Submission to the Senate Legal and Constitutional Affairs References Committee: Inquiry into the effectiveness of the current Temporary Skilled Visa System in targeting genuine skills shortages

December 2018
Submission to the Senate Legal and Constitutional Affairs References Committee: Inquiry into the effectiveness of the current Temporary Skilled Visa System in targeting genuine skills shortages - 19 December 2018
Summary of Recommendations

This submission outlines the importance of a responsive temporary skilled migration system, highlights the current shortcomings of the program and provides the following recommendations on how the system can be improved:

**Recommendations:**

- Ensure access to all skilled occupations for employers nominating workers under the employer nominated temporary and permanent skilled streams, except where there are integrity concerns.

- Maintain within the Australian Bureau of Statistics a current statistical list of occupations, known as ANZSCO, and immediately commence the next review, which is long overdue.

- Enable pathways to permanency for temporary skilled workers in all skilled occupations and eliminate the differential between short term and long-term temporary skilled workers.

- Improve processing times and reduce regulatory red tape including the heavy requirements for labour market testing for skilled occupations. Consider reintroducing migration outreach officers working within industry bodies to provide advice to business to help them navigate the complexity in the system.

- Implement a whole-of-government approach to labour market analysis and planning; monitor use of skilled migration to ensure system integrity and to inform independent skilled migration; and, align skills development and migration strategies based on labour market needs.

- Ensure visa fees and arrangements are internationally competitive.

- Recomence the review of visa categories with the aim to simplify the system and make it more accessible but not at a cost of reduced flexibility.

- Increase confidence in the temporary visa program through an active compliance program of education and enforcement.
# Table of Contents

1. **Introduction** .................................................. 5  
2. **Context** ........................................................ 5  
   2.1 Impact of the 2017 changes .......................... 6  
   2.2 Recent use of the temporary skilled program .... 6  
   2.3 Temporary skilled migration in workforce context 7  
3. **Complexities of the Occupation Lists** ................. 8  
   3.1 National Assessment of Skills Shortage ............ 9  
   3.2 Bi-annual Review of the Occupation Lists ....... 10  
   3.3 Methodology of the Occupation Lists .......... 11  
       3.3.1 Example of Occupational Lists creating issues for business 11  
       3.3.2 Hierarchy of the Occupation Lists ........... 12  
   3.4 ANZSCO ..................................................... 12  
4. **Issues with the Current System** ......................... 13  
   4.1 Processing Delays and Cost .......................... 13  
   4.2 Skilling Australians Fund (SAF) Migration Training Levy 14  
   4.3 Temporary Skilled Migration Income Threshold (TSMIT) 15  
   4.4 Labour Market Testing (LMT) ....................... 16  
5. **Recommendations** ............................................. 17  
6. **Conclusion** .................................................... 17  
7. **About the Australian Chamber** ............................ 18
1 Introduction

The Australian Chamber of Commerce and Industry (Australian Chamber) welcomes the opportunity to make a submission to the Senate Legal and Constitutional Affairs References Committee on the effectiveness of the current temporary skilled visa system in targeting genuine skills shortages.

The Australian Chamber is a strong advocate for a workforce development strategy that focuses on the skills development of Australian workers supplemented by a flexible and responsive migration system to fill the gaps. Australian businesses increasingly compete not just locally but globally for talent and skills.

The overall objective of a temporary skilled migration program is to ensure that it meets the needs of the labour market where Australian workers are not available; and that businesses, no matter where they are located have the skills they need, when they need them, in order to survive, grow and employ. The program thus needs to be flexible enough to service any skills requirements across the country. The current temporary skilled migration system fails to effectively achieve this objective and this submission focuses on its shortcomings and recommendations on how the system can be improved.

The Australian Chamber’s submission focuses only on the temporary skilled aspect of the migration system and therefore does not cover international students, working holidaymakers and the permanent employer nominated streams.

2 Context

In December 2018, the Australian Chamber released a major policy paper on migration and population titled ‘Migration works for all of us – delivering benefits to all Australians’. The paper is provided to the Committee as an attachment to this submission, and provides an important context for the Australian Chamber’s position on migration policy.

In principle, temporary skilled visas are intended to be particularly responsive to the business cycle and adjust very quickly to market conditions¹. In a 2018 report, the OECD stated that a survey showed relative to employers in other OECD countries, Australian employers have more difficulties meeting demand for workers with specific skills. 41 percent of employers in Australia report having difficulties filling vacancies, which places Australia well above the OECD average of 38 percent and among the top ten OECD countries possibly facing labour shortages².

The temporary skilled migration system has been examined on numerous occasions by different inquiries and independent reviews. The 2008 and the 2014 review of the integrity in the subclass 457 program and the 2016 Senate Education and Employment References Committee inquiry into the exploitation of temporary work visa holders are significant in this review history. The scope and remit of these inquiries overlap and so do the submissions made by stakeholders providing an insight into the temporary skilled migration system as a whole.

2.1 Impact of the 2017 changes

This current inquiry is an opportunity to evaluate the impact of the changes made to the temporary skilled visa system in April 2017.

The Australian Chamber supported the replacement of the subclass 457 visa, recognising the opportunity to reset a program that had lost public confidence. However, the 2017 changes to the migration program affected both temporary and permanent employer nominated migration without the opportunity to understand the proposed changes and provide input to the process. The changes, especially to the occupation lists, have had a significant negative impact on business, with many businesses since then unable to access the skills they need, due to the occupation not being eligible for migration. Exacerbating the condition is the quantum of the Skilling Australians Fund Migration Training Levy, effective 12 August 2018, requiring even small businesses to pay substantially to use the system. The changes along with a heavy handed and time-consuming approach to processing has resulted in a system that is heavily regulated and very expensive for business to access while failing to meet the needs of the labour market.

2.2 Recent use of the temporary skilled program

The use of the temporary skilled migration program has dramatically reduced post the April 2017 changes. There was a 26 percent drop in the visas granted between 2016-17 and 2017-18 and this downward trend seems to be continuing with only 12,754 visas granted numbers for 2018-19 to 30 September 2018\(^3\).

---

Temporary skilled migration in workforce context

Our temporary and permanent migrant intake program makes up a very small proportion of Australia’s workforce, which is 13.3 million in 2018 (figure 2). Temporary skilled migrants are sourced from overseas or from other temporary visa programs, and can flow through to any of the permanent skilled visa categories, although these pathways were restricted by the 2017 changes. The changes in work experience requirement had a particularly negative impact on the transition of vocational education and training graduates who are granted only an 18-month post study work visa. They are unlikely to meet the two-year experience requirement denying business the opportunity to recruit a potential worker skilled and trained in Australia (at the migrant’s expense) even when the business has been unable to locate and employ a suitably skilled Australian for the job.
3 Complexities of the Occupation Lists

On 18 April 2017, the Government announced reforms to Australia’s temporary and permanent skilled visa programs including scrapping the subclass 457 visa and introducing the Temporary Skills Shortage (TSS) visa (subclass 482). The new TSS visas entail tighter eligibility criteria and higher costs compared to the previous subclass 457 visa. The TSS visa comprises of a short-term, a medium to long-term and a labour agreement stream.

- The **short-term stream** of the TSS visa is for employers to fill temporary skills and labour needs with temporary migrants, in occupations determined to be on the Short Term Skilled Occupation List (STSOL) for a maximum of two years (or four years if an international trade obligation (ITO) applies).

- The **medium-term stream** of the TSS visa is for employers to fill skills needs with migrants, in occupations determined to be on the Medium and Long-term Strategic Skills List (MLTSSL) or the Regional Occupation List (ROL) for up to four years, with the provision of permanent residency after three years.

- The **labour agreement stream** is for employers to access migrants who are not catered for in the above two streams, in accordance with a labour agreement as negotiated with the Department of Home Affairs.

The Australian Chamber does not support the denial of more than one-third of the skilled occupations from the temporary skilled visa system nor does it support the division of the temporary skilled visas into two streams, and removing a pathway to permanency from a large percentage of occupations. Whereas previously all skilled occupations on the CSOL were eligible for employer nominated skilled migration, now:

- 243 occupations are on the STSOL available for the TSS short-term stream and have no pathway to permanent migration
- 59 occupations on the ROL available for the TSS medium-term stream in regional areas
• 210 occupations on the MLTSSL available for the TSS medium-term stream
• 137 skilled occupations are not eligible for temporary migration at all.

These changes removed the:

• Responsiveness in the system that allowed for employers to satisfy their particular skill needs which will almost certainly not show up in an analysis of national labour market data. There was no actual harm in occupations being on the list that were seldom used (except if there are integrity concerns around certain occupations) so their removal is a cosmetic change for “PR” purposes. However, there is harm if a specialist business cannot approach the system to satisfy a niche skilled worker when their business desperately needs it;
• Pathway to permanency for many occupations which was a fundamental strength of the system. Employer nomination visas are the most effective for migration as the employment outcomes are the highest of all categories. As one of the country’s leading demographers states this “two-step process is very effective because of the guaranteed employment of the migrant as opposed to the potentially long job search that needs to be undertaken by an independent skilled applicant”\(^4\).

