

Planning Australia's 2021-22 Migration Program

Submission to the Department of Home Affairs
February 2021

Introduction

The Australian Chamber of Commerce and Industry (ACCI) welcomes the opportunity to provide input to the Department of Home Affairs' consultation process into the Migration Program for 2021-22.

ACCI has sustained a strong involvement with migration policy over several years, providing a highly considered and evidence-based perspective on the business impacts of migration policy. ACCI has consistently emphasised that the needs of business and the broader community must form the pillars from which Australia's migration program is built.

This submission sets out the case in support of returning permanent migration to the planning cap of 190,000 places in the 2021-22 program year. The current crisis has reduced Australia's migration program to a trickle in relation to off-shore applicants and substantially altered the composition of the program in relation to on-shore applicants. This has significant economic and fiscal consequences for Australia. The Government should seize every available opportunity to increase Australia's permanent migration intake especially in the skilled migration area given, the impact of the COVID-19 pandemic on our demography and population growth, due to very low Net Overseas Migration, particularly permanent migration. There is no doubt the economic and fiscal benefits arising from increased migration will contribute to Australia's recovery in the post-pandemic environment

The submission also makes the case that regardless of the size of the cap, the proportion of migrants that are employer sponsored should remain proportionally high and as accessible as possible for both regional and urban Australian businesses. This is especially necessary in the recovery period when businesses will need access to experienced skilled migrants to fill the skills gap in a tough economic environment.

Restore Permanent Migration Cap to 190,000 Places

Migration has formed a big part of our heritage and is a substantial contributor to not only our economic prosperity but also to our culture, our lifestyle and our sense of who we are. Our diverse population from a wide range of cultural backgrounds has provided diversity of thinking and positive network connections to the rest of the world. The Australian Bureau of Statistics (ABS) describes us well: "We have more than 300 different ancestries and 28 percent of our resident's population is

born overseas – that’s nearly 7 million people. We’re a nation of nations – we speak more than 300 languages.”¹ Australia is a nation that is built on migration, as is our workforce and our economy.

Treasury’s statement on migration in 2018, ‘Shaping a Nation’, rightly highlights the economic and fiscal benefits of a strong permanent migration program. The decision taken to reduce the migration intake by 30,000 to 160,000 sent a negative signal about the benefits of migration. Given the impact on population stalling arising from the pandemic, the negative impact of this decision is exacerbated. ACCI’s current policy position in this important area of public policy, ‘*Migration Works for All of Us*’, sets out a detailed, public interest case in favour of migration; and demonstrates the benefits delivered by migration, particularly given what has been for the past two decades at least, a strong component in the intake that are younger skilled migrants.

Alongside the important outputs from our education and training sectors, ACCI views both the temporary and permanent skilled migration programs as highly valuable components of workforce planning and development in Australia. Skilled migration is a vital tool that assists individual businesses who experience skill shortages as well as fill skills gaps in the economy. It provides access to skilled workers not available to the employer when they need to expand or replace a departing worker. Without this option, businesses are negatively affected, and this costs our economy as well as reduces job opportunities for Australians

Between 2020-21 and 2022-23, the planning level for the permanent migration program has been set at 160,000 places and from 2023-24 it reverts to 190,000 places. However, ACCI recommends the planned permanent migration intake for 2021-22 should be restored to 190,000 places with a significant focus on employer sponsored migration. ACCI recommends that caps for future years be set according to the evidence of maximum benefit, including an assessment of economic, fiscal and demographic outcomes. The cap of 190,000, is an appropriate level to maximise benefits and still control migration levels.

Recommendation 1: ACCI recommends that permanent migration levels be restored for the 2021-22 program year to 190,000 in order to maximise both economic and fiscal benefits as well as to make up for the population impact of net zero migration arising from the COVID crisis.

Changes to Migration Program Settings

In the current pandemic environment with international travel negligible and disruption to a number of services around the world, it is highly likely that there will be a significant gap between the recommended 190,000 cap and the actual intake. According to the 2019-20 Migration Program report², COVID-19 had a significant impact on the outcome of the 2019–20 Migration Program, including due to disruption to supporting services such as English Language testing, biometrics and health and character checking. Overall Migration Program lodgements dropped by 12.3 per cent from 198,710 in 2018–19 to 174,170 in 2019–20. As a result, the actual permanent migration intake in 2019-20 was only 140,366 – 20,000 less than the cap.

