs and \$5.5 million of gross state product in the South Australian economy through flow-on effects.

Table 3-1 Demand side economic effects of filling current hospitality vacancies in regional South Australia with demand driven migrants, 2021/22

	South Australia: Barossa - Yorke - Mid North	South Australia: Outback	South Australia: South East	<i>Regional South Australia Total</i>	Adelaide	South Australia Total
<b>GRP (\$m)</b>						
Direct	2.2	4.2	10.2	<b>16.7</b>	0.0	<b>16.7</b>
Flow-on	2.2	2.4	10.5	<b>15.1</b>	6.7	<b>21.8</b>
Total	4.4	6.6	20.7	<b>31.8</b>	6.7	<b>38.5</b>
<b>Household income (\$m)</b>						
Direct	1.5	2.6	6.9	<b>11.0</b>	0.0	<b>11.0</b>
Flow-on	1.2	1.4	5.9	<b>8.6</b>	4.1	<b>12.7</b>
Total	2.8	4.0	12.8	<b>19.6</b>	4.1	<b>23.7</b>
<b>Employment (total)</b>						
Direct	48	81	213	<b>342</b>	0	<b>342</b>
Flow-on	18	20	86	<b>124</b>	54	<b>178</b>
Total	65	101	299	<b>466</b>	54	<b>520</b>
<b>Employment (fte)</b>						
Direct	37	64	166	<b>266</b>	0	<b>266</b>
Flow-on	18	19	84	<b>120</b>	53	<b>173</b>
Total	55	83	249	<b>387</b>	53	<b>440</b>

Source: BDO EconSearch analysis

### 3.3. Social Impact Analysis

Published data and statistics go some way to describing the labour situation of hospitality businesses in South Australia but to understand the factors that underlie businesses' persistent struggle to meet their workforce needs and the practical considerations for using migration to address some of this need, semi-structured interviews were undertaken with a cross section of businesses, industry associations and regional organisations across South Australia's hospitality industry. This section presents the findings from this consultation.

#### 3.3.1. Labour shortages in regional SA

The interviews confirmed that hospitality businesses in regional South Australia are experiencing critical labour shortages. The impact of Covid-19 has created a variety of issues for hospitality employers due to both the nature of the industry and the nature of the employees. Interviewees also expressed that filling vacancies in food and beverage services has been particularly challenging.

The reasons provided by participants for the current shortages in the hospitality industry are all largely related to Covid-19 and include:

- Lack of international students due to Covid-19. The industry relies quite heavily on international students employed on a part-time and casual basis. This was no longer an option for employers.
- Lack of backpackers due to Covid-19 border closures. The hospitality industry also relies quite heavily on backpackers to work seasonal positions. This was also no longer an option for employers.
- Significant numbers of employees were lost when the job keeper program began. Employees within businesses who had held their position for under 12 months prior to job keeper weren't eligible and lost their positions as a result.
- Covid-19 restrictions were constantly changing, this made the hospitality industry seem unreliable and therefore undesirable as an employment option. Businesses saw talented and skilled hospitality professionals exiting the industry and taking their skills into other occupations.
- Additionally, businesses saw Australians travelling more domestically. This market base added additional demand to some accommodation and venues, exacerbating the staff shortage further.

In order to effectively retain and recruit staff members in the current labour market, hospitality businesses have taken temporary measures such as:

- Hiring less skilled employees to fill the gaps despite a lack of experience.
- Attempted to use recruitment agency staff. Businesses found this option unviable as recruitment agencies are low on staff themselves and were unable to effectively fill positions.
- As a last resort, businesses have been turning away customers simply because they don't have the capacity to meet the demand.

All businesses agree that these measures are not sustainable and a more long term solution is required.

### 3.3.2. Barriers and proposed changes to facilitate access to migrant labour

The interviews indicated that there are many changes that would make it easier for hospitality businesses to engage with the immigration system. With a small sample of just six businesses, no reliable conclusions can be made from these results, though it provides a starting point for wider consultations.

