

CEDA media release

Skilled migrant job mismatch cost \$1.25 billion: CEDA report

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Nearly a quarter of permanent skilled migrants in Australia are working in a job beneath their skill level, a new report by the Committee for Economic Development of Australia (CEDA) has found.

Using exclusive analysis of Department of Home Affairs survey data by CEDA, the report, *A good match: Optimising Australia's permanent skilled migration*, finds this skills mismatch cost at least \$1.25 billion in foregone wages between 2013 and 2018.

CEDA Chief Executive Melinda Cilento says Australia's skilled migration system has served us well, but there are areas where it can and must be improved.

"As we emerge from COVID-19 we need a skilled migration system that is nimble and responsive to the needs of the economy. In addition to many migrants working beneath their skill level, the system is slow to respond to rapidly emerging skills needs, such as digital and data," Ms Cilento said.

"This is where we can least afford to lag in the competition for talent. A system that does not enable access to critical skills in a timely fashion means we will be unable to keep up with global competition."

A good skills match occurs when a person has a job that uses their skills and qualifications. Skills mismatch occurs when a person works in a job beneath their skill level. For example, a postgraduate physics degree holder working as a barista or an engineer working as an Uber driver.

As we emerge from the COVID-19 pandemic we must use our relative economic strength and take advantage of the rapid gains made in digitisation over the past year. Accessing the right skills at the right time, and getting the right people into the right jobs, are critical to enabling future investment and job opportunities, and to Australia's economic dynamism more broadly.

The Federal Government has recognised this and made some changes, such as Global Talent visas. But these are band-aid measures and continue Australia's revolving-door approach to migration policy that CEDA has previously criticised.

"What is required is structural and sustainable change, and the development of a system that can evolve as skills needs change," Ms Cilento said.

“This is at the heart of our recommendations.”

The report makes four key recommendations, including:

1. Establishing a new government-regulated online skills-matching jobs platform. This would allow permanent skilled migrants to register their skills, and let accredited employers hire migrants from within the platform. It would initially apply to a small proportion of the permanent skilled migrant intake before potentially being applied more broadly across the system.
2. The Australian Bureau of Statistics (ABS) should comprehensively update the Australian and New Zealand Standard Classification of Occupations (ANZSCO) codes to ensure that migrants with vital and cutting-edge skills can migrate to Australia and contribute to the maturing of our labour market. These codes have not been updated since 2013.
3. To retain community confidence, the Federal Government should be more transparent about the data and methods used to assess whether occupations are deemed to be in-demand and included on skilled occupation lists. Two options to achieve this include:
 - Periodically releasing the analysis that underpins the Department of Employment’s traffic light bulletin report for skilled occupation lists.
 - Establishing an independent committee similar to the UK’s Migration Advisory Committee to undertake analysis, consultation and advice on the formulation of skilled occupation lists.
4. Reducing the Newly Arrived Resident’s Waiting Period for unemployment benefits from four years back to six months, to give permanent skilled migrants a better chance to find the right job. Research suggests that increases to this waiting period since the late 1990s have exacerbated skills mismatch, while delivering only modest annual savings to the federal budget.

Australia is facing its first period of negative net migration since World War II due to COVID-19. This will be a drag on economic growth – in particular for emerging sources of growth – and exacerbate the long-term challenges of an ageing population.

“We are already hearing consistent concerns from our members about skills shortages while international borders remain closed, and the inability to access the skills needed to drive growth and investment, including digital and data opportunities,” Ms Cilento said.

“The data in our report confirms this.”

The changes CEDA is recommending would help ensure permanent skilled migration is satisfying the current skills needs of the Australian economy. This will help make the system work better for both employers and skilled migrants, with flow-on benefits for the broader Australian community.

“Over time, these changes will do more than just reduce the level of skills mismatch among permanent skilled migrants,” Ms Cilento said.

“They will help make the entire migration system more efficient and effective, generating better and more up-to-date matches between migrants and the skills Australia needs to power its economic recovery.”



committee for economic development of australia

CEDA Chief Executive Melinda Cilento and report author, Senior Economist Gabriela D'Souza are available for further comment and interviews.

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CEDA – the Committee for Economic Development of Australia – is an independent, membership-based think tank.

CEDA's purpose is to identify policy issues that matter for Australia's future and pursue solutions that deliver better economic and social outcomes for the greater good.

CEDA has almost 700 members including leading Australian businesses, community organisations, government departments and academic institutions. Our cross-sector membership spans every state and territory.

CEDA was founded in 1960 by leading economist Sir Douglas Copland. His legacy of applying economic analysis to practical problems to aid the development of Australia continues to drive our work today.