BACKPACKER & YOUTH TOURISM ADVISORY PANEL

POSITION PAPER TO THE AUSTRALIAN GOVERNMENT

The Importance of the Youth and Working Holiday Visitor Economy

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Executive summary

Australia's youth and working holiday visitor economy is a $9.6 billion export industry that also functions as the country's most reliable source of mobile, seasonal labour for regional communities. It is the only visitor segment that simultaneously earns foreign exchange, disperses that spending beyond the capital cities, and provides a casual workforce while it does so.

In the year ending March 2026, working holiday makers and young leisure travellers aged 18–29 accounted for **1.29 million arrivals**, **21 per cent of Australia's inbound leisure arrivals** and **38 per cent of inbound leisure expenditure** — a share that has risen 7 percentage points since 2019. They spent **$7.1 billion in Australia** and **$9.6 billion in total trip expenditure**. Both cohorts are growing faster than the inbound tourism market as a whole.

Yet policy settings are moving in the opposite direction to the segment's economic contribution. From 1 July 2026 the charge for a second or third working holiday visa rose from $670 to **$1,000** - the general 25 per cent uplift plus a further $330 levied on second and third applications alone.

Working holiday makers are also still taxed at 15 per cent from the first dollar earned, a rate applied to no comparable worker. The Government's own evaluation of the program, committed to in the December 2023 *Migration Strategy* for "early in 2024", remains unpublished, and no Working Holiday Maker visa program report has been released since 30 June 2025.

Meanwhile competitor destinations are actively bidding for the same travellers. The United Kingdom, Canada, New Zealand and Japan all offer multi-year youth mobility with **no regional or agricultural work requirement of any kind**, and a UK–EU Youth Experience Scheme under negotiation would place a two-year, no-conditions destination in direct competition with, for example, French, German, Irish and Italian travellers - some of Australia's largest working holiday visa source countries.

This paper makes five recommendations. None require new outlays of significance; most involve removing frictions Australia has imposed on itself.

1. At a glance

Measure	Working holiday makers	Youth leisure (18–29)
VISITOR ECONOMY — YEAR ENDING MARCH 2026		
Arrivals	415,000 (+13%)	878,000 (+20%)
Spend in Australia	**$4.5bn (+16%)**	**$2.6bn (+28%)**
Total trip expenditure	$5.6bn (+12%)	$4.0bn (+22%)
Average length of stay	154 nights	17 nights

Measure	Working holiday makers	Youth leisure (18–29)
Spend per night	$70	$175
VISA GRANTS — PROGRAM YEAR 2024–25 (SUBCLASS 417 AND 462)		
First year visas granted	196,462	n/a
Second year visas granted	90,754	n/a
Third year visas granted	33,898	n/a
Total granted	321,116	n/a

Visitor economy figures: Tourism Research Australia, International Visitor Survey, year ending March 2026. Visa grant figures: Department of Home Affairs, Working Holiday Maker visa program report, 30 June 2025 - the most recent edition published, covering the program year 1 July 2024 to 30 June 2025. No second or third year grant data has been published for any period ending after 30 June 2025 (see recommendation 4). Arrivals and grants are distinct measures and are not directly comparable, as arrivals in any period include holders of visas granted earlier. First, second and third year grants sum to 321,114 against a published total of 321,116; two grants are unclassified by visa type in the source.

Second and third year visas accounted for **124,652 grants - 39 per cent of the 321,116 total**. Every one of those, other than those granted to United Kingdom passport holders under the 2024 exemption, was earned through a qualifying period of specified work in regional Australia. This is the cohort the 1 July 2026 charge increase falls most heavily on.

For comparison on yield, the average international visitor to Australia stays 38 nights and spends $127 per night; visiting friends and relatives spends $63 per night.

The two cohorts are economically complementary rather than duplicative. Young leisure travellers deliver the **highest nightly yield of any inbound segment** - 38 per cent above the all-visitor average, and above the general holiday visitor. Working holiday makers deliver **length of stay four times the inbound average**, converting a lower nightly rate into the highest per-visitor trip value in the leisure market. Policy that treats the two as a single low-value “backpacker” category misreads both.

2. The export case

Tourism is one of Australia’s largest export industries and one of the few that is geographically distributed by nature. In 2024–25 the Australian Bureau of Statistics recorded **$42.3 billion in tourism exports**, up 10 per cent on the prior year, within a tourism sector contributing **$81.1 billion in direct GDP (2.9 per cent of the economy)** and **696,000 directly filled jobs (4.4 per cent of national employment)**. Tourism Research Australia reported **$40.9 billion of international visitor spend in Australia** in the year ending March 2026, up 20 per cent, from 8.5 million visitors.