The changes have also increased the complexity in the system, by creating confusion around multiple occupation lists. A much better approach would have been to retain the consolidated sponsored occupations list (CSOL), which was by-and-large a list of all skilled occupations on the ANZSCO, as the basis for temporary and employer nominated permanent migration, and dealt with integrity issues on an occupation basis through caveats rather than by national skills analysis. For example, if a particular occupation was shown by analysis to be the subject of integrity concerns, then a limitation could have been introduced, such as the removal of a pathway to permanency or a shorter term of visa for that one occupation. This would be in line with the recommendations of the 2014 457 Visa Integrity Review Panel’s recommendations. The panel recommended specifically that all skilled occupations remain accessible to temporary skilled migration\(^5\).

The pathways to transition from temporary skilled to permanent are vital since this two-step migration process allows for those most likely to succeed in integrating fully into Australia. Temporary skilled migrants are already pre-integrated into our labour force and have established social networks to be able to continue being productive in the economy and society. Over the period 2010-11 and 2013-14, holders of 457 temporary visas represented two-thirds of all employer-sponsored permanent visa grants, suggesting that the 457 program, despite integrity concerns has been successful in attracting migrants with the right skills to address specific skill needs\(^6\).

3.1 National Assessment of Skills Shortage

The STSOL, MLTSSL and ROL are products of a national skills shortage assessment undertaken by the Department of Jobs and Small Business (DJSB). Any occupation deemed to be in shortage features on either of the lists, reviewed bi-annually by the DJSB.

Accurately identifying labour market needs across the country is a vital exercise that needs to be undertaken in the broader context of developing skills in the economy. However, the need for skills shortage assessment for employer sponsored temporary skilled migration is not keeping in line with the reality of business’ labour and skills needs. The shortages experienced by an individual business in a particular location at a particular point in time cannot be identified by a national assessment or data set on skills shortages, since it requires a rich and diverse data set, one that needs to constantly adapt to capture market conditions. According to the OECD, skill shortages and recruitment difficulties exist at the national level and within states and territories. Within states and territories, there can be shortages between metropolitan areas and regional areas.\(^7\)

There are specialisations in occupations that an analysis of an occupation cannot possibly be able to accurately identify. This makes a profound difference to an assessment that the skills being sought are in shortage. For example, putting aside definitional issues around cooks and chefs, the issue of assessing specialisation in occupations is effectively illustrated, since skills within these occupations are not readily transferable across cuisine specialisations. Can a Chinese chef cook Italian food? How many Mongolian, Peruvian or Japanese Chefs does Australia need? Can a cutting edge, trendy Asian/Australian fusion restaurant offering main courses at over $40 a unit pick from the broad field of chefs?

In other occupations and industries, new technology being introduced can often mean that specialists are needed to operate the machines and train others. A macro level nationwide data analysis cannot possibly identify these nuances. This is true even for regional skills needs where regional data sets are sparse and often inadequate to aid in constructing an accurate picture of various regional skills needs. For example, motor mechanics might not be in national shortage, but a business in Kalgoorlie might face a vacancy they are unable to fill due to lack of local mechanics in Kalgoorlie or the unwillingness of other Australian mechanics to move to Kalgoorlie to take up the job. In this instance, the business is left with no option but to negotiate a labour agreement, which is a long protracted and complicated process, especially for a small business.

### 3.2 Bi-annual Review of the Occupation Lists

The DJSB undertakes a bi-annual review of the occupation lists that underpin the skilled migration program. The review involves stakeholder consultations and a submission process that allows business to provide evidence and feedback on occupations and skills in shortage. Although the Australian Chamber does not support a skill shortage list, a frequent and regular review of the occupation lists is the next best alternative. In 2017 (the first year the occupation lists were introduced), the DJSB conducted two reviews; the first after the changes in April 2017 resulting in the update of the occupation lists in June 2017 and the second in November 2017 with the occupation lists updated in January 2018. However, in 2018, it seems the review process has become victim to the political process, exacerbated by changing Ministers in both portfolios. The DJSB commenced a review in May 2018, but as at December 2018, the updated occupation lists have not been released. The occupation lists are thus out of date by over a year. Businesses facing skills shortages who have made representations to the DJSB through the consultation process have not been given the...\(^7\) OCED 2018, Recruiting Immigrant Workers: Australia, https://read.oecd-ilibrary.org/social-issues-migration-health/recruiting-immigrant-workers-australia-2018_9789264288287-en#/page40
courtesy of an outcome to the analysis for the better part of the year. This delay creates uncertainty and issues in workforce planning for business and has resulted in the lists only being reviewed once in close to a 12-month period, in clear contradiction of the stipulated policy process. Given these significant delays, it is now highly unlikely that the lists will be an accurate representation of skill shortages being experienced in the labour market.

The Australian Chamber recommends setting a reliable schedule or mandated timeframe for the review of occupation lists (such as between the close of submissions for a review cycle and a final decision by the Minister for Immigration, Citizenship and Multicultural Affairs) to provide business with certainty and confidence in occupations that they can access through Australia's skilled migration program.

3.3 Methodology of the Occupation Lists

During the initial consultation conducted by the DJSB, regarding the methodology, the role and impact of industry and stakeholder input was not clear, given that submissions had to be based on robust modelling. Most business and industry groups would not have the resources to produce such modelling to corroborate anecdotal evidence received from members including small businesses. The methodology therefore fails to account for all the nuances of the modern labour market.

ANZSCO includes ‘not elsewhere classified’ (NEC) classifications. These occupations presented particular challenges since industries and individual stakeholders including small businesses likely mounted evidence about only one occupation within an NEC category. The methodology failed to make clear how NEC were to be dealt with.

3.3.1 Example of Occupational Lists creating issues for business

The removal of Air Transport Professional NEC occupation has had a profound negative impact on a premier Australian Hot Air Balloon operator operating in Queensland, NSW and Victoria. The hot air ballooning industry has experienced rapid growth with increasing number of international and domestic tourists choosing to indulge in the activity. Hot Air Balloon Pilots need skills very similar to airline or fixed wing pilots with the same CASA rules applicable. There are numerous vacancies currently available for Hot Air Balloon Pilots around Australia, and due to the extremely small and limited pool of pilots, the business is unable to fill their vacancies. While they have made every effort to train pilots, it is not a job for everyone, and therefore the business has had to rely on the skilled migration process. The process of becoming a hot air balloon pilot can include:

- Starting off in private operations for 12 months and needing 75hrs of training;
- Pass the navigational exam
- Pass the air law exam
- Pass a class 1 medical
- Pass the theory exam for a Commercial Pilots licence (CPbL)
• Balloons generally only fly for 1 hour a day at day break, therefore building training hours takes time
• Therefore, it usually takes 3 to 4 years before a pilot becomes economically viable to an operator.

An experienced pilot will have the ability to supervise and train the next generation of pilots, thus creating the future pipeline of talent and skills. For every hot air balloon pilot employed, the business creates additional jobs by employing Australians in supporting roles to run the business. The business recommended the addition of a sub-classification for Hot Air Balloon Pilot to mirror that of an Aeroplane Pilot or Helicopter Pilot. However, due to the removal of the Air Transport Professional NEC from the occupation list, the business is unable to access any skilled migrants and as a last resort has put in an application for a labour agreement, which is yet to progress beyond the application stage. The business is effectively running itself into the ground along with the potential value it can add to the economy.

3.3.2 Hierarchy of the Occupation Lists

The creation of multiple occupation lists has resulted in an informal hierarchy of lists.

• The MLTSSL is the best list for an occupation since it provides access to skilled migrants under the medium-term stream of the TSS. It is open to all employers (regional and urban) and the skilled migrant can stay for up to four years with a pathway to permanent residence after three years.
• The ROL is the next best list for an occupation since it provides access only to regional employers but has a pathway to permanency for the migrant.
• The STSOL is the least favourable list for an occupation since it only provides access to skilled migrants under the short-term stream of the TSS. It is open to all employers (regional and urban) with a maximum stay of two years (four years if an ITO applies) with no pathway to permanency.

This worries business since prospective talent find the limitation of two years (for the TSS short-term stream) unattractive and do not see it as worthwhile to make the move for the period. Similarly, the removal of a pathway to permanency has resulted in prospective temporary migrants choosing to explore other labour markets that provide such a pathway.

The Australian Chamber proposes that the process of determining skill shortages and allocating occupations to lists be simplified by abolishing multiple lists and establishing a workforce development agency to analyse skill needs in the economy.

3.4 ANZSCO

One of the pillars of labour market statistical infrastructure is the Australian and New Zealand Standard Classification of Occupations (ANZSCO). This infrastructure maintained by the Australian Bureau of Statistics (ABS) includes information from the Census and underpins a wide range of
labour market data such as job outlook information and occupation lists that determine migration eligibility.