The infrastructure and policy challenges that businesses are facing when attempting to recruit and relocate staff members to regional South Australia include:

- Migration rules make it difficult to retain staff unless sponsoring them directly.
- Bureaucratic issues make it difficult to contact people in the department and support flexibility if circumstances change.
- A significant proportion of vacancies the businesses are seeking to fill are front of house workers. This is considered unqualified labour and there are no opportunities to sponsor unskilled front of house staff workers within the current system.
- Housing availability is a critical issue across the board in regional South Australia.

Further to this, the specific barriers businesses face to using the current immigration system to meet current and future workforce needs in South Australia include:

- The process is time and resource intensive, specifically the length of time is a significant barrier for these overcapacity businesses.



- The large financial cost with no guaranteed outcome. This creates a large risk for the businesses with potentially no reward.
- Lack of education and ease of access about the immigration process and options available to businesses.

Table 3-2 shows the proportion of the total surveyed businesses who responded that each change would make their business more likely to sponsor international migrants. The changes to the immigration system most likely to facilitate greater utilisation from South Australian hospitality businesses include reducing the cost of accessing the migration program, reducing processing times, allowing pathways to permanent residency for temporary visa holders, broadening of the skill definitions beyond those used in ANZSCO and designing programs that make it easier for businesses to retain migrants longer-term.

**Table 3-2** Specific changes to the current immigration system that would facilitate greater utilisation from South Australian hospitality businesses

Suggested change	% total <sup>a</sup>
Reduce the cost to access the migration program	100%
Reduce processing times	100%
Allow pathways to permanent residency for temporary visa holders	100%
Broadening of the skill definitions beyond those used in ANZSCO	100%
Design programs that make it easier for businesses to retain migrants longer-term	100%
Simplify the application process	83%
Allow a business to employ a migrant worker in a regional area to work in more than one role	83%
Lowering the current Temporary Skilled Migration Income Threshold (TSMIT)	83%
Removing the TSMIT and allowing a business to pay wages based on the higher of the relevant award or market salary rates	83%
Simplify the labour market testing (LMT) requirements	67%
Increase the age eligibility, allowing you to employ older migrants than are currently permitted	67%
Broadening the number of jobs/occupations available	67%
Broadening the migration program to include lower skilled occupations	67%
Broadening of occupation definitions to include jobs that may span several classifications	67%

<sup>a</sup> % of surveyed hospitality businesses that responded that this change would make their business more likely to sponsor international migrants

### 3.3.3. Broader impacts of the current system

Participants also identified a range of benefits that could eventuate if they were able to access migrant labour more easily, some of which would extend to the wider community. Several businesses noted that they are currently unable to operate at full capacity. A sustainable migrant labour solution could allow business owners to expand their operations back to normal capacity and give them the confidence to invest in their business. Within the hospitality industry, the increased capacity of businesses would allow them to

deliver better customer service and customer satisfaction. Additionally, a labour shortage solution would allow current staff to work less, which would promote staff wellbeing and retention.

More broadly, the impacts on the industry and regions would include:

- Service standards and reputations of hospitality business would improve. This could improve the existing tourism and hospitality industries more broadly and bring more people into South Australia.
- Higher retention of Australian's already employed in the labour market. If more workers are employed within businesses, shifts per worker can be reduced. This would result in better working conditions for staff and create the opportunity to retain more Australians that are already employed.
- The better work-life balance for existing staff would allow them to be more actively involved in the community and take more frequent leave from work.
- Increased business activity would result in more money flowing through local businesses, which would in turn facilitate general benefits to the local community and broader economy.

## 4. SOUTH AUSTRALIAN AGED CARE INDUSTRY

### 4.1. Background

Labour supply in the aged care industry is a growing problem nationally, with estimates suggesting approximately 35,000 additional aged care workers are needed per year in order to address the growing skill shortage in the industry (Swerissen 2022). The aged care industry provides a range of programs and services across different levels of needs, including:

- assistance with everyday living activities, such as cleaning, laundry, shopping, meals and social participation
- respite
- equipment and home modifications, such as handrails
- personal care, such as help getting dressed, eating and going to the toilet
- health care, including nursing and allied health care
- accommodation.