Within that, the youth and working holiday segment is the disproportionate growth engine. Its share of inbound leisure expenditure has moved from 31 per cent in 2019 to **38 per cent today**, and its share of arrivals from 19 to 21 per cent. Growth in spend in Australia in the most recent year was **16 per cent for working holiday makers and 28 per cent for youth leisure travellers** — both well ahead of the market.

Three features make this expenditure unusually valuable as an export.

- **It is genuinely foreign-funded.** In December 2025 the ABS confirmed that approximately one third of Australia’s $53.6 billion education-related travel export - $15.6 billion in 2024–25 - is funded by international students working in Australia rather than by foreign-sourced income. Leisure and working holiday expenditure is drawn overwhelmingly from savings and earnings accumulated offshore before arrival, and in the case of working holiday makers is supplemented by earnings taxed in Australia and spent in Australia.
- **It has a high domestic retention rate.** Youth and working holiday travellers spend substantially on labour-intensive, domestically produced services - accommodation, food and beverage, ground transport, tours and attractions - rather than on imported goods. Tourism Research Australia’s State Tourism Satellite Account for 2023–24 records $78.1 billion in direct and $79.9 billion in indirect tourism gross state product,

implying roughly 83 to 85 cents of additional activity generated elsewhere in the economy for every dollar spent in tourism.

- **It flows to small business.** There were **361,270 tourism-related businesses** in Australia at June 2025, of which around **95 per cent are small businesses** and 78 per cent are micro or non-employing. Some **107,000 - 30 per cent - are in regional Australia**. This is not a segment whose returns concentrate in a handful of large firms.

Market diversification is a further strategic argument. The segment's source markets are broad and distinct across the two cohorts. Working holiday arrivals are led by the United Kingdom (86,000), France (57,000), Japan (39,000), Taiwan (35,000) and South Korea (24,000). Youth leisure arrivals are led by China (141,000), New Zealand (115,000), Japan (95,000), South Korea (74,000) and the United Kingdom (69,000). Youth travel is therefore one of the few segments in which Australia holds strong positions across European and North Asian markets simultaneously - a material hedge in a period of geopolitical and currency volatility.

3. The dispersal case

Regional dispersal is unique to this segment - it does something no other visitor category and no other migration stream reliably does.

Youth and working holiday travellers disperse into regional Australia at a higher rate than other leisure visitors - 36 per cent take at least one night in a regional location, against 31 per cent of leisure visitors generally. More significantly, they travel more deeply once here: they take substantially more stopovers, with 42 per cent of working holiday makers taking a third stopover against roughly a quarter of leisure visitors, and they make heavier use of public transport, coach and domestic aviation as well. In practical terms, one working holiday maker generates demand across multiple regional economies rather than one.

The contrast with other arrival streams is stark. The Regional Australia Institute reports that **only 16.5 per cent of international arrivals settled regionally in 2024**, down from 18.6 per cent in 2023 - roughly 85 per cent of overseas migrants are concentrated in capital cities. Youth and working holiday travellers run against that grain, and the working holiday visa's specified work settings are part of why, encouraging a casual and mobile regional workforce.

The segment also over-indexes on the experiences Australia most wants to grow. Compared with leisure visitors generally, working holiday makers and youth leisure travellers are more likely to participate in outdoor and nature experiences (94 and 90 per cent, against 84 per cent), arts and heritage (70 and 68 per cent, against 57 per cent), and active outdoor and adventure activities (61 and 36 per cent, against 28 per cent). Participation in **Indigenous cultural activities is highest among working holiday makers at 27 per cent**, against 17 per cent for youth leisure travellers and 15 per cent for leisure visitors generally. Indigenous tourism is a stated national priority; this is the segment that actually buys it.

This is also an important customer base for regional tourism that no other market sustains at scale - dive and adventure operators, multi-day tours, hostels and caravan parks, coach networks, and the shoulder-season trade that keeps regional operators viable year-round.

4. The regional workforce case

The working holiday cohort is unique among Australia's visitor and temporary migration streams in that it is a source of export income and a source of temporary labour.

There were **206,187 working holiday maker visa holders in Australia at 30 June 2025**, up from 170,437 a year earlier. Grants in 2024–25 reached a record, with approximately 255,000 subclass 417 and 66,211 subclass 462 visas granted.