In this financial year, it is highly unlikely that we will reach the cap of 160,000 even with the current significant ramp up of partner visa processing. The skew towards partner visas, while understandable given that these applicants are on-shore, will change the economic outcomes of migration in this financial year.

¹ The Australian Bureau of Statistics, [Interesting Facts about Australia's 25,000,000 population](#)

² Department of Home Affairs, 2019-20 Migration Program Report: Program year to 30 June 2020, <<https://www.homeaffairs.gov.au/research-and-stats/files/report-migration-program-2019-20.pdf>>.

Meanwhile, our members advise that skill shortages are becoming a significant barrier to recovery and growth. By way of example, the December 2020 survey by the Chamber of Commerce and Industry WA (CCIWA) revealed that 1 out of 3 (33 percent) businesses identified skilled labour shortages as the largest barrier to growth over the coming year, including 52 percent businesses in the resources sector. Even industries heavily impacted by the crisis, including hospitality, are reporting severe chef shortages across the country but particularly in regions, which is a position reinforced by the mining industry which is unable to attract chefs to mining sites even with lucrative packages.

In this context, we recommend that more is done to adjust the migration policy settings to adapt to these unique circumstances in order to meet the skills needs in our economy.

Leveraging temporary skilled migrants who are already in country with a job, will help fill some of the gap created in the permanent migration program due to the pandemic. Changes made to skilled migration program in April 2017 resulted in the removal of pathways to permanency for over two-thirds of skilled occupations. Temporary migrants on the subclass 482 Temporary Skill Shortage (TSS) visa under the short-term stream do not have a pathway to permanency while those on the medium-term stream have an option to extend their visa for another 2 years after the initial 2 years, thereby opening up a pathway to permanency. The main difference is the list that their sponsored occupation sits under – the Short-Term Skilled Occupation list (STSOL), the Medium and Long-term Strategic Skills list (MLTSSL) and the Regional Occupation List (ROL).

ACCI recommends that all temporary migrants in country who are with or can find an employer sponsor, be eligible to apply for permanent residency under an employer-sponsored skilled visa provided their occupation is at skill levels 1 to 3.

As at 31 December 2020³ there were 110,338 skilled temporary residents in country, out of which 83,925 were on the 482 TSS visa. Out of this number, a proportion will already have a pathway to permanency, but many will not. Another source of permanent skilled migrants are graduate visa holders and working holiday makers who are in country. Many of these temporary migrants may have skills in occupations that are not on the MLTSSL and are therefore not currently eligible for permanent residence. But, they may have skills in demand by employers who may be prepared to sponsor them to become permanent residents.

The rationale behind this recommendation:

- Since the temporary skilled migrants are already in country, there is no need to navigate international travel and quarantine requirements.
- Since many of these migrants already hold sponsored jobs, it will provide employers the option to permanently sponsor these migrants without causing any business disruptions.
- Fill the permanent migration gap created by the COVID-19 pandemic travel restrictions in the 2021-22 and 2022-23 program years.

Recommendation 2: ACCI recommends that all skilled temporary migrants in country who are with or can find an employer sponsor, be eligible to apply for permanent residency under an employer-sponsored skilled visa irrespective of which skills list their nominated occupation is on, provided their occupation is at skill levels 1 to 3.

³ Department of Home Affairs, BP0019 Number of Temporary visa holders in Australia pivot table, accessed 2 February 2021, <<https://data.gov.au/dataset/ds-dga-ab245863-4dea-4661-a334-71ee15937130/distribution/dist-dga-7c062967-3a5e-49fb-a393-f224f4a30ab5/details?q=temporary%20migration>>.

Case for Increasing Skilled Migration

Each year the number of permanent skilled migrants (95,843) is only a very small percentage of the labour force - 0.74 percent of the total labour force in 2020. It is highly unlikely that there was any negative impact on jobs across the economy, but it makes an enormous positive contribution to the organisations where their skills are desperately needed. These skilled migrants also provide opportunities to further enhance and develop the skills of Australians working in that business, strengthening both the quality and skills of our local workforce.