Over two thirds of aged care services are provided to people in their own home, with residential aged care intended as an option once older people become unable to continue living in their own homes with support. Aged care services were provided to around 1.3 million people in Australia in 2018-19 (Royal Commission 2021).

However, the aged care industry has faced labour shortages, including both in quantity and skill levels of staff, and has come under scrutiny about the quality of care services (Royal Commission 2021). Aged care work itself is difficult, both physically and emotionally, while staff are often poorly paid and work is heavily casualised with limited career pathways (Swerissen 2022; Swerissen and Duckett 2022). It has been suggested that the industry's image was heavily impacted by both the COVID-19 pandemic and the royal commission, affecting its attractiveness as an employment option (Daniel 2022). A recent Aged Care Royal Commission made several suggestions about the training, remuneration and work conditions for aged care staff, pointing to the inextricable link between quality of care and quality of jobs (Royal Commission 2021).

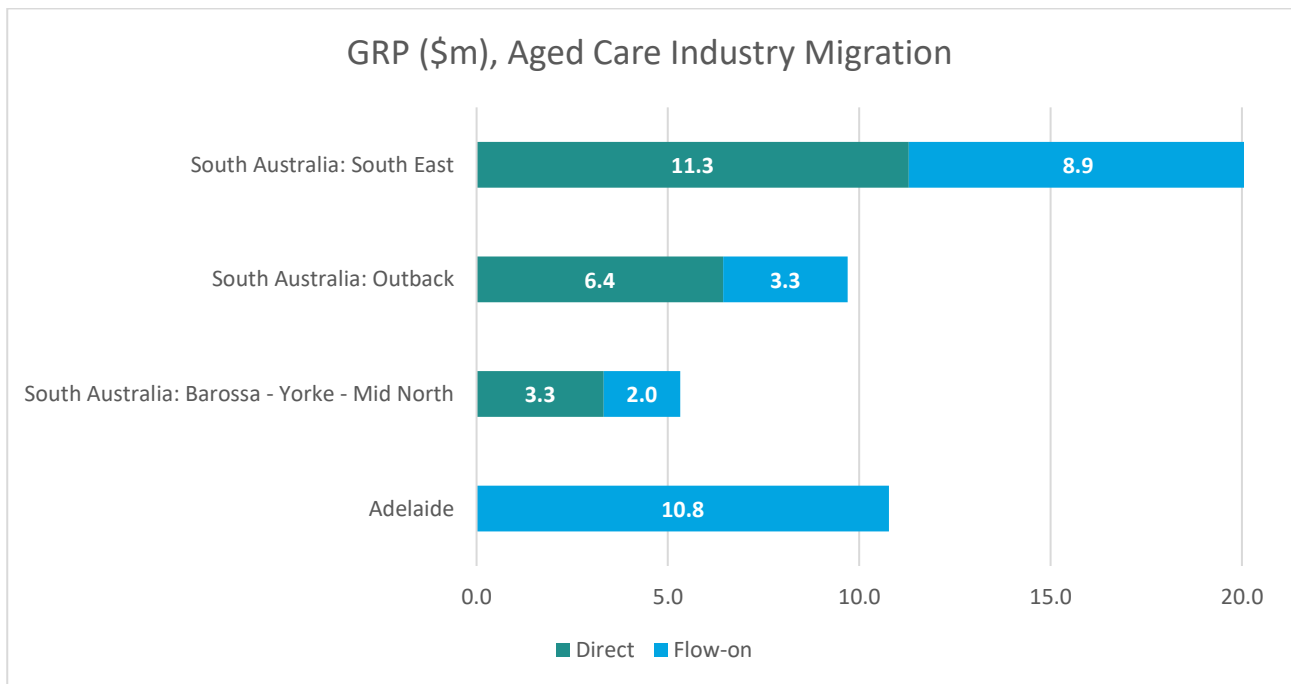
Studies suggests that only 5 per cent of Australian aged care providers have sufficient staff to meet new mandatory minimum ratios implemented for 2023, and many are simply unable to find more staff (Sutton and Ma 2022; Swerissen 2022). Among many other critical strategies, skilled migration can play a role in fixing immediate and long-term labour shortages in the aged care industry (Swerissen 2022). One new strategy to tackle labour shortages is the Pacific Australia Labour Mobility (PALM) scheme, allowing eligible aged care providers to hire workers from nine Pacific islands and Timor-Leste for between one and four years in unskilled, low skilled and semi-skilled positions if local workers are not available. However, it is suggested that out of the 27,000 PALM workers in Australia, there were only around 150 PALM workers in the care sector at the end of 2021 (Swerissen 2022). The general permanent and temporary migration programs have been criticised for long processing times, taking anywhere from six to nine months for permanent migration and longer for temporary migration (AHWC 2021). Some suggest that labour agreements allowing employers to sponsor overseas migration to Australia with a clear pathway to permanent residency, such as those in place in the dairy, fishing and meat industries, could be a solution for the aged care industry (Daniel 2022).