Of 71,979 second-year subclass 417 visas granted in 2024–25, **20,074 (28 per cent) were granted on the basis of specified work in agriculture, forestry and fishing** and **10,014 (14 per cent) in accommodation and food services**, with a further 6,560 in construction. Of 24,350 third-year visas, 6,332 were granted on agricultural work. These are regional jobs, in regional postcodes, undertaken by people who then spend their earnings in those same regional economies.

Why is temporary labour needed? Australian horticulture is primarily seasonal and the volume of work and the fluctuation means that it cannot be absorbed by the domestic labour force. ABARES recorded a monthly average horticulture workforce of **113,850 in 2023–24**, with a **peak of 130,699 workers in March 2024** against a trough of **102,575 in May** - a seasonal swing of roughly 28,000 workers. Of that workforce, **39,900** were overseas contract workers.

The **Pacific Australia Labour Mobility scheme** is a valuable complement but not a substitute as it is built around longer placements with approved employers rather than the short, mobile, geographically dispersed work that peak harvest requires at that scale, and that Working holiday makers can provide.

Tourism and hospitality face the same problem, more acutely. Jobs and Skills Australia's March quarter 2026 report shows a national vacancy fill rate of **68.2 per cent,** down 3.3 percentage points year on year, with the metropolitan–regional gap widening to 4.6 percentage points and Skill Level 3 occupations filling at just 55.5 per cent. The 2025 Occupation Shortage List records national shortages for Cooks, Tour Guides and Travel Consultants, and regional shortages for Chefs and Cooks. The Australian Hotels Association and Accommodation Australia reported 37,700 vacancies in accommodation and food services in August 2025 - a 160 per cent increase on August 2019, the largest increase of any Australian industry. Almost one third of accommodation and food services jobs sit outside capital cities, exceeding 50 per cent in Tasmania and Queensland.

The demographic trend makes this structural, not cyclical. Treasury's Centre for Population projects rest-of-state populations growing 10 per cent to 2035–36 against 18 per cent in capital cities, with the share of the non-capital population aged 65 and over rising from around 21 to 25 per cent. Regional Australia's working-age base is thinning at precisely the moment its visitor economy is being asked to grow. THRIVE 2030 targets **$95 billion of a $230 billion visitor economy in regional Australia by 2030**. That target cannot be met without a mobile young casual workforce, and no other policy instrument supplies one other than the Working holiday maker program.

5. Addressing the legitimate concerns

Worker exploitation is real and documented. The Fair Work Ombudsman's horticulture compliance work over 2021–2024 investigated 512 businesses, recovered $384,168 for 464 underpaid workers and issued 166 infringement notices, **91 per cent of them to labour hire providers**. Enforcement has continued through 2025 and 2026. The sector's position should be unambiguous: exploitation of any workers, and particularly vulnerable working holiday makers who may not be familiar with Australian legislation, is both wrong and commercially damaging to Australia's reputation in the exact markets that supply this segment. The evidence points overwhelmingly at labour hire intermediaries rather than at growers or tourism operators, which indicates the remedy - licensing, accreditation and enforcement at the intermediary layer - rather than restriction of the visa itself.

Concerns about wage effects deserve a direct answer. The mechanism historically criticised was the horticulture piece-rate loophole, which the Fair Work Commission closed in 2021 by establishing a minimum wage floor over piece rates. ABARES now records 73 per cent of peak horticulture workers on hourly rates. The structural fix has been made; the case for constraining labour supply on wage grounds is correspondingly weaker.

Concerns about the Working Holiday program's integrity are best answered by data, not by restriction. The proportion of second and third year visas granted with no specified industry recorded has grown substantially since the 2024 exemption for United Kingdom passport holders. The sector supports restoring full visibility.

Reciprocity is often overlooked. The Working Holiday maker scheme is underpinned by the nature of it being a reciprocal program. Every bilateral agreement affords young Australians similar opportunities to work and travel in those countries - totalling 50 at present around the world. Restricting visa setting will come at a cost as it invites reciprocal restriction on Australian young people.