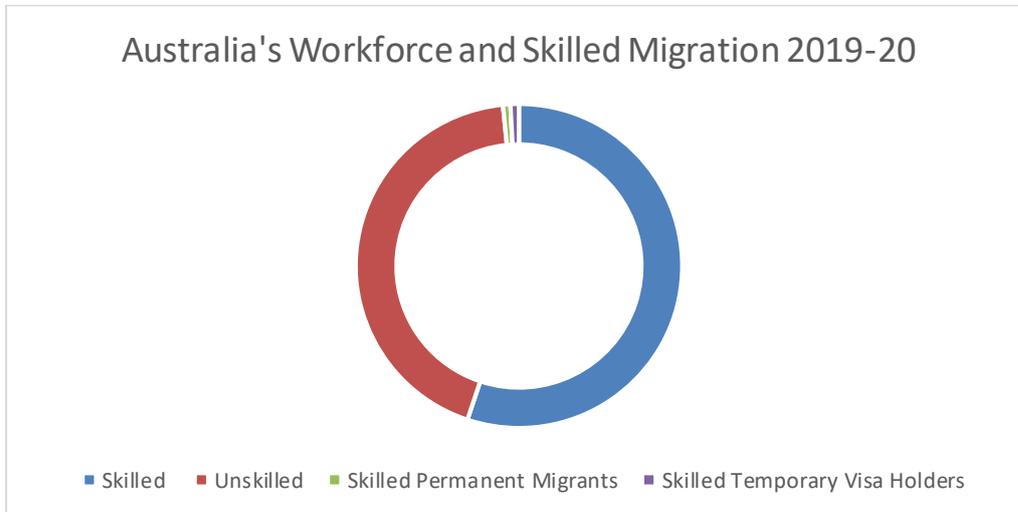


Figure 1: Proportion of Skilled Migrants to Australian Workforce

Key reasons to support the increased levels of Permanent Skilled Migration include:

Counteracts the aging population: One in six Australians is now over the age of 65, this can be compared to one in seven in 2011 and one in twenty-five in 1911⁴. 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 19 times⁵. A well-balanced migration system provides an opportunity for Australia's workforce to benefit from not only a younger and more skilled immigrants but also from their growing families.

Entrepreneurial Acumen: Entrepreneurial migrants create jobs by starting their own business. Migrants own one in three Australian small businesses, which equates to 620,000 migrant owned businesses across the nation, employing 1.41 million Australians. Modelling completed by Independent Economics and the Migration Council of Australia projects that by 2050, the gain in employment through migration to be 45 percent, exceeding the population gain of 37 percent, demonstrating that migration plays an important role in creating jobs. Migrant contribution to the economy both in terms of job creation and GDP is substantial and cannot be ignored.

Better skilled workforce: Migrants lift the educational attainment of the Australian population and lead to better research and development through enhanced productivity, innovation and

⁴ The Australian Bureau of Statistics Census 2016, [Census of Population and Housing: Reflecting Australia – Stories from the Census, 2016](#)

⁵ McDonald, Peter 2018, Population and Labour Force Prospects for Australia, presentation to the CEPAR conference, October 2018 (unpublished)

accumulation of human capital⁶. Skilled migrants are a resource in training as they transfer their highly valuable skills to the local workforce as well as fill skills gaps. With permanent migration curtailed, many businesses are finding it increasingly difficult to recruit the skilled workforce they need, in the location and time that they need it. Businesses report that access to skills and labour is one of their most pressing concerns⁷. It is therefore more likely that skilled migrants keep Australian businesses alive by promoting stability and train up the local workforce rather than take local jobs away.

Diversity: Australia's Migration Program has contributed to Australia becoming one of the culturally and linguistically diverse populations in the world. This widespread cultural diversity has strongly influenced the Australian business landscape in a positive manner, notably the education and tourism sectors. Cultural diversity in the business setting fosters the development of global linkages, opening up new markets for Australian businesses. These businesses have also benefitted from diversity in their workforce as it encourages critical and alternative thinking stemming from contrasting experiences and cultural contexts, often leading to innovation. Further restricting Australia's migration program will further hinder Australia's global competitiveness.