## 4.2. Economic Opportunity Analysis

The economic opportunity method used for the analysis is detailed in Section 2.3.2. As shown in Table 2-2, there are 196 current vacancies in the aged care industry across the three regional SA4's in South Australia. The demand side economic effects of filling the 196 current aged care vacancies in regional South Australia with 100 per cent migrant labour are presented in this section. The direct effects measure the employment and production of the migrants themselves. The flow-on effects measure the flow-on economic activity generated indirectly throughout the state economy by the migrants.

The results are from a static ('day after') perspective which does not consider dynamic or equilibrating effects. From this perspective and in addition to the employment and production of the migrants themselves, we expect that filling the 196 current aged care vacancies in regional South Australia with demand driven migrants would generate approximately 192 fte jobs and \$24.9 million of gross state product in the South Australian economy through flow-on effects. While the scenario modelled includes no migration to Adelaide, approximately \$10.8m in gross regional product and 85 fte jobs are expected to be generated in Adelaide due to the inter-regional economic linkages to the regions (Figure 4-1).

Figure 4-1 Additional direct and flow-on GRP by region associated with filling current aged care vacancies in regional South Australia with demand driven migrants, 2021/22



Source: BDO EconSearch analysis

The estimated economic impact on each region is presented in more detail in Table 4-1.

Across regional South Australia, approximately 108 fte jobs are expected from flow-on effects, mostly in the top 6 impacted sectors:

- Retail (17 fte jobs)
- Health (13 fte jobs)
- Food and Beverage Services (12 fte jobs)
- Education (8 fte jobs)
- Administrative Support Services (7 fte jobs)
- Wholesale (7 fte jobs).

The South East region has the highest flow-on GRP and fte jobs of the three regions, \$8.9 million and 69 fte jobs respectively. The Outback region has the second highest flow-on economic activity (\$3.3 million of GRP and 24 fte jobs), and the Barossa, Yorke and Mid North region has the lowest flow-on activity (\$2.0 million of GRP and 15 fte jobs).

While the scenario modelled includes no migration to Adelaide, approximately \$10.8m in gross regional product and 85 fte jobs are expected to be generated in Adelaide due to the inter-regional economic linkages to the regions. Most of the employment is expected in the top 7 impacted sectors:

- Professional, Scientific and Technical Services (12 jobs)
- Administrative Support Services (10 fte jobs)
- Education (5 fte jobs)
- Retail (5 fte jobs)
- Health (5 fte jobs)
- Wholesale (5 fte jobs)
- Personal and Other Services (5 fte jobs).