6. Recommendations

1. **Formally recognise the youth and working holiday segment as a priority high-yield export segment.**

   Name the segment explicitly in THRIVE 2030 Growth Phase reporting, with published targets for expenditure and regional dispersal, and provide Tourism Australia with a dedicated, quantified youth segment marketing allocation and resources to target this market as a distinct cohort. The segment delivers 38 per cent of inbound leisure expenditure; it should not be an implicit sub-line of general leisure. Working holiday makers are classified as 'High Yielding Travellers' by Tourism Australia in their *Tourism 2035* ten-year strategic plan - www.tourism.australia.com/en/news-and-events/news/tourism-australia-releases-new-strategy.html - so targeting them should be resourced by this agency appropriately. Plus, Many Working Holiday Makers later return to Australia, increasing their lifetime value, and they also encourage visitation by friends and relatives, as well as generating highly-valuable positive publicity for Australia, particularly through free User-Generated-Content (UGC) on social media.

2. **Update the regional work parameters.**

   Encourage greater regional dispersal by extending eligible specified work in regional tourism and hospitality, horticulture and other industries with critical job shortages to all of regional Australia for subclass 462 and 417 holders. Retain the regional requirement - it is the mechanism that produces the dispersal advantage set out above - but make it reflect the real regional economy.

3. **Greater consultation with industry.**

   BYTAP has represented the youth tourism and working holiday sector since 2001 (initially being set up as an advisory panel to ATEC and from 2022 becoming an incorporated association). Through its direct engagement with government, industry bodies and other sector stakeholders - including ATEC and the National Farmers' Federation - as well as contact with working holiday makers via members - BYTAP has a strong understanding of the issues, challenges and opportunities affecting the sector. This positions BYTAP well to provide the government with informed, practical advice reflecting both industry experience and WHM perspectives.

4. **Publish the outstanding program evaluation and restore the data series.**

   The Working Holiday Maker program evaluation committed to in the December 2023 Migration Strategy remains unpublished more than two years later. Additionally, no Working Holiday Maker visa program report has been released since 30 June 2025 despite the series being bi-annual. Restore publication, and add reporting on regional distribution, industry of specified work and economic contribution.

5. **Employer enforcement.**

   Support national labour hire licensing with meaningful penalties, and consider employer accreditation tied to compliance history.

7. Conclusion

Australia has a youth visitor segment that is growing faster than any other, yields more per stay, that travels further into regional Australia, experiences more Indigenous and nature-based product, creates employment, and supplies short-term casual labour to regional Australia that cannot be secured domestically. This segment costs the Commonwealth very little and generates revenue at multiple points.The competitive position is not secure. Australia's advantages are currently offset by significant visa fees and visa processing delays that competing countries do not impose.

Sources

Throughout, "working holiday maker" denotes visitors on subclass 417 and 462 visas and "young/youth leisure traveller" denotes holiday visitors aged 18 to 29; figures derived by arithmetic from published data are expressed as approximations. ABS: Tourism Satellite Account 2024–25 (Dec 2025); Job Vacancies May 2026; Quarterly Tourism Labour Statistics Mar 2026; Recording of international students in the balance of payments (Dec 2025). Tourism Research Australia: International Visitor Survey YE Mar 2026; international tourism results; Annual Benchmark Report; State Tourism Satellite Account 2023–24; Tourism Businesses in Australia (Mar 2026); Tourism Forecasts 2025–2030 (Dec 2025). DFAT: Australia's goods and services by top 25 exports 2024–25. Austrade: THRIVE 2030 Strategy and Growth Phase Action Plan (Feb 2026). Home Affairs: Working Holiday Maker visa program report 30 June 2025; Migration Strategy (Dec 2023); WHM country caps and program news (Aug 2026); Instrument F2026L00878; Home Affairs Legislation Amendment (2026 Measures No. 1) Regulations 2026. ATO: WHM tax rates; Addy v Commissioner of Taxation [2021] HCA 34. ABARES: Labour use in Australian horticulture 2023–24; Crop loss and waste 2023–24. PALM scheme quarterly data, Sep and Dec 2025. Jobs and Skills Australia: Occupation Shortage Report Mar quarter 2026; 2025 Occupation Shortage List; Accommodation and Food Services industry profile. AHA and Accommodation Australia: submission to the Joint Standing Committee on Migration (Jan 2026). Fair Work Ombudsman: Horticulture Compliance Report 2021–2024; Harvest Trail Inquiry (2018). Regional Australia Institute: Regional Labour Markets Update (Jun 2026); Priorities for Regional Australia 2025–26. Treasury Centre for Population: 2025 Population Statement. Youth mobility settings: GOV.UK; Immigration New Zealand; IRCC (International Experience Canada); MOFA Japan.