Despite major changes to the economy and jobs, including new jobs driven by technology as well as changes to the level of skill needed in certain jobs, ANZSCO has only been reviewed and revised twice (2009 and 2013) since its introduction in 2006 (having transitioned from the previous ASCO codes). Canada, which has a similar classification of occupations, has had regular revisions with a structural review scheduled every ten years (2001, 2006, 2011, and 2016). A major review of ANZSCO is long overdue. Occupations in ANZSCO are out of date in that skill levels are not reflective of the current work performed and for many industries it is woefully inadequate in assessing the skill needs in the context of new occupations. However, the Australian Bureau of Statistics (ABS), custodians of the statistical product are unable to commence a review due to labour and resource constraints and competing priorities. Regular review of major statistical infrastructure such as the ANZSCO needs to built into the normal operating budget of the ABS. The ABS has not even committed to a review in the future, only that it will be considered post the 2021 Census process.

All occupations are experiencing technological progress and the nature of work and job roles are constantly changing. ANZSCO not only identifies new jobs, but it also appraises the duties within their job and assigns an appropriate skill level. A large number of stakeholders across the economy share our concerns, including colleagues from Business NZ. The 2018 OECD Report on Getting Skills Right in Australia\(^8\) also highlighted the need to update the ANZSCO since emerging occupations such as cyber security, artificial intelligence experts and others were not included in the current classification. According to the ABS Forward Work Program released October 2018, the resource required to fully implement the review is $4 million\(^9\).

The Australian Chamber recommends the Federal Government immediately fund a review of the ANZSCO in the context of both workforce planning and skilled migration. Of equal importance is ensuring regular revisions and structural reviews are incorporated into the ABS’ work plan at intervals which are in line with industry best practice with budgeted resources. It should not be contingent on external stakeholders advocating for the review.

4 Issues with the Current System

4.1 Processing Delays and Cost

The enormous application costs and ballooning delays in the processing of applications has severely impacted the responsiveness and flexibility of the system to meet the immediate labour needs of business. Visa application fees are high in Australia by OECD standards and they have increased further following the 2017-18 budget\(^10\). Temporary skilled visas are demand driven and are only accessed when employers are unable to find suitably skilled Australians to fill the position. The added layer of labour market testing and other compliance requirements has increased the time it takes to

---


\(^10\) OECD 2018, Recruiting Immigrant Workers: Australia
put in an application. However, the processing time itself has ballooned out. This defeats the primary aim of a responsive and flexible migration program.

<table>
<thead>
<tr>
<th>Stream</th>
<th>Application Cost</th>
<th>Current Processing times (13 December 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSS (short-term stream)</td>
<td>From $1,175</td>
<td>75% of applications in 50 days(^1)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>90% of applications in 87 days</td>
</tr>
<tr>
<td>TSS (medium-term)</td>
<td>From $2,455</td>
<td>75% of applications in 41 days(^2)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>90% of applications in 72 days</td>
</tr>
<tr>
<td>Labour Agreement</td>
<td>From $2,455</td>
<td>75% of applications in 62 days(^3)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>90% of applications in 5 months</td>
</tr>
</tbody>
</table>

### 4.2 Skilling Australians Fund (SAF) Migration Training Levy

The Australian Chamber opposed the direct connection between the SAF migration training levy and the Skilling Australians Fund National Partnership Agreement for apprenticeships. This has created unnecessary complexity around the convoluted funding arrangement at both ends.

The quantum of the SAF levy is a major issue for business. The quantum of the levy is excessive and surpasses what was recommended by the 457 programme integrity review\(^4\). Adding to this is the upfront nature of the levy, which is proving to be a huge burden for small business. Similar to representations made in our 2017-18 Pre-budget submission and to the Senate Education and Employment Legislation Committee, the Australian Chamber recommends the levy be halved to $600 per year for small business and $900 for large business for each sponsored temporary migrant.

<table>
<thead>
<tr>
<th>Stream</th>
<th>Small Business (annual turnover less than $10 million)</th>
<th>Large Business (annual turnover more than $10 million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSS (short-term stream for 2 years)</td>
<td>$2,400</td>
<td>$3,600</td>
</tr>
<tr>
<td>TSS (medium-term stream up to 4 years)</td>
<td>$4,800</td>
<td>$7,200</td>
</tr>
</tbody>
</table>

Under the previous training benchmarks, there was an option for employers to demonstrate that they invested in training by proving that they spent equivalent of 1% of payroll (benchmark) or more on training. We support this avenue of demonstrating a commitment to training and that in these circumstances an additional levy is not payable.

In addition, it is a significant concern that the levy is payable upfront for the full duration of the visa with a refund available only in limited circumstances\(^5\):
- Where the migrant fails the health or character checks
- The sponsorship and visa applications are approved but the migrant does not arrive or commence employment
- The visa holder leaves the sponsoring employer within the first 12 months of employment where the visa period was for more than 12 months (refund is only given for unused full years)
- The nomination fee is refunded

The Australian Chamber recommends that the ability to access refunds should be extended to ensure that in all cases where the application has not been successful, the training levy would be refunded.

### 4.3 Temporary Skilled Migration Income Threshold (TSMIT)

The temporary skilled visa program is underpinned by both a market rates approach, and an eligibility that is built around skilled occupations. Overseas skilled workers are paid the same amount as an equivalent Australian worker. Commentary around the TSMIT often is confused, and refers to the TSMIT as the amount an overseas worker is paid – this is not the role of the TSMIT.

The TSMIT has two roles:

1. To provide an income floor primarily designed to ensure that temporary skilled visa holders are able to support themselves, given their ineligibility for certain benefits Australians receive and also to discourage working for others (income floor); and
2. As an eligibility threshold, such that jobs that are paid lower than the TSMIT would not be entitled to access a temporary skilled visa holder (eligibility threshold).

In relation to the role as an income floor, TSMIT is a blunt instrument not reflective of the substantial differences in costs of living across industries, and across a wide range of locations and circumstances that would impact the cost of living. In the long term, with a market rates system in place and good compliance history in the program, the need for TSMIT to perform this role should be minimised, if not eliminated. While planned compliance measures are implemented which aim to build confidence in the program, there may be an argument to retain the income floor as it is a simple dollar amount. However, it should not be the long-term objective to retain the TSMIT as other integrity measures such as market rates and pay compliance in the program should be sufficient to ensure an appropriate income floor.

The second role of the TSMIT as an eligibility threshold should be removed immediately as it is not necessary given the requirement to only fill skilled vacancies on the occupation lists. Employers in industries and regional areas where the market rate of skilled workers is often below the TSMIT should not be denied the opportunity to use the skilled visa program if they are experiencing shortages. Remuneration in regional Australia is in most cases substantially less than in the metropolitan areas, and where this is not the case, the market rate of pay reflects the amount needed for workers to live and work. The cost of living in regional areas is also often lower. A substantial part of total household income is spent on housing, but even allowing for incomes being lower, the proportion spent on housing is less in areas outside of the greater capital cities.
To reflect differences in the market pay and the cost of living between cities and regional Australia and to assist in minimising the difference in the market rate of pay between an overseas worker and an Australian worker doing the same role, the TSMIT as an income floor should be 10 percent lower for regional areas (defined as work outside the capital city metropolitan areas of all states and territories).

### 4.4 Labour Market Testing (LMT)

It is common ground that where Australians with the relevant skills are available they should fill job vacancies. Employers face many existing barriers when using the highly regulated skilled migration program and these barriers are already a very strong incentive for employers to employ Australian workers as a first priority. Sponsoring a migrant is costly – in fees and levies, as well as being time-consuming. The TSS requires numerous compliance requirements that a migrant must meet to be eligible for a temporary skilled visa.

- **Health and Character:** The migrant must meet specified health and character requirements at their cost, which entails passing health assessments and obtaining police certificates.
- **English language:** The migrant must provide evidence of requisite English language skills through sitting an English language exam such as the ILETS with a minimum score of 5.
- **Skills assessment and Experience:** The migrant must provide evidence that they have the necessary skills, qualifications and employment background to perform the nominated occupation having worked in a relevant occupation for at least two years.
- **Minimum Salary:** The employer must pay the migrant according to the Temporary Skilled Migration Income Threshold (TSMIT), currently $53,900, which is no lesser than the minimum wages paid to an Australian.
- **Perform Approved work:** The migrant must be working directly for the sponsor or for an associated entity of the sponsor, unless the nominated occupation is exempt from this requirement

On top of these barriers, the laws have strengthened in the last few years to require labour market testing (LMT), which is an obligation on employers to advertise and report results before hiring a temporary skilled migrant. It does not add much value to achieving the recruitment of Australians first (it is likely that numerous attempts to recruit Australians were made before reaching out to a migrant), but it significantly adds to the red tape burden. Australia is a large country, where mobility of labour is often limited, and obtaining a skilled worker in a particular business, in a specified location at a particular point in time is a challenge for any business, and especially for regional businesses. Australia should not deny the opportunity for that business to survive and grow by erecting further barriers to satisfy workforce needs.