The demand side economic effects of filling the 196 current aged care vacancies in regional South Australia with 25 per cent migrant labour are presented in Appendix Table 1-2. Filling 25 per cent of current aged care vacancies in regional South Australia with demand driven migrants would fill 49 positions and generate approximately 48 fte jobs and \$6.2 million of gross state product in the South Australian economy through flow-on effects.

Table 4-1 Demand side economic effects of filling current aged care vacancies in regional South Australia with demand driven migrants, 2021/22

	South Australia: Barossa - Yorke - Mid North	South Australia: Outback	South Australia: South East	<i>Regional South Australia Total</i>	Adelaide	South Australia Total
<b>GRP (\$m)</b>						
Direct	3.3	6.4	11.3	<b>21.1</b>	0.0	<b>21.1</b>
Flow-on	2.0	3.3	8.9	<b>14.1</b>	10.8	<b>24.9</b>
Total	5.3	9.7	20.1	<b>35.2</b>	10.8	<b>45.9</b>
<b>Household income (\$m)</b>						
Direct	3.2	5.9	10.7	<b>19.7</b>	0.0	<b>19.7</b>
Flow-on	1.1	1.7	4.9	<b>7.6</b>	6.7	<b>14.3</b>
Total	4.2	7.6	15.5	<b>27.3</b>	6.7	<b>34.0</b>
<b>Employment (total)</b>						
Direct	37	70	124	<b>231</b>	0	<b>231</b>
Flow-on	16	26	73	<b>115</b>	88	<b>203</b>
Total	53	96	198	<b>347</b>	88	<b>434</b>
<b>Employment (fte)</b>						
Direct	32	61	107	<b>199</b>	0	<b>199</b>
Flow-on	15	24	69	<b>108</b>	85	<b>192</b>
Total	47	84	175	<b>306</b>	85	<b>391</b>

Source: BDO EconSearch analysis

### 4.3. Social Impact Analysis

Published data and statistics go some way to describing the labour situation of aged care businesses in South Australia but to understand the factors that underlie businesses' persistent struggle to meet their workforce needs and the practical considerations for using migration to address some of this need, semi-structured interviews were undertaken with a cross section of businesses, industry associations and regional organisations across South Australia's aged care industry. This section presents the findings from this consultation.

#### 4.3.1. Labour shortages in regional SA

The interviews confirmed that aged care businesses in regional South Australia are experiencing critical labour shortages. They also established that these roles cannot be addressed with local recruitment due to the skills gap. Although many participants mentioned the additional challenges that Covid-19 border closures have presented, the labour shortages pre-date those restrictions due the aging population in Australia. The impact of Covid-19 has added additional pressure to the existing labour gap and the shortage within the South Australian aged care industry is now substantial.

The reasons provided by participants for the current shortages in the aged care industry include:

- The aged care industry has an aging population of staff. Consequently, many staff members are retiring and less new people entering the workforce.
- A major recent issue for businesses has been staff leaving the aged care industry and moving to Covid-19 related work. This work includes immunisation clinics and hospitals where staff are enticed by higher remuneration.
- Less availability of staff due to catching Covid-19 or being a close contact. The restriction of staff not being able to work normal hours has added pressure to the workload of existing staff, resulting in a larger pool of staff being required.
- Some staff also left the industry due to Covid-19 vaccine mandates.
- Prior to Covid-19, businesses could employ people on bridging visas or international students. This was no longer an option.

In order to effectively retain and recruit staff members in the current labour market, aged care businesses have taken measures such as:

- Used recruitment agency staff when absolutely necessary, despite strong hesitation to do so. Interviewed aged care businesses were against the use of recruitment agencies due to the costs, risks and reliability. Businesses also mentioned that recruitment agencies are low on staff themselves so they do not always reach a favourable outcome.
- Reviewed roles and tasks completed by staff within the business to improve efficiencies. Businesses have reshuffled current staff members and restructured systems to increase capacity. For example, hiring low skilled unqualified staff to complete administrative tasks so the qualified staff can take on more work requiring higher qualifications.
- Increasing staff remuneration where possible, to try to attract/retain people and remain competitive.
- As a last resort, businesses have been turning away clients simply because they don't have the capacity to meet the demand. This is of course bad for the businesses, but also unfortunate for the clients.