Recommendation 3: ACCI recommends increasing the cap for skilled migration within the permanent migration program.

Case for Increasing Employer Sponsored Migration

ACCI recommends that within the cap the percentage of skilled migrants, particularly employer sponsored migrants should be further strengthened. In the 2019-20 Permanent Migration Program, only 95,843 places were delivered in the skills stream out of which the employer sponsored category only had an outcome of 29,261 places against a planning level of 30,000 places. Employer sponsored migrants have consistently delivered positive labour market outcomes. This can largely be attributed to having a proven skill set, employment available upon arrival and a relationship with an individual connected to the community. Despite employer sponsored migrants possessing the most positive labour market outcomes, the proportion of employer sponsored migrants has fallen.

The Continuous Survey of Australia's Migrants – Cohort 6 Report⁸ reflects that 94 percent of employer sponsored migrants were in paid employment compared to other categories of migrants and the general Australian population (figure 2). This is due to migrants having a job waiting for them on arrival and not having to spend time looking for a job. 73 percent of employer sponsored migrants were also in highly skilled employment compared to other categories of migrants and the general Australian population (figure 3).

⁶ Productivity Commission 2016, [Migrant Intake into Australia. Overview and Recommendations](#), p. 3

⁷ The Australian Industry Group 2018, [Skill Shortages Research Note](#)

⁸ Department of Home Affairs 2020, Continuous Survey of Australia's Migrants – Cohort 6 Report – Introductory Survey 2018, <<https://www.homeaffairs.gov.au/research-and-stats/files/csam-cohort6-report-introductory-survey-2018.pdf>>.

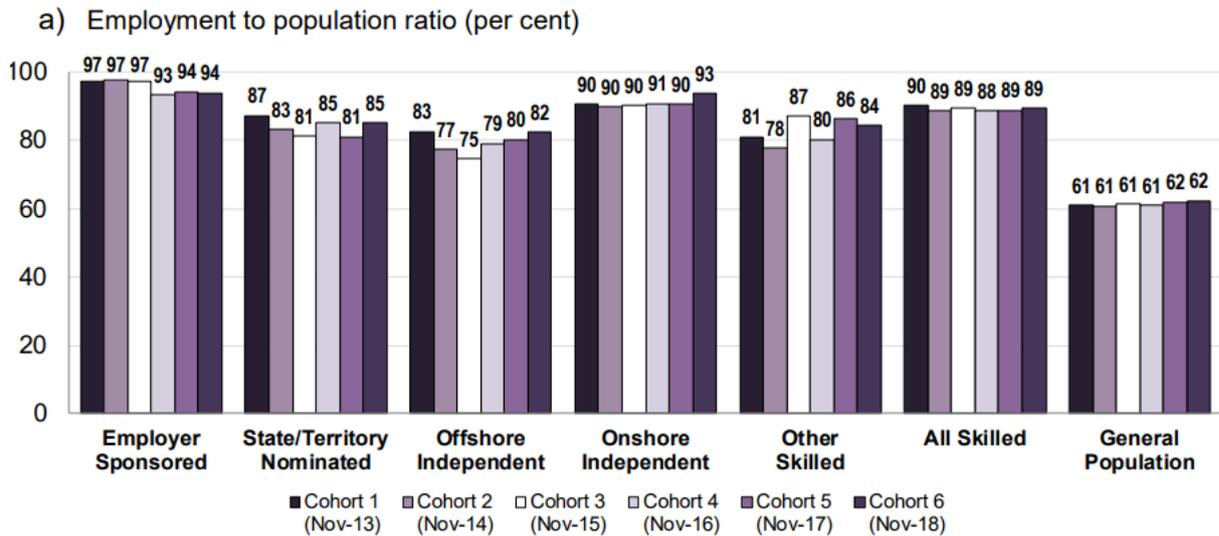


Figure 2: Comparison of Employment between survey cohorts (primary applicants) and the Australian general population, by settlement period⁹