Sadly, the debate about LMT has become an ideological battle that ignores the evidence. It even threatens the approval of Free Trade Agreements (FTAs), with the ACTU claiming that there should be no exemptions from LMT granted in FTAs. Opponents to waiving LMT in FTAs are fighting a paper tiger. In reality, the process of LMT is red tape with little impact on outcomes. In 2015, unions

---

rolled out similar arguments against the China-Australia Free Trade Agreement (ChAFTA) as it contained exemptions for LMT. The facts show just how weak the paper tiger is. In the year before ChAFTA, there were 3,520 primary applications granted for Chinese workers under the 457-visa program. In 2017-18, only 1,700 Chinese worker applications for temporary skilled visas were granted - less than half. Exemptions from LMT do not result in hordes of foreigners gaining access to our labour market.

The Australian Chamber concurs with the recommendation of the 457 Integrity Review that based on the lack of evidence of its effectiveness and due to the high regulatory burden, labour market testing for the TSS visa program should be abolished. Alternatively, there is scope to reduce the complexity of administrative procedures without compromising on compliance, by easing the labour market testing for high-wage occupations and renewals.

5 Recommendations

1. Ensure access to all skilled occupations for employers nominating workers under the employer nominated temporary and permanent skilled streams, except where there are integrity concerns.
2. Maintain within the Australian Bureau of Statistics a current statistical list of occupations, known as ANZSCO, and immediately commence the next review, which is long overdue.
3. Enable pathways to permanency for temporary skilled workers for all skilled occupations and eliminate the differential between short term and long term temporary skilled workers.
4. Improve processing times and reduce regulatory red tape including the heavy requirements for labour market testing for skilled occupations. Consider reintroducing migration outreach officers working within industry bodies to provide advice to business to help them navigate the complexity in the system.
5. Implement a whole-of-government approach to labour market analysis and planning; monitor use of skilled migration to ensure system integrity and to inform independent skilled migration; and, align skills development and migration strategies based on labour market needs.
6. Ensure visa fees and arrangements are internationally competitive.
7. Recomence the review of visa categories with the aim to simplify the system and make it more accessible but not at a cost of reduced flexibility.
8. Increase confidence in the temporary visa program through an active compliance program of education and enforcement.

6 Conclusion

A well-managed temporary skilled migration system will facilitate Australia’s economic prosperity and contribute to the success of our society as a whole. The high level of regulation in the system, along with important compliance monitoring and enforcement, is sufficient to limit overuse of the program in all but an isolated few occupations and sponsors. Yet, the 2017 changes resulted in the system becoming too expensive, inflexible and unresponsive, as well as overly complex thus effectively creating red tape and a disincentive to use the system.
7 About the Australian Chamber

The Australian Chamber of Commerce and Industry is the largest and most representative business advocacy network in Australia. We speak on behalf of Australian business at home and abroad.

Our membership comprises all state and territory chambers of commerce and dozens of national industry associations. Individual businesses are also able to be members of our Business Leaders Council.

We represent more than 300,000 businesses of all sizes, across all industries and all parts of the country, employing over 4 million Australian workers.

The Australian Chamber strives to make Australia the best place in the world to do business – so that Australians have the jobs, living standards and opportunities to which they aspire.

We seek to create an environment in which businesspeople, employees and independent contractors can achieve their potential as part of a dynamic private sector. We encourage entrepreneurship and innovation to achieve prosperity, economic growth and jobs.

We focus on issues that impact on business, including economics, trade, workplace relations, work health and safety, and employment, education and training.

We advocate for Australian business in public debate and to policy decision-makers, including ministers, shadow ministers, other members of parliament, ministerial policy advisors, public servants, regulators and other national agencies. We represent Australian business in international forums.

We represent the broad interests of the private sector rather than individual clients or a narrow sectional interest.
Migration works for all of us
Delivering benefits to all Australians
POLICY POSITION PAPER - DECEMBER 2018
Migration works for all of us – delivering benefits to all Australians
Migration Policy Position Paper

Published by the Australian Chamber of Commerce and Industry
Level 3, 24 Brisbane Avenue, BARTON ACT 2600
P: 02 6270 8000
www.australianchamber.com.au
ABN: 85 008 391 795

About the Australian Chamber of Commerce and Industry

The Australian Chamber is Australia’s largest and most representative business network. Our members are state and territory chambers of commerce, national industry associations and a council of business leaders from individual enterprises. Together, we represent Australian businesses of all shapes and sizes, across all sectors of the economy, and from every corner of our country.

Migration works for all of us – delivering benefits to all Australians
Migration Policy Position Paper
Published by the Australian Chamber of Commerce and Industry
Level 3, 24 Brisbane Avenue, BARTON ACT 2600
P: 02 6270 8000
www.australianchamber.com.au
ABN: 85 008 391 795

Authors
Jenny Lambert
Director – Employment, Education and Training
jenny.lambert@australianchamber.com.au

Krithika Gururaj
Policy Adviser – Employment, Education and Training
krithika.gururaj@australianchamber.com.au

Design
3 Degrees Marketing
3dm.com.au

© Australian Chamber of Commerce and Industry
No part of this publication may be reproduced in any manner or form without written permission from the Australian Chamber.
Foreword

Migration and Australia’s population growth has been receiving a lot of attention this year. This is a serious issue with significant implications for our future. It is disappointing that much of the commentary has been superficial. It is based on a lack of understanding of the benefits of migration, or even how we count our population numbers and who comes in as migrants and how long they stay.

Voices across the political spectrum have been calling for a reduction in migrant numbers. The Left attacks the level of temporary migration, asserting that students and working holiday makers take Australian jobs, and the Right seeks to put up the ‘house full’ sign to permanent migrants either for nationalist reasons, or as a political response to concerns about congestion in cities and infrastructure shortfalls.

Putting migration ‘on hold’, or allowing numbers to be set by States and Territories based on the pace of infrastructure roll out would be letting the tail wag the dog. Political leaders would not suggest that businesses cut back on internal trade or exports because our roads, trains and ports are over-burdened. What they would do is seek political support for investing in more infrastructure to allow our economy to grow and Australia’s standard of living to rise. The same should be true of migration. Infrastructure is an enabler to improve the efficiency of delivery – it is not an end in itself.

The aim of this policy statement is to improve the level of understanding about migration and the drivers of population growth.

Against a rise in anti-migration sentiment, this document provides an evidence-based case in support of permanent migration at current levels, and to improve the regulatory settings to ensure the migration program overall is more responsive to needs across the economy and the country.

This policy position paper is not only about the benefits to business. We make the case that migration provides benefits to all Australians. Our approach to migration over the last few decades has provided Australia with a comparative advantage. In a world where countries have to work harder and smarter to stay competitive and create opportunities for their people, we should think carefully before we give away that advantage.

Migration works for all of us.

James Pearson
CEO
Executive summary

Migration benefits all Australians. Our approach to migration, particularly in the last few decades, has given us a comparative advantage. It has made us richer; it drives economic growth and helps deliver the job opportunities and lifestyles that are so important to us.

Migration is also a story of people. Individuals, families, entrepreneurs and investors who have each made an invaluable contribution to their adopted country.

Apart from achieving greater cultural diversity, migration works for us in four important ways:

- it counteracts an aging population
- provides the skills we need
- makes us economically stronger
- creates jobs and improves the workforce participation rate

The Productivity Commission estimates that Gross Domestic Product (GDP) per person would be around seven percent higher in 2060 under a migration business as usual case compared to a zero Net Overseas Migration (NOM) scenario, or an average of 0.15 percent higher growth each year.

As a result of migration we have one of the youngest workforces of the developed world, which puts us in a much stronger position to fund health and pensions for older Australians.

Migration and natural population growth will lead us to a bigger Australia. This works for us as we are a very large island continent with a lot of land, coastline and resources to secure and manage. There are vast distances between population hubs, and roads, rail and airports are expensive.

Concerns sometimes raised about lack of arable land, water, decent infrastructure, food production and the size of our cities are all either non-existent or surmountable. Our cities are modest in size by world standards and we have the highest ratio of arable land per head of population in the world.

In looking to cut migration to solve our infrastructure shortfalls we are losing sight of the economic benefits of migration and putting unnecessary restrictions on economic growth.

There needs to be a robust but constructive conversation about population. We recommend that the outcome not be a detailed population policy, but instead a set of principles that can be agreed within and across Governments and the community, that help shape all policies that impact migration and population. In determining these principles, Australia needs to think about the country it wants to be and our place in the world. We have choices. We can shrink into ourselves, or be bold and outward looking.

Recommendation 1: Adopt population policy principles

That a working group including representatives of business, government, academia and migration stakeholders be established by the Federal Government to draft a set of principles for consideration and adoption by all Australian Governments as well as through COAG, so as to inform and underpin policies that impact population and migration. These principles would include recognition of the benefit of population growth and the comparative advantage gained through migration, as well as the need to plan for growth rather than restrict growth to meet existing planning outcomes.