#### 4.3.2. Barriers and proposed changes to facilitate access to migrant labour

The interviews indicated that there are many changes that would make it easier for aged care businesses to engage with the immigration system. With a small sample of just five businesses, no reliable conclusions can be made from these results, though it provides a starting point for wider consultations.

The infrastructure and policy challenges that businesses are facing when attempting to recruit and relocate staff members to regional South Australia include:

- Housing availability is critical issue across the board in regional South Australia. Childcare availability and the lack of reliable public transport options across regional South Australia are also an issue.
- The work is not very secure as jobs are typically casual in nature and do not have a set number of guaranteed hours. One business owner suggested moving to a variable hour part time model similar to the mining industry.
- Although there are skilled migrants in the industry, their qualifications don't necessarily align with Australian standards. The offering of accessible training courses that meet Australian standards could improve this issue.

Further to this, the specific barriers businesses face to using the current immigration system to meet current and future workforce needs in South Australia include:

- The cost can be prohibitive, for smaller businesses especially. Many aged care businesses are also not-for-profit so this often isn't a viable option.
- The process is time and resource intensive with no guaranteed outcome.
- There is a high risk of staff being 'poached' once they are here since so many businesses are desperate for staff. Using the process to fill positions is therefore a large investment with high risk.
- Accommodation availability is crucial. Another option available for businesses is the PALM scheme, but they need to be able to provide accommodation for that.
- Home care work is often on a part time or casual basis, which does not include consistent full time equivalent hours. This can also be a barrier for sponsoring migrants.

Table 4-2 shows the proportion of the total surveyed businesses who responded that each change would make their business more likely to sponsor international migrants. The changes to the immigration system most likely to facilitate greater utilisation from South Australian aged care businesses include simplifying the application process, reducing processing times, reducing the cost of accessing the migration program and allowing pathways to permanent residency for temporary visa holders.



Table 4-2 Specific changes to the current immigration system that would facilitate greater utilisation from South Australian aged care businesses

Suggested change	% total <sup>a</sup>
Simplify the application process	100%
Reduce processing times	100%
Reduce the cost to access the migration program	80%
Allow pathways to permanent residency for temporary visa holders	80%
Simplify the labour market testing (LMT) requirements	60%
Broadening the number of jobs/occupations available	60%
Broadening the migration program to include lower skilled occupations	60%
Design programs that make it easier for businesses to retain migrants longer-term	60%
Allow a business to employ a migrant worker in a regional area to work in more than one role	40%
Increase the age eligibility, allowing you to employ older migrants than are currently permitted	40%
Lowering the current Temporary Skilled Migration Income Threshold (TSMIT)	20%
Removing the TSMIT and allowing a business to pay wages based on the higher of the relevant award or market salary rates	20%
Broadening of the skill definitions beyond those used in ANZSCO	20%
Broadening of occupation definitions to include jobs that may span several classifications	20%

<sup>a</sup> % of surveyed aged care businesses that responded that this change would make their business more likely to sponsor international migrants

### 4.3.3. Broader impacts of the current system

Participants also identified a range of benefits that could eventuate if they were able to access migrant labour more easily, some of which would extend to the wider community. Particularly, several participants noted how difficult it was to improve their business when they are constantly needing to deal with labour shortages. A sustainable migrant labour solution could allow business owners to work on management systems to improve productivity and, importantly, give them the confidence to invest in their business, knowing that they have the labour force to meet increased demand. Within the aged care industry, the increased capacity of businesses would allow them to take on more clients. This would permit businesses to provide access to care for people that need it, and the increased capacity would support them taking on the clients that are currently on waiting lists. Additionally, a labour shortage solution would allow current staff to work less, which would promote staff wellbeing and retention. As a result of these factors, the quality of service offered to aged care clients would meaningfully improve.