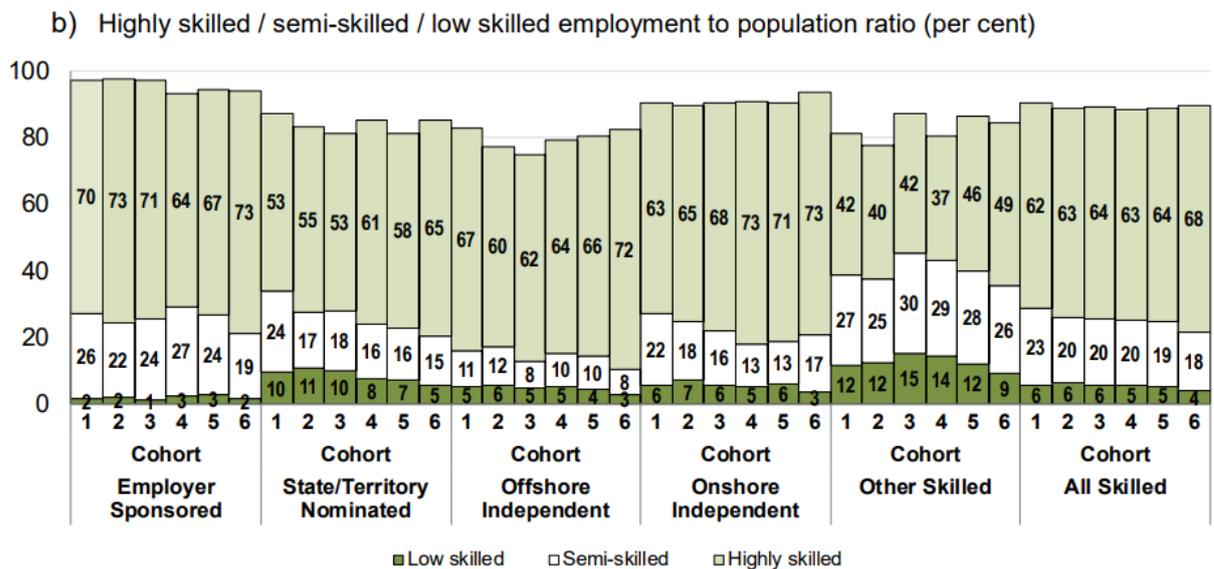


Figure 3: Comparison of Skilled Employment between survey cohorts (primary applicants) and the Australian general population, by settlement period¹⁰

The 2017 changes to the Migration Program have left businesses to contend with the high costs of sponsoring skilled migrants whilst simultaneously dealing with skills shortages in the local economy. As previously mentioned, additional permanent migrants make up a miniscule sub section of the total skilled workforce, therefore, it is recommended that all skilled occupations should, once again, be available for sponsorship under the Employer Nominated Scheme (ENS). However, ACCI recognises that for some occupations, there may be a risk that ENS migrants could make up a higher proportion of the workforce in that occupation. In this scenario, a cap of say 4 percent of the

⁹ Ibid Department of Home Affairs 2020, Continuous Survey of Australia's Migrants – Cohort6 Report – Introductory Survey 2018, <<https://www.homeaffairs.gov.au/research-and-stats/files/csam-cohort6-report-introductory-survey-2018.pdf>>.

¹⁰ Department of Home Affairs 2020, Continuous Survey of Australia's Migrants – Cohort6 Report – Introductory Survey 2018, <<https://www.homeaffairs.gov.au/research-and-stats/files/csam-cohort6-report-introductory-survey-2018.pdf>>.

workforce in those occupations could be considered. Importantly, any issues that may exist in a narrow band of occupations do not warrant removal of occupations from the list entirely as this severely reduces the accessibility and responsiveness of ENS.

We recognise that in 2021-22 there will still be international travel limitations, at least in the first half of the year, that will continue to impact on how many migrants can enter Australia from off-shore. However, the planning levels within the overall cap should reflect what is the ideal position rather than make assumptions in advance of knowing what is possible.

Recommendation 4: ACCI recommends increasing the proportion of Employer Sponsored Migrants within the Skilled category.