Skilled migrants are needed to help drive our economic and job-generating powerhouses. Migrants are also needed in the regions, both for permanent settlement and to satisfy the significant demand for seasonal work, both skilled and unskilled, in tourism and agriculture. Regional migration should be encouraged, and regional growth strategies that create jobs and attract both internal and overseas migrants are critically important.

Understanding what makes up our population and migrant intake is fundamental to making decisions about migration caps and population policy.

Population growth in the last few years has been strongly driven by the number of temporary migrants, particularly international students, as any migrant who stays over 12 months of the last 16 months is counted. This is a cause for celebration, not concern, as international education is a major export earner and job generator. Only around 15 percent of students become permanent migrants, and when they do, they are subject to the same cap that puts a
limit on all permanent migration. If they do transition, this is a benefit for Australia – we have not had to fund their education and yet we benefit from the skills they have, in large part, acquired here.

The 2017-18 permanent migrant intake was 20,000 lower than the previous two years and 30,000 below the 190,000 cap. This reduction hit hardest on the employer sponsored skilled migration stream despite it delivering the highest economic benefits. This is a major cause for concern. The economic evidence of maintaining Net Overseas Migration closer to pre 2017-18 levels is very strong and should give assurance that permanent migration of around 190,000 is about right.

Given this evidence, recent changes to the migration program and calls for further cuts to migration mean there is a risk of losing Australia’s comparative advantage. We cannot afford to let this happen and must aim for a migration program that is fit for purpose.

To maintain our comparative advantage, we need to make changes to our migration program to ensure each element delivers maximum benefit and works for us in the future.

**Recommendation 2: Make policy changes to preserve the comparative advantage delivered by migration**

That the Federal Government make changes to the migration program to improve its accessibility and responsiveness in order to better meet skill and labour needs. These changes should include access to all skilled occupations for employer nominated migration, ensure visa fees and charges are internationally competitive, set the cap for permanent migration based on evidence of economic benefit, and improve the processing times and affordability of the program.

In more detail these recommended changes are:

- Ensure access to all skilled occupations for employers nominating workers under the employer nominated temporary and permanent skilled streams, except where there are integrity concerns.
- Maintain within the Australian Bureau of Statistics a current statistical list of occupations, known as ANZSCO, and immediately commence the next review, which is long overdue.
- Enable pathways to permanency for all skilled occupations and eliminate the differential between short term and long term temporary skilled workers.
- Look for growth opportunities for the working holidaymaker and seasonal worker programs including reducing the application cost as previously indicated by Government.
- Improve processing times and reduce regulatory red tape including the heavy requirements for labour market testing for skilled occupations. Consider reintroducing migration outreach officers working within industry bodies to provide advice to business to help them navigate the complexity in the system.
- Set the cap for permanent migration based on the evidence of economic benefit taking into account the shifts in Net Overseas Migration and natural increases, and then resource the application process so that the outcome is closer to the cap.
- Implement a whole-of-government approach to labour market analysis and planning; monitor use of skilled migration to ensure system integrity and to inform independent skilled migration; and, align skills development and migration strategies based on labour market needs.
- Ensure visa fees and arrangements are internationally competitive.
- Recommence the review of visa categories with the aim to simplify the system and make it more accessible but not at a cost of reduced flexibility.
- Implement a fit for purpose visa for au pairs.
- Increase confidence in the temporary visa program through an active compliance program of education and enforcement.
Migration works for all of us

Although there are many areas where Australia has become less competitive, there is one area where we are a standout success. Migration is our comparative advantage. It works for us.

At a time when there are many voices decrying the congestion in our cities, and concerns about our loss of national identity or simply pushing back with ‘we don’t want more of them here’, this bold statement may come as a surprise. However, it is true. Migration works for all of us.

Migration is in our nation’s DNA. It has been a major contributor to Australia’s success, and our targeted migration program has ensured we are better placed to deal with the challenges of an aging workforce than most other developed countries. Our diverse population from a wide range of cultural backgrounds has enhanced this comparative advantage by providing a diversity of thinking and positive network of connections to the rest of the world.

This report sets out the evidence that migration works not just for business, but for everyone, creating jobs and delivering enormous economic and social benefits, particularly when planning is smart, continuous and coordinated.

But, we also sound a warning that there is a risk of losing Australia’s comparative advantage by giving in to the anti-migration voices and alarmist rhetoric. We cannot afford to let this happen and must aim for a migration program that is fit for purpose. We need to be comfortable and assured about who we are and what we want to be. Australia will be a bigger country; we need to be a strong and competitive country, and we need to continue to be a country that we are proud of, which offers the lifestyles Australians desire and provides the opportunities for our families and future generations.

To deliver on these fundamental goals, we need to acknowledge that the migrants of tomorrow will be as important to our future as the migrants of yesterday.

Migration works for all of us.

“Australia will be a bigger country; we need to be a strong and competitive country, and we need to continue to be a country that we are proud of, which offers the lifestyles Australians desire and provides the opportunities for our families and future generations.”
Why migration serves Australia so well

Migration has been a big part of our heritage, and is a significant contributor not just to our economic success but also to our culture, our lifestyle and our sense of who we are.

We live in a globally focussed country built around diversity of community and tolerance. Australia has one of the most multicultural populations in the world. The Australian Bureau of Statistics (ABS) describes us well: “We have more than 300 different ancestries and 28% of our resident population is born overseas — that’s nearly 7 million people. We’re a nation of nations – we speak more than 300 languages.”

This diversity brings innovation and a richness to our everyday lives. Each migrant has an individual story and has contributed, large or small, over generations.

Apart from achieving greater cultural diversity, migration works for us in four important ways:
- it counteracts an aging population
- provides the skills we need
- makes us economically stronger
- creates jobs and improves the workforce participation rate

The most recent Federal Government Intergenerational Report shows that the rate at which our population is aging has slowed and we have one of the youngest populations in the developed world. This is because of migration. Migration works for us in delivering more working-aged, skilled people who often bring their children, or who have children after they arrive, and this next generation becomes tomorrow’s workers and leaders.

Australia is a large continent and although our workforce has, to some extent, demonstrated its willingness to move for work, the proportion that moves long distances is falling. It is often not possible to have the workers available where and when needed. This is true for our growing cities as well as in our regions. It is difficult to attract people to make a move to a regional location particularly for seasonal work, whether or not it is a skilled job. Yet regional-growth industries such as tourism, mining and agriculture are generating jobs and wealth for Australia, and are spreading that wealth across Australia. Those businesses need people willing to work in all corners of our country.

Our comparative advantage

“...By 2030, Australia will be the youngest among the English-speaking countries and the countries of Western Europe. It will also be younger than many of the current advanced economies in Asia. Thus, from the demographic perspective, Australia is in a favourable position.”

- Professor Peter McDonald, demographer, University of Melbourne
The evidence is clear – Migration works for us

Australia’s migration program consists of humanitarian, permanent migration, and various temporary visas, and each element delivers unique economic and social benefits. The permanent migration program facilitates partners, families and skilled migrants to make Australia their permanent home. Temporary visas facilitate the stay of tourists, working holidaymakers, students and temporary skilled workers in Australia for a limited period of time.

Economic benefits of migration

The joint paper released in 2018 by Treasury and the Department of Home Affairs highlights the economic benefits of migration. Migration mirrors the benefits of trade in an economy and migrants bring a range of productive skills and preferences for goods and services different to those of the local born population. These differences can generate wealth that would otherwise not exist, by enabling specialisation of activity and international trade in goods and services.

The Productivity Commission estimates that GDP per person would be around 7 percent higher in 2060 under a migration business as usual case compared to a zero NOM scenario, or an average of 0.15 percent higher growth each year. In terms of annual average GDP growth, the International Monetary Fund projects that Australia’s current migration program will add between ½ and 1-percentage points over the period 2020 to 2050 through its effect of limiting the economic impact of Australia’s ageing population.

Australia is the only country in the OECD where a specific fiscal impact model has been developed as a tool for migration management. The model allows for a detailed analysis of the effect of new arrivals on the Australian Government Budget. The net fiscal impact of migrants is the difference between the taxes they pay and other contributions to public finances and the cost of the benefits they receive from the government in the form of public services such as hospitals and schooling for their children. The net fiscal impact of migration is largely dependent on the characteristics of migrants, with employment the single most important factor.

A sizable number through the employer-sponsored category. These migrants are young, highly skilled and commence employment immediately on arrival. The 2014-15 cohort of 457 skilled temporary visa holders and permanent skilled migrants delivered an estimated $7.8 billion worth of positive net fiscal impact on the Federal Budget. The entire permanent migration program and the 457 skilled temporary visa holders (now the temporary skills shortage visa) delivered a total net fiscal impact of $9.7 billion to the Federal Budget. This cohort has a positive net fiscal impact by paying more taxes across their working life compared to the benefits they receive. This means they contribute to the financing of public infrastructure, welfare and pensions for others.

Migration works for us.