More broadly, the impacts on the industry and regions would include:

- Taking the burden off families acting as carers. Having access to aged care support would allow family carers to go back to work. In turn, this would reduce the emotional burden associated with caring for

a loved one and improve the mental health of these family members. These people can reduce their carer commitments and become more actively involved in the community.

- If aged people are getting the care they need, it allows them to participate in their communities for longer, and this has social benefits for all involved.
- Reduce the burden on hospitals by providing more effective care to the aged. This would reduce the healthcare resources they require from other services and result in less pressure on the hospital system, less ramping and reduced costs to taxpayer.
- The better work-life balance for existing staff would allow them to be more actively involved in the community and take more frequent leave from work.
- The NDIS and other commonwealth funding could make its way into SA at a larger scale, which would have further economic benefits to local communities.

## 5. CONCLUSION

The economic and social impact analysis in the report focuses on the economic opportunity foregone in South Australia by migration program settings that are not sensitive to South Australia's workforce needs. This report focusses on two industries:

1. Hospitality Industry in South Australia
2. Aged Care Industry in South Australia

The economic contribution analysis focuses on three non-metropolitan regions in South Australia but also reports results for all of Regional South Australia, Adelaide and South Australia. Table 3-1 and Table 4-1 shows the impact of filling 290 current hospitality vacancies and 196 current aged care vacancies in Regional South Australia with 100 per cent migrant labour. The results highlight that besides the direct benefits that are reflected through higher GRP and additional household income due to direct activities by migrant labour, a cascading effect is created within the regions which spills over to the Adelaide metropolitan area through flow-on effects. These flow-on benefits in terms of additional GRP and additional fte employment would not be possible without the opportunity to fill the vacant positions.

The social impact analysis presents consolidated views from stakeholder consultation and highlights the labour shortage issues currently faced by our focus industries. This analysis conveyed the importance to businesses of being able to access migrant labour and the impediments businesses face when attempting to use the immigration system. This analysis also identified a range of benefits to businesses and the broader community that could eventuate if businesses were able to access migrant labour more easily.

Overall, the aged care industry requires a more experienced and skilled workforce, and the work could be considered more taxing than the hospitality industry. Businesses are struggling to entice staff due to the often-difficult work (e.g. caring for dementia patients), and the smaller number of hours employees can work. Covid-19 related shortages in qualified medical staff have contributed to labour shortages, and there are clear pathways for immigration to fill these gaps. Comparatively, the hospitality industry has historically relied on transient, unskilled foreign workers, particularly working holiday makers and international students. The industry has been heavily impacted by Covid-19 immigration restrictions and is well placed to use unskilled immigration to fill these gaps. However, immigration is one part of a more complex issue in the hospitality industry's growing inability to out-compete other industries in terms of the work conditions, job security and work-life balance that they can offer. This is due to casualisation of staff, growing overhead costs and business security, and the lack of 'work from home' opportunities for hospitality staff which are now prevalent in many other industries.

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## Disclaimer

The assignment is a consulting engagement as outlined in the 'Framework for Assurance Engagements', issued by the Auditing and Assurances Standards Board, Section 17. Consulting engagements employ an assurance practitioner's technical skills, education, observations, experiences and knowledge of the consulting process. The consulting process is an analytical process that typically involves some combination of activities relating to: objective-setting, fact-finding, definition of problems or opportunities, evaluation of alternatives, development of recommendations including actions, communication of results, and sometimes implementation and follow-up.

The nature and scope of work has been determined by agreement between BDO and the Client. This consulting engagement does not meet the definition of an assurance engagement as defined in the 'Framework for Assurance Engagements', issued by the Auditing and Assurances Standards Board, Section 10.

Except as otherwise noted in this report, we have not performed any testing on the information provided to confirm its completeness and accuracy. Accordingly, we do not express such an audit opinion and readers of the report should draw their own conclusions from the results of the review, based on the scope, agreed-upon procedures carried out and findings.