Skilling Australians Fund (SAF) Migration Training Levy

Although a training levy was recommended by the 2014 457 Visa Integrity Review to replace the previous training benchmarks used in the migration program, the mechanism and quantum of the SAF levy applying to skilled migration was an unwelcome surprise in the 2017 Budget. The amounts of \$1200 per year for small business and \$1800 per year for large business were well in excess of the Review's recommendation of \$400 per visa holder per annum for the TSS visa. In addition, the SAF Levy is paid upfront for the whole term of the visa, which was also not consistent with the recommendation of the Integrity Review, which recommended annual invoicing. The 2017 Budget also included a levy for employers using the ENS of \$3000 for small business and \$5000 for large business, paid up front.

The quantum of these levies and how they are applied have had a negative impact on access to the migration program. Although there was some shift in the refund policy in the 2018 budget, it is still inequitable that a sponsoring employer cannot obtain a refund of the training levy if their application is unsuccessful, other than on health or character grounds. A refund of the training levy should be available in all cases where the application has not been successful.

Recommendation 5: ACCI recommends that the SAF levy be halved for both temporary and permanent skilled employer nominated visas and that the refund criteria be expanded to include any unsuccessful applications.

Role for Labour Agreements

The Department of Home Affairs has encouraged industries and businesses to negotiate labour agreements, there is a clear role for labour agreements in the permanent skilled migration program to accommodate the needs of specific industries and enterprises where the need for skilled labour can be defined beyond the broader migration system in terms of occupation, salary and language level. ACCI supports the continued use of labour agreements, however we strongly advocate for the process to be more streamlined.

The regulatory burden of labour agreements should be particularly considered in relation to infrequent users of small numbers. Often with streamlining, there is a great deal of emphasis on reliable, large, frequent users. However, equally there is minimal integrity concern around a business that seeks to add, on average, one or two migrants per annum for the course of the agreement. A "labour-lite" agreement option should be considered for small businesses that have seen their occupation eligibility disappear or who need solutions to often niche concerns.

Recommendation 6: ACCI recommends a "labour-lite" agreement option for small business.

ANZSCO Review

One of the pillars of labour market statistical infrastructure is the Australian and New Zealand Standard Classification of Occupations (ANZSCO). This infrastructure underpins a wide range of labour market data, including information from the Census, and is used for job outlook information and to regulate which occupations are eligible for the temporary and permanent migration program.

For all occupations experiencing technological progress, the nature of work and job roles and constantly evolving. ANZSCO not only identifies new jobs, but it also appraises the duties within their job and assigns an appropriate skill level. Despite significant changes to both the economy and employment market, including new jobs driven by technological changes as well as developments to the level of skills needed in certain jobs, ANZSCO has only been reviewed and revised twice since its introduction in 2006. A major review of ANZSCO is long overdue. However, the Australian Bureau of Statistics (ABS), custodians of the statistical product have claimed for several years that they were unable to commence a review due to labour and resources constraints and competing priorities. Regular review of major statistical infrastructure such as the ANZSCO needs to be built into the normal operating budget of the ABS. Further, the ABS has not even committed to a review in the future, only that it will be considered post the 2021 Census process. Concern over the current state of ANZSCO is shared across many stakeholders, including colleagues from Business NZ.

An out of date ANZSCO denies fair access to important migration programs and unreasonably complicates the regulation of the program due to the need for work-around style caveats in order that needs are best met. Although the 2021-22 Migration Program will not reap the benefits of a major ANZSCO review, it is recommended that it is undertaken immediately to ensure future migration programs are responsive to the needs of the labour market.

Recommendation 7: ACCI recommends an immediate review of the ANZSCO by the Australian Bureau of Statistics.

Summary

ACCI emphasises the significant benefit arising from the Migration Program to the business community and to Australia and supports returning permanent skilled migration to the previous cap of 190,000 places. In these unprecedented times, it is recommended that the migration program settings be adjusted to allow for all in country employer sponsored skilled migrants to have a pathway to permanency. It is further recommended that the Department return to a system where it was possible for permanent migrants to be sponsored using ENS under any skilled occupation category.