

# Underpayment of international students and backpackers commonplace in Australia

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A recent study by the Migrant Worker Justice Initiative (MWJI) confirms that the exploitation of temporary migrants working in Australia by their employers is widespread, endemic and severe.

It confirms that recent cases—for example, 7-Eleven’s systematic underpayment of young migrant workers at its network of 620 convenience store franchises across Australia—are not aberrations but are the norm.

The vast majority of international students, working holiday makers (WHMs, euphemistically called backpackers) and other temporary migrants confront wage theft, i.e., employers stealing a portion of their wages by undercutting minimum entitlements under Australian labour law. A significant minority work under slave-like conditions.

The report, *Wage Theft in Australia—Findings of the National Temporary Migrant Work Survey*, is based on the responses of 4,322 temporary migrants from 107 countries. It was conducted online between September and December last year and asked those surveyed about their lowest paid job.

At the time of the survey, the legal minimum wage for a casual worker was \$22.13 per hour. Many temporary migrants were entitled to higher rates based on penalty rates and entitlements under relevant industry awards. For example, a 21-year-old fast food employee should have earned at least \$24.30 per hour and \$29.16 on Saturdays. For the majority of temporary migrants, however, the minimum wage is a dead letter.

About 65 percent of international students and 59 percent of backpackers earned \$17 per hour or less, significantly below the minimum wage. There were no figures on what proportion actually received their legal entitlement.

Severe underpayment was rife, with almost a third of WHMs and a quarter of international students earned

\$12 per hour or less, about half the minimum wage. The worst underpayments were in fruit- and vegetable-picking and farm work, where almost one in seven participants earned \$5 per hour or less and close to a third earned \$10 per hour or less.

Widespread underpayment, including workers receiving less than \$10 an hour, was found in every sector of the economy in which temporary migrants work including construction, factories, retail, hospitality and tourism. Underpayment was especially prevalent in “food services”—cafes, restaurants and takeaway shops—where almost three-quarters earned \$17 per hour or less, significantly below the minimum wage.

The study also found 44 percent of workers were paid in cash. While this is not illegal, it points to widespread tax avoidance by employers and without payslips it makes it harder for workers to prove they were underpaid. Half never or rarely received a payslip despite employers being legally required to do so. For those paid \$12 per hour or less, almost three quarters were paid in cash and the overwhelming majority of these never or rarely received pay slips.

The MWJI report also detailed serious criminal behaviour by employers for a significant minority of temporary migrants who work under conditions that indicate forced labour. Five percent had their passport confiscated by either their employer or their accommodation provider. Four percent said someone in their workplace had threatened to report them to the Immigration Department. Five percent paid an upfront “deposit” for a job in Australia and 6 percent reported paying a potentially unlawful training fee at the outset of a job.

The survey has methodological limitations due to its anonymous nature but the figures indicate that as many

as 45,000 temporary migrants could be working under conditions of forced labour.

Excluding New Zealanders, there were over 900,000 temporary migrants with work rights nationally in Australia in 2016, comprising up to 11 percent of the Australian labour market.

The Australian economy is increasingly dependent on revenue from international education—worth \$21 billion in 2016–7. It is Victoria’s largest “export,” and the second largest “export” in both New South Wales (NSW) and the Australian Capital Territory (ACT). The Australian government hopes to double the number of international students coming to Australia to study by 2025.

These students are treated as cash-cows; forced to pay exorbitant tuition fees as high as \$40,000 a year—considerably more than Australian students—while being denied access to basic social services, including unemployment benefits, the Medicare health scheme and housing support. In Victoria and NSW, they do not even have concession rates for public transport.

In order to survive, many of these students, like their domestic counterparts, are forced to take jobs, often in the most exploitative sectors of the economy.

Under discriminatory visa restrictions, international students are only permitted to work 20 hours per week, which makes them particularly vulnerable to exploitation. If an employer can coerce an individual into working more than 20 hours per week, breaching the terms of their visa, it gives the employer extra leverage over the worker.

This is how 7-Eleven systematically underpaid international students. The “half-pay scam” at the retail chain involved students who worked 40 hours per week but were only paid for 20 in line with their visa requirements. If students complained, they would be threatened with being reported for breaching their visa conditions.

This was exposed by a joint Fairfax Media/ABC investigation on the “Four Corners” television program in August 2015. Following the screening, 7-Eleven was compelled to terminate the half-pay scam but within 48 hours a new one had replaced it. Employees could be paid the correct wages, but their employers would demand part of the wages back in cash so that it could not be traced—the “cash back scam.”

As MWJI’s *Wage Theft in Australia* states, “This

practice appears to extend beyond 7-Eleven, with 4 percent reporting that they were required to pay cash back to their employer.”

Moreover, the report confirms that those international students who work more than 20 hours per week earn substantially lower wages with almost half (45 percent) earning \$12 per hour or less.

The report’s authors acknowledge that underpayment of migrant workers serves employers’ interests by lowering pay directly and indirectly by putting downward pressure on the wages and conditions of all workers. Despite this, MWJI issued an appeal for businesses to “employ more effective methods to detect and remedy wage theft.”

Australian Council of Trade Unions president Ged Kearney issued a cynical statement: “Wage theft has to stop. Workers must have quick and easy access to justice and unions which can protect their rights.”

The scale and depth of underpayment exposed by the report, however, proves the opposite.

Far from protecting workers’ rights, the unions are directly responsible for creating these conditions, having collaborated for decades under respective Liberal-National and Labor governments in the assault on the wages and conditions of all sections of the working class.

Australia’s largest retail union, the Shop, Distributive and Allied Employees Association (SDA), has signed agreements with a host of major employers, including Coles, Woolworths, McDonalds, Hungry Jacks and KFC, to slash the wages of their members.

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