## APPENDIX 1 Economic opportunity analysis assuming 25 per cent of vacancies are filled with demand driven migration

Appendix Table 1-1 Demand side economic effects of filling 25 per cent of current hospitality industry vacancies in regional South Australia with demand driven migrants, 2021/22

	South Australia: Barossa - Yorke - Mid North	South Australia: Outback	South Australia: South East	<i>Regional South Australia Total</i>	Adelaide	South Australia Total
<b>GRP (\$m)</b>						
Direct	0.6	1.0	2.6	<b>4.2</b>	0.0	<b>4.2</b>
Flow-on	0.6	0.6	2.6	<b>3.8</b>	1.7	<b>5.5</b>
<b>Total</b>	<b>1.1</b>	<b>1.7</b>	<b>5.2</b>	<b>7.9</b>	<b>1.7</b>	<b>9.6</b>
<b>Household income (\$m)</b>						
Direct	0.4	0.7	1.7	<b>2.8</b>	0.0	<b>2.8</b>
Flow-on	0.3	0.4	1.5	<b>2.1</b>	1.0	<b>3.2</b>
<b>Total</b>	<b>0.7</b>	<b>1.0</b>	<b>3.2</b>	<b>4.9</b>	<b>1.0</b>	<b>5.9</b>
<b>Employment (total)</b>						
Direct	12	20	53	<b>85</b>	0	<b>85</b>
Flow-on	4	5	22	<b>31</b>	13	<b>44</b>
<b>Total</b>	<b>16</b>	<b>25</b>	<b>75</b>	<b>117</b>	<b>13</b>	<b>130</b>
<b>Employment (fte)</b>						
Direct	9	16	41	<b>67</b>	0	<b>67</b>
Flow-on	4	5	21	<b>30</b>	13	<b>43</b>
<b>Total</b>	<b>14</b>	<b>21</b>	<b>62</b>	<b>97</b>	<b>13</b>	<b>110</b>

Source: BDO EconSearch analysis

Appendix Table 1-2 Demand side economic effects of filling 25 per cent of current aged care industry vacancies in regional South Australia with demand driven migrants, 2021/22

	South Australia: Barossa - Yorke - Mid North	South Australia: Outback	South Australia: South East	<i>Regional South Australia Total</i>	Adelaide	South Australia Total
<b>GRP (\$m)</b>						
Direct	0.8	1.6	2.8	<b>5.3</b>	0.0	<b>5.3</b>
Flow-on	0.5	0.8	2.2	<b>3.5</b>	2.7	<b>6.2</b>
<b>Total</b>	<b>1.3</b>	<b>2.4</b>	<b>5.0</b>	<b>8.8</b>	<b>2.7</b>	<b>11.5</b>
<b>Household income (\$m)</b>						
Direct	0.8	1.5	2.7	<b>4.9</b>	0.0	<b>4.9</b>
Flow-on	0.3	0.4	1.2	<b>1.9</b>	1.7	<b>3.6</b>
<b>Total</b>	<b>1.1</b>	<b>1.9</b>	<b>3.9</b>	<b>6.8</b>	<b>1.7</b>	<b>8.5</b>
<b>Employment (total)</b>						
Direct	9	18	31	<b>58</b>	0	<b>58</b>
Flow-on	4	6	18	<b>29</b>	22	<b>51</b>
<b>Total</b>	<b>13</b>	<b>24</b>	<b>49</b>	<b>87</b>	<b>22</b>	<b>109</b>
<b>Employment (fte)</b>						
Direct	8	15	27	<b>50</b>	0	<b>50</b>
Flow-on	4	6	17	<b>27</b>	21	<b>48</b>
<b>Total</b>	<b>12</b>	<b>21</b>	<b>44</b>	<b>77</b>	<b>21</b>	<b>98</b>

Source: BDO EconSearch analysis





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