Bigger and better skilled workforce

Skilled migrants transfer their skills to the local workforce as well as fill skills gaps. For many businesses who find it difficult to recruit the skilled workforce they need, in the location and time that they need it, or who need new skills not yet developed here, migration has allowed sustainability and growth. Businesses report that access to skills and labour is one of their most pressing concerns.

In the absence of migration, by 2020 Australia’s workforce would start to shrink in absolute terms, which would limit our economic growth and income per person. The positive labour market outcomes are clear in the case of skilled migrants. Over 90 percent of primary skilled applicants were in employment six months after arrival or grant of a permanent or provisional visa. The rate of labour force participation reached over 95 percent.

Migrants lift the educational attainment of the Australian population and lead to better research and development through enhanced productivity, innovation and the accumulation of human capital. Over 43 percent of employed skilled primary migrants were working in a professional field, performing the analytical, conceptual and creative tasks that require at least a Bachelor level qualification.

Australia’s skilled migration program substantially shifts the median age of the labour force, and studies have shown that, contrary to what some may believe, migration has a stimulatory effect in Australia on the wages of low-wage workers – only one other country, being Singapore, experienced this effect and both have substantial migration programs.
Migration creates jobs – it does not take them

Dog whistles about migrants ‘taking our jobs’ is reminiscent of the fear over women taking jobs from men over half a century ago.

These sentiments stem from the fallacy that there are a fixed number of jobs in the economy. While migrants do take up jobs in Australia, there is little evidence that they displace local workers. They come with skill sets that complement the existing workforce. Migrants consume local goods and services, which create demand for labour and other resources to supply those goods and services, thus creating more jobs in the local economy. Some migrants do not participate in the labour market or have limited work rights (such as international students) but yet consume goods and services and thus create jobs.

Without migration, employment of those under 55 years would have fallen by 143,000 in the five-year period (2011-2016). Instead, with migration, employment at these ages increased by 452,000; a total turnaround of 595,000.

Entrepreneurial migrants create jobs by starting their own business. Migrants own one in three Australian small businesses. This equates to 620,000 migrant owned businesses across the country, employing 1.41 million Australians. Modelling by Independent Economics and the Migration Council of Australia projects that by 2050, the gain in employment through migration to be 45 percent, outstripping the population gain of 37 percent, indicating that migration plays a role in creating jobs.

Migration counteracts the effects of an aging population

The scale of demographic change happening now both nationally and internationally is perhaps the most significant in human history taking into account the dramatic reductions in infant mortality, fall in fertility rates and longer life expectancy. These changes are not a crisis but a triumph of progress in medicine and wellness, but they do present challenges to deliver appropriate well-planned responses. One in every six Australians are over 65 years of age, compared to one in seven in 2011 and one in 25 in 1911. This increase applies fiscal pressure, as public spending on people aged over 65 is substantial. Between 1981-82 and 2009-10, public health expenditure per capita on persons aged 75 and over increased in real terms by 6.4 times. As the population aged 75 years and over increased three times in the same period, real public expenditure on health for the cohort increased by 19 times.

An aging population not only requires increasing levels of public spend on services; it also decreases the proportion of population active in the workforce. Although the participation rate for over 65 year olds is on the rise, from 9.7 percent a decade ago to 14.1 percent in 2018, older Australians still require increased services. The key ratio is the number of people employed as percentage of the population, because if the ratio falls without a commensurate improvement in productivity per worker, then our GDP per capita will fall. Projecting to 2051, if NOM increases by 200,000 per year, the number of people over 65 in 2051 will be similar to what it would be with zero NOM, but importantly there will be 6.8 million people under 65 to help fund the cost of older Australians. This is where migration works for all of us.
The evidence is clear – a bigger Australia works for us

Almost a decade ago, there was a strong reaction to the idea of a bigger Australia, but managed growth is something to be celebrated, not shunned. There are many benefits from being a bigger Australia.

A growing Australia works for us. We are a very large island continent with a lot of land, coastline and resources to secure and manage. There are vast distances between population hubs, and roads, rail and airports are expensive. Decisions about what to build, where and when, are usually based around volume of use and productivity gain. Australians expect modern, efficient transportation and infrastructure. This occurs only when it makes sense to build it.

Economies of scale are achieved in other areas through a growing Australia. We have access to cheaper and a wider variety of goods and services when volume can justify it. You only have to see what choices are available in the cities versus a small country town to know that consumer numbers drive choice and lower prices.

Our natural advantages

Our land is resource rich, which allows us to be a major exporter of energy, natural resources and food. Although there are vast tracks of land that are starved of water and would not sustain population centres, we have over two arable hectares per head of population, which is the highest ratio in the world. The next highest are Kazakhstan and Canada, both with ratios under 1.5 hectares per capita33.

We export around 65 percent of our farm produce34. Australia is the top crop producing country and the fourth highest food producing country based on net food per capita.

Being part of a global food market, we produce large quantities of food in which we have a competitive advantage, most of which is exported, and import those foods that the market demands and we do not produce sufficient quantities to meet consumer demand. It is estimated that Australian-produced food currently supports 61 million people both here and overseas35. To continue this success, planning should concentrate on increasing food productivity and reducing waste36.
Many countries do not have anything like our access to arable land, fishing rights and capability to produce safe, high quality produce. These economies seek their own competitive advantages in other goods and services. Consider a successful country such as Singapore that has no arable land – their comparative advantages lie elsewhere.

Safety in numbers
Strong population growth is not only about economics. It is also about security. There is safety in numbers. Being resource rich, there may be threats to consider from countries that have much more pressing problems. We need a substantial and healthy economy to afford the significant capital costs of planes, ships and submarines to protect and monitor our extensive coastline and country. For some commentators, security alone is enough to justify a growing population.

What is our shared vision for Australia?
To be comfortable with migration and the concept of a bigger Australia, what is required is not just evidence of economic benefit, but deeper thought about what country we want to be. What do we regard as important to us? We are overwhelmingly proud of our country\(^2\), we don’t want to live anywhere else and are happy and satisfied with our lifestyle and sense of belonging\(^3\). Over half of Australians believe the number of migrants is about right or too low, and almost two thirds believe that accepting migrants from a diverse range of countries makes us stronger\(^3\). However, as a reflection of the current negative discourse, there has been a recent spike in anti-migration sentiment, as recorded in the 2018 Lowy Institute Poll and other recent surveys\(^4\).

What can be done to once again find common ground on the benefits of migration? What is our vision for Australia? Do Australians want to retain our position in the world as one of the biggest economies or fall back in relative or even absolute terms? Relative size affects affordability to achieve goals important to Australians, including on the sporting field. It affects our ability to defend ourselves. Most importantly, population has an impact on our lifestyle, as our relative wealth and the choices available to us arise from economic growth and a growing population.

If we become smaller or stay much the same as we are now, when the rest of the world grows, what are the implications?
These are all important questions, and we should not shy away from discussing them.

---

Did you know #1? A Growing and Prosperous Australia

As at November 2018, the Australian Bureau of Statistics estimates our population to be 25,150,448\(^5\).

The latest population projections suggest that the population by 2061 would be within a range of 37 million to 48 million depending on the varying predictions of birth rates and migration flows\(^6\).

Even though by population we are only the 54\(^\text{th}\) largest country\(^7\), Australia is the thirteenth largest economy, and per capita, we rank tenth\(^8\) as well as being the second wealthiest. Economically, we punch above our weight.

We are also stand out performers in keeping our population healthy. Expectation of life for Australian men is ranked 3\(^{rd}\) in the world, and deaths of Australian women under the age of 75 have fallen to record low levels\(^9\).
Growth of our cities

Much of the concern about migration arises in response to congestion and housing affordability largely in Sydney and Melbourne. We need to address these concerns, not through trying to restrict our economic and job generating powerhouses but by planning and managing better.

In the world ranking by urban population, the largest city in the world is Tokyo at over 38 million people, followed by Jakarta, Delhi, and Manila. New York is 8th with 22 million people, Paris is 32nd and London 35th both with over 10 million people. These cities serve their population and attract millions of tourists. Large cities can operate effectively with the right infrastructure and planning. They are not just major economic centres and job generators, but cultural, sporting and leisure centres, as well.

Sydney is ranked 98th and Melbourne 101st by size and are much less densely populated than most larger cities. There are only ten cities larger in population but with a lower population density and all of these are in the US. Sydney has 2000 people per sq km, Melbourne 1600 per sq km. By comparison, London has 5600 people per sq km. Yet the world still flocks to cities like London and Paris that have the infrastructure to manage larger populations, higher housing density and a lot more tourists. Cities can cope with size if infrastructure keeps pace with growth.

Jobs growth continues to be the strongest in Sydney and Melbourne. The drivers of employment in the cities have accelerated, with the nature of work shifting to offices, warehouses and special-purpose locations including around airports. Large cities generate jobs, and people overwhelmingly move to where the jobs are except when it is time for retirement, when family and lifestyle are the main drivers. Economies of scale in transport, logistics and consumer markets are achieved in cities. However, size and density can affect productivity and lifestyle if not well managed.

Sydney and Melbourne are currently undergoing ‘infrastructure catch-up’. Residents are fed up with the impact on travelling times in the construction phase and this is affecting their view about population. Better forward planning would have alleviated this problem. Calls by some to halve migration numbers on the basis of previous poor planning in our two largest cities, if heeded, would unfairly and negatively impact all Australians, including ironically the opportunities and lifestyles of the city dwellers.

Did you know #2? Migration is increasing around the world and Australians are benefitting from it

According to the United Nations:

“More people are on the move now than ever. The number of international migrants reached 258 million in 2017, an increase of 85 million, or 49 percent, compared to 2000. . . economic and social factors are the main reason why people migrate.”

“The available evidence suggests that the overall economic impact of migration is positive for both countries of origin and countries of destination. Migration can play a critical role in economic growth and development including by helping to fill labour market shortages . . .”

In 2016-17, over 100,000 Australians left Australia, which was 15,000 greater than those who returned.
Regional needs

Although Australia is an urbanised country, a strong and vibrant rural community is important for all of us. Migration works to provide stability to regional communities. Research by the Regional Australia Institute found that 151 regional local government areas were addressing a declining population by attracting international migrants.

Census 2016 showed that for many small towns, international migrants were the only source of growth. Even cities such as Darwin would be shrinking without international migrants.

Businesses such as abattoirs and poultry plants as well as seasonal industries rely heavily on migrant workers, as Australians are often not willing or available to do that type of work. We have understandably built a culture of aspiration for young people to work in a high skilled, knowledge economy, but work that does not fit this description is still required in many regional areas, and will be for years to come.

Despite the need for workers in the regions, and even though the regions are home to one third of all Australians, only one-fifth of migrants settle there. The strong bias of international students to study in capital cities explains part of this, as most are counted in the population numbers even though their stay is temporary, but so does the connection of cultures and families to live near one another.

There is a strong call from the regions for solutions that will ensure they have access to the skills and labour they need to keep their businesses and communities sustainable. However, restrictions on the movement of migrants is not the solution. The pull factor of a job in the regions accessed through employer-sponsored migration is the best approach. Ironically, any attempts to reduce migration to the capital cities and limit it to the regions could be counter-productive as regional residents may be even more inclined to shift to the cities to fill higher paying job vacancies.

Our regional infrastructure challenge is enormous. The infrastructure needs of regional communities is met by the contribution of all Australians including the 67 percent who live in capital cities and 90 percent who live in urban Australia.

Industries that generate jobs in regional Australia are playing their part in dispersing the economic benefits and improving the business case for investment in regional infrastructure.

It is essential that we support migration policies that successfully meet regional skill and labour needs. This is about putting positive policies in place that support regional jobs growth, and encouraging migrants to fill job needs (including the difficult to satisfy seasonal needs), with a carrot and not the stick approach. Employer sponsored migration, both permanent and temporary, is the best way to achieve this. It is not workable to restrict movement of migrants, and we should not aim to satisfy regional needs at the expense of the cities.
Population principles to guide and coordinate

There have been various attempts over the years since the abandonment of the White Australia policy to put in place a coherent population policy with limited success. We have shied away from setting particular targets for growth or numbers of people with some justification. Past inquiries have shown a lack of consensus about what the numbers should be, and there has been no appetite for policies around fertility and family planning.

However, we do have policies that impact population including migration, welfare, child care, education, health, defence, infrastructure, environment, regional development and urban planning. Various agencies, both State and Federal, develop and implement these policies largely without any policy coherence around population. There have been calls for Cabinet committees or intragovernmental coordinating bodies, but in the absence of an overarching policy, or even principles that would guide the coordination, such activities would be ineffective.

It is not clear whether Australia needs an explicit population policy, but we at least need some overarching principles to guide the connection of policies that make a difference to population growth. Once these principles are agreed, hopefully in a bipartisan way, they can underpin policies in relevant areas and assist with the coordination between ministers and departments at both the state and federal level as well as policy approaches in COAG.

It is hoped that the adoption of agreed principles across Governments (Federal and State) will ensure that the benefits of growth and migration are accepted on the basis of evidence, and that the infrastructure, environmental and sustainability planning required to support this growth is undertaken to meet the need. In other words, plan for growth rather than restrict growth to meet existing planning outcomes. The aim of the principles approach is also to achieve a much stronger community consensus about migration and population to reverse the current downward slide of anti-migration sentiment.

The following principles provide a starting point for further discussion by Governments and the community:

» Accept that population growth delivers benefits to all Australians

» Aim to keep our population healthy and living longer lives

» Recognise that migration delivers Australia a comparative advantage

» The need for a well regulated migration program that is:
  • Consistent
  • Accessible
  • Responsive
  • Meeting diverse needs for temporary and permanent migrants, dominated by skills but retaining a family reunion, education and humanitarian element
  • Non-discriminatory
  • Designed to meet skills gap in the labour force and a supplement to skills development of Australians

» No population targets, but permanent migration caps based on evidence of economic benefit

» A need for coordination across different policy areas that impact population

» Transparency of statements about population and what makes up the population numbers (perceived problems arising from population growth demonstrate a confusion between the composition of the NOM and permanent migration numbers)

» Protection of the unfettered rights of the individual in any policy around internal migration and the natural increase in population

Recommendation 1: Adopt population policy principles

That a working group including representatives of business, government, academia and migration stakeholders, be established by the Federal Government to draft a set of principles for consideration and adoption by all Australian Governments and through COAG so as to inform and underpin policies that impact on population and migration. These principles would including the recognition of the benefit of population growth and the comparative advantage gained through migration, as well as the need to plan for growth rather than restrict population and economic growth to meet existing planning outcomes.
Understanding our migration program and its impact on population

Sound migration policy can only be achieved when it is based on a good understanding of our migrant intake and population drivers.

Australia’s population is calculated by using the base population arising from each census (the most recent being 2016) and updating the total based on estimates of births, deaths, and migration. In the year to March 2018, 38 percent of our population growth was due to natural increase and 62 percent due to migration.

Because migrants come and go and Australian residents emigrate, each year the ABS calculates the NOM. What is not readily understood when comments are made about the pace of our population growth is that, not only is permanent migration included, but also temporary migrants when their stay is longer than 12 months of the last 16 months, including students, working holidaymakers and temporary skilled workers.

The biggest impact over the last few years on our population has been the rapid growth in international students, which is a major success story (see did you know #3). As figure 1 shows, in 2016-17, NOM of international students was over 100,000; 150,000 added to the population and only 46,000 departed. This was 40 percent of total NOM and around a quarter of the total increase in population. Without international students, the contribution to population growth of natural increase and migration would be almost equal. This is relevant when looking at decade-old population projections, as they simply did not predict the rapid growth in temporary migrants. The vast majority of temporary migrants return home, but if they seek to stay, they are catered for within the cap of permanent migrants, so the cap really matters.

The 2017-18 permanent migrant intake was 20,000 lower than the previous two years and 30,000 below the 190,000 cap. In 2017-18 program year^1, 162,417 migrants were granted permanent visas, including 111,099 skilled and 47,732 family migrants (mostly partners). This total does not include humanitarian migrants, as they are not subject to the cap.

Recent and more strident anti-migration sentiment driven by misdirected nationalist sentiments should be cause for great concern across the whole community. Even those who have focused on infrastructure pressures or the environment to call for...
a significant reduction in our permanent migrant intake show only a superficial understanding of the intake itself and are often basing their calls on the growth in population without understanding what is driving it.

With calls for a more dramatic cut to our permanent intake, where would the axe fall? The evidence is clear that the skilled migrants, particularly the employer nominated ones deliver the maximum economic and demographic benefit. It was beyond disappointing that the biggest fall in numbers in 2017-18 was in this highly valuable employer nominated permanent migrant category. This is largely due to the 2017 changes to migration policy and deliberate slow processing.

If cuts should fall more on family visas, where queues for spouse visas are already long and frustrating, this would be devastating on a deeply personal level for many Australians.

There is no benefit to Australia in reducing the cap. It is estimated that a NOM of between 160,000 to 220,000 each year to 2053 would have the optimum impact on GDP per capita. This estimate was done at a time when a large proportion of the NOM was those staying permanently. So, it is likely that a revised projection that included more temporary migrants who don’t impose a burden on our health, education and welfare systems would result in the optimum NOM being higher.

Changes to the permanent migrant intake need to be based on evidence of benefit and compassion for our citizens. With our economy growing and the need for skills across many occupations and industries, we cannot afford to reduce our skilled program any further. Even keeping the intake the same is effectively a reduction.
The strengths of our migration program that need preserving

Through design, default, adaptation or even luck we have developed over the years a migration program with considerable strengths that have suited our particular needs. It is worth celebrating those key elements:

- A focus on skilled, younger migrants with a strong component nominated by employers both as temporary and permanent skilled migrants. Employer-nominated migrants fill skills gaps in a particular business and industry. In reflecting on the most recent survey results, the Department of Home Affairs noted that Employer-sponsored migrants were the standout performers, experiencing almost no unemployment (only 0.5 percent) after only a year as a permanent resident, the highest rate of workforce participation (99 percent) and the second highest median full-time earnings of all skilled migrant categories.

- A points-based independent skilled migrant component that focuses on those skills most in need across the country, and invites people from all over the world to come and start a new life here.

- Pathways to permanent residency for temporary skilled migrants. These pathways assist in ensuring that there is a good fit and a firm commitment by the migrant to their new permanent home. As one of the country’s leading demographers states this “two-step process is very effective because of the guaranteed employment of the migrant as opposed to the potentially long job search that needs to be undertaken by an independent skilled applicant.”

- Valuable working holidaymaker and seasonal worker programs that deliver enthusiastic and mobile young workers particularly into the regions to provide the labour needed when it is most useful. These workers generally have skills above the seasonal job requirements, which increases the productivity benefit to industries such as agriculture and tourism. This seasonal work is often not attractive or suitable for young unemployed Australians who are looking for longer-term employment solutions that are closer to their home and support networks.

- International students that are one of Australia’s largest export industries, enhancing the connections between Australia and the rest of the world as well as making a welcome contribution to the workforce through their limited work rights.

- A cap on permanent migration to ensure the population grows in a manageable, sustainable way. This cap applies regardless of how many temporary visa holders there are, and those temporary migrants who seek to be permanent migrants but are unsuccessful, leave. They are not entitled to health or welfare benefits and it is expensive to stay once their purpose of visitation has concluded.

- A compassionate humanitarian program that provides a safe harbour for those most in need.

This combination of temporary and permanent migration options works for all of us.

This is not to suggest that there are not major issues that need to be addressed over border control or the underpayment or mistreatment of temporary migrants. These are all real concerns that need to be addressed through control and compliance measures. A well-regulated and managed migration program is critically important.

However, it is misleading to claim that we are being overwhelmed or that migration is out of control. As can be clearly seen in relation to skilled migration (figure 2) the impact of migration is manageable and easily absorbed.

We need to get the balance right in discussing migration — a balance that can only be delivered by reference to the available evidence.
Did you know #3? The value of international students

International education is one of Australia’s largest export industries worth $32.4 billion in 2017-18 and supporting over 240,000 Australian jobs as well as contributing to the cost of research and educating Australians66. There are also strong intangible benefits of soft power diplomacy and increased cultural understanding. As at July 2018, there were 626,000 international students studying in Australia, 97 percent studying in our major cities, and 70 percent in NSW and Victoria combined67.

While they are here, international students add to demands on infrastructure and housing, as do tourists, but the economic benefit vastly outweighs the cost. The jobs generated by tourism and education exports provide opportunities for Australians to work in a growing service economy at a time when jobs in mining, manufacturing and agriculture are falling in relative terms. There are also flow on benefits to jobs in construction and infrastructure to meet the needs.

International students are temporary migrants - around 85 percent of international students leave Australia when their studies have concluded68. For those that seek permanent residency, the benefit of a strong international education program is that these migrants are trained here, which makes their skills more relevant to Australia, yet without the costs of their education being paid for by Australians.

Although international students have limited work rights (up to 40 hours per fortnight), evidence indicates that only about half take up the opportunity to work, and those that do, work a median of around 15 hours per week69.

Suggesting that there should be limits on international student numbers while we play infrastructure catch up is like asking manufacturers and farmers to reduce their exports because it places too much pressure on ports and roads. Overcoming congestion is about good and continuous planning, not restricting job and revenue-generating industries in ways that result in them operating below their potential.
We can do better - migration policies for the future

While our migration program has considerable strengths, it is now under assault. In the last five years, in the absence of an overarching narrative on population, and with pressure from anti-migration forces, our migration policies have become weaker and more inconsistent.

Although the undermining of the skilled migration program started in 2013 with the introduction of labour market testing for temporary skilled migration, the changes in 2017 to skilled migration have been of the greatest concern to the business community. A skilled migration program with a valuable employer nomination component has been undermined by removing access to occupations, on the basis of inadequate national analysis, when business needs are local and impacted by time and place. Pathways to permanency have been removed for over two-thirds of skilled occupations and many highly skilled occupations are no longer available for skilled migration. This puts a brake on economic growth and erodes our comparative advantage.

The number of temporary migrants has also been the subject of negative commentary, even though each component brings its own benefits. Although there is no doubt that more work is needed to educate them on their rights and ensure employers comply with laws relating to their employment, migrants such as international students and working holidaymakers deliver enormous economic and cultural benefits.

Anti-migration sentiments have clearly had an impact on policy. In 2017-18, the number of permanent migrant applications approved was almost 30,000 below the cap, and the number of temporary skilled migrants is down over 30 percent from previous years. Skilled migration trends have generally followed employment trends so these significant counter-trend declines are being driven by conscious policy and processing decisions to reduce numbers. The danger is that the pressure on the program will intensify and further cuts will be made, despite the evidence.

Due to these shifts, our migration program is now less fit for purpose and we are in danger of losing our comparative advantage. To address this, we need to:

- Ensure access to all skilled occupations for employers nominating workers under the employer nominated temporary and permanent skilled streams, except where there are integrity concerns.
- Maintain within the Australian Bureau of Statistics a current statistical list of occupations, known as ANZSCO, and immediately commence the next review, which is long overdue.
- Enable pathways to permanency for all skilled occupations and eliminate the differential between short term and long term temporary skilled workers.
- Look for growth opportunities for the working holidaymaker and seasonal worker programs including reducing the application cost as previously indicated by Government.
- Improve processing times and reduce regulatory red tape including the heavy requirements for labour market testing for skilled occupations. Consider reintroducing migration outreach officers working within industry bodies to provide advice to business to help them navigate the complexity in the system.
- Set the cap for permanent migration based on the evidence of economic benefit taking into account the shifts in Net Overseas Migration and natural increases, and then resource the application process so that the outcome is closer to the cap.
- Implement a whole-of-government approach to labour market analysis and planning; monitor use of skilled migration to ensure system integrity and to inform independent skilled migration; and, align skills development and migration strategies based on labour market needs.
- Ensure visa fees and arrangements are internationally competitive.
- Recomence the review of visa categories with the aim to simplify the system and make it more accessible but not at a cost of reduced flexibility.
- Implement a fit for purpose visa for au pairs.
- Increase confidence in the temporary visa program through an active compliance program of education and enforcement.

Recommendation 2: Make policy changes to preserve the comparative advantage delivered by migration

That the Federal Government make changes to the migration program to improve its accessibility and responsiveness in order to better meet skill and labour needs. These changes should include allowing access to all skilled occupations for employer nominated migration, ensuring visa fees and charges are internationally competitive, setting the cap for permanent migration based on evidence of economic benefit, and improving the processing times and affordability of the program.
Did you know #4: Labour Market Testing – a paper tiger

It is common ground that where Australians with the relevant skills are available they should fill job vacancies. Employers face many existing barriers when using the highly regulated skilled migration program and these barriers are already a very strong incentive for employers to employ Australian workers as a first priority. Sponsoring a migrant is costly – in fees and levies, as well as being time-consuming. Employers are required to pay the same market rate that they would pay an Australian if one was available, and the migrant has to demonstrate they have the skills needed for the occupation and also a minimum standard of English.

On top of these barriers, the laws have strengthened in the last few years to require labour market testing (LMT), which is an obligation on employers to advertise and report results before hiring a temporary skilled migrant. It does not add much value to achieving the recruitment of Australians first (it is likely that numerous attempts to recruit Australians were made before reaching out to a migrant), but it significantly adds to the red tape burden.

Sadly, the debate about LMT has become an ideological battle that ignores the evidence. It even threatens the approval of Free Trade Agreements (FTAs), with the ACTU claiming that there should be no exemptions from LMT granted in FTAs.

Opponents to waiving LMT in FTAs are fighting a paper tiger. In reality, the process of LMT is red tape with little impact on outcomes.

In 2015, unions rolled out similar arguments against the China-Australia Free Trade Agreement (ChAFTA) as it contained exemptions for LMT. The facts show just how weak the paper tiger is. In the year before ChAFTA, there were 3,520 primary applications granted for Chinese workers under the 457-visa program. In 2017-18, only 1,700 Chinese worker applications for temporary skilled visas were granted – less than half.

Exemptions from LMT don’t result in hordes of foreigners gaining access to our labour market.
Migration works for all of us – delivering benefits to all Australians

Migration Policy Position Paper

References

27. ibid.
29. McDonald, Peter 2018, Population and Labour Force Prospects for Australia, presentation to the CEPAR conference, October 2018
50 Longstaff, Emily 2017, Migrants are stopping regional areas from shrinking, The Conversation, https://theconversation.com/how-many-people-can-australia-feed-76490

51 ibid.

52 ibid.

53 ibid.


56 Australia did have a population growth target of two percent after WWII, but this was abolished in the early 1970s. A Sustainable Population Strategy was also developed in 2011 after the “big Australia” debate, but this did not lead to any significant change in approach.


58 ibid.


65 ibid.


