

2022

**JOBS &
SKILLS
SUMMIT:**
UNLOCKING
SKILLED
MIGRATION

**Jobs & Skills Summit:
unlocking skilled
migration**
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CEDA's objective in publishing this report is to encourage constructive debate and discussion on matters of national economic importance. Persons who rely upon the material published do so at their own risk.




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ABOUT THIS PUBLICATION

Jobs & Skills Summit: unlocking skilled migration focuses on the critical role migration plays in addressing Australia's current skills crisis.

Jarrod Ball joined CEDA as Chief Economist in 2017 with over 15 years of experience as an economist across the public and private sectors. He has held senior roles at the Business Council of Australia, in EY's advisory services practice and at BHP. Jarrod also worked in the Federal Government and was a lead adviser on microeconomic reform for the Victorian Departments of Premier and Cabinet and Treasury and Finance. He is a member of CEDA's Council on Economic Policy and the Melbourne Economic Forum.





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About CEDA

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

CEDA’s purpose is to improve the lives of Australians by enabling a dynamic economy and vibrant society.

Through independent research and frank debate, we influence policy and collaborate to disrupt for good, and are currently focused on tackling five critical questions:


- How can Australia develop and grow a more dynamic economy?
- How can we build vibrant Australian communities?
- How can Australia develop leading workforces and workplaces?
- How can Australia leverage the benefits of technology?
- How can Australia achieve climate resilience and regain our energy advantage?

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.

CEDA has more than 620 members representing a broad cross-section of Australian businesses, community organisations, government departments and academic institutions. Through their annual membership, CEDA members support our research both financially and by contributing their expertise, insight and experience.

CEDA's independence and nationally dispersed, diverse membership makes us unique in the Australian policy landscape, and enables us to bring together and harness the insights and ideas of a broad representation of our society and economy.

A full list of CEDA members is available at ceda.com.au.

A decorative graphic on the left side of the page consists of a grid of circles. The circles are arranged in 15 rows and 5 columns. The top 10 rows have circles in shades of blue, transitioning from a medium blue at the top to a very light blue at the bottom. The bottom 5 rows have white circles.

The federal government's Jobs and Skills Summit will be an important first step in addressing the significant squeeze confronting Australia's labour market, evident in record low unemployment and record high job vacancies. This squeeze is the result of several factors including the pandemic, ageing and growth in some sectors, which are simultaneously constraining labour supply and increasing the demand for skilled labour.

While changes in policies to increase labour supply and promote skill acquisition for the local workforce must play a role, it is impossible to address these issues in both the short and long term without a

significant role for migration. It will be vital to lift capacity and realise potential growth and investment opportunities in the short-term with official forecasts suggesting economic growth will slump below two per cent by the end of next year.

Historically, migrants have supplied a third of the increased skills requirements of the Australian economy and given Australia's ageing population we should expect this trend to accelerate in the future.¹ In addition, skilled migration has facilitated the transfer of knowledge, skills and international connections to Australian workers and businesses, including in areas such as advanced manufacturing.

"There are over 1000 labour agreements currently in place, increasing almost two-fold in the last 18 months."

CEDA's 2019 report *Effects of Temporary Migration* found that recent waves of migrants had not had an adverse effect on the job prospects of the local population. In fact, recent flows of migrants to Australia are in some cases associated with a positive effect on the participation rate of local workers, and the annual wages of local workers.

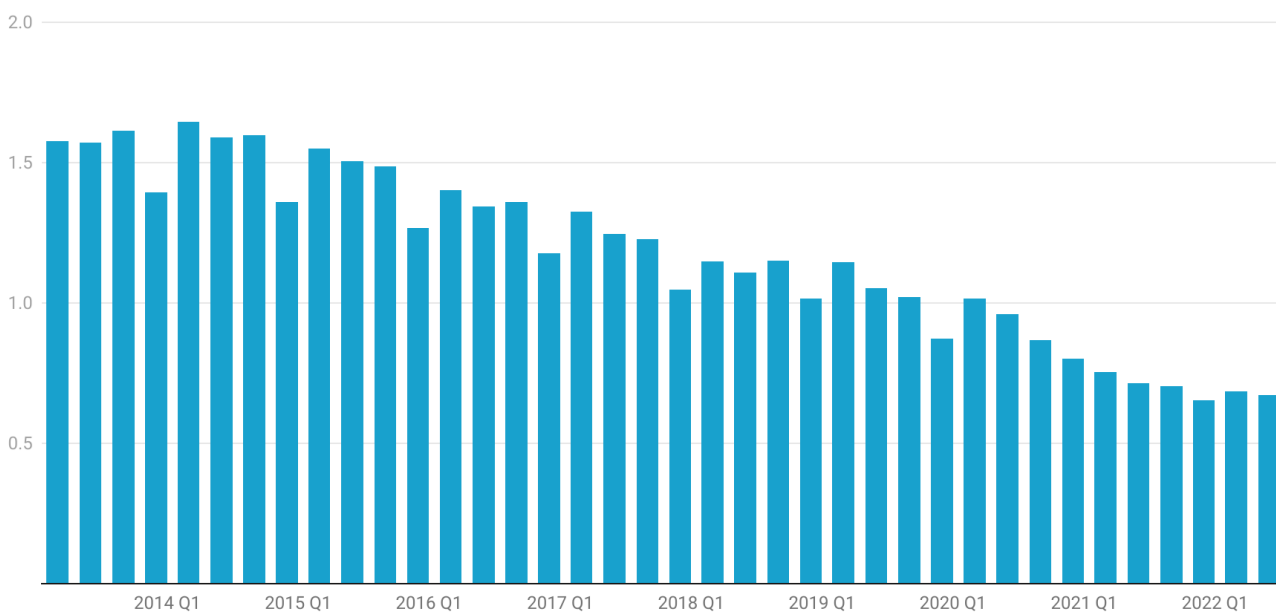
Pre-Summit proposals and debate may not agree on the level of migration that Australia should have, but they do agree on the important role that migration should play and that the skilled migration system must be made simpler, more efficient, and transparent.

The Treasury Issues Paper highlights that the current migration system has become difficult to administer and difficult for potential migrants to navigate. This is evident in businesses increasingly resorting to labour agreements with the federal government, where standard temporary or permanent visa programs are not suitable to meet their needs. There are over 1,000 such agreements currently in place, increasing almost two-fold in the last 18 months.²

New approaches are now required in an environment where advanced economies are simultaneously facing pandemic induced skills shortages and major economic transitions in climate and energy, technology and caring that all demand skilled labour. This paper outlines proposed improvements to the skilled migration system in the immediate term, complemented by substantial reform in the longer term.

Figure 1: Temporary skilled visas as % of labour force

Quarterly, including primary and secondary visa holders



Source: CEDA analysis of DHA & ABS - Created with Datawrapper

"Net overseas migration will not fully recover until 2024, a loss of over 600,000 people since the middle of 2020, 83 per cent of whom are generally of working age."

Australia is falling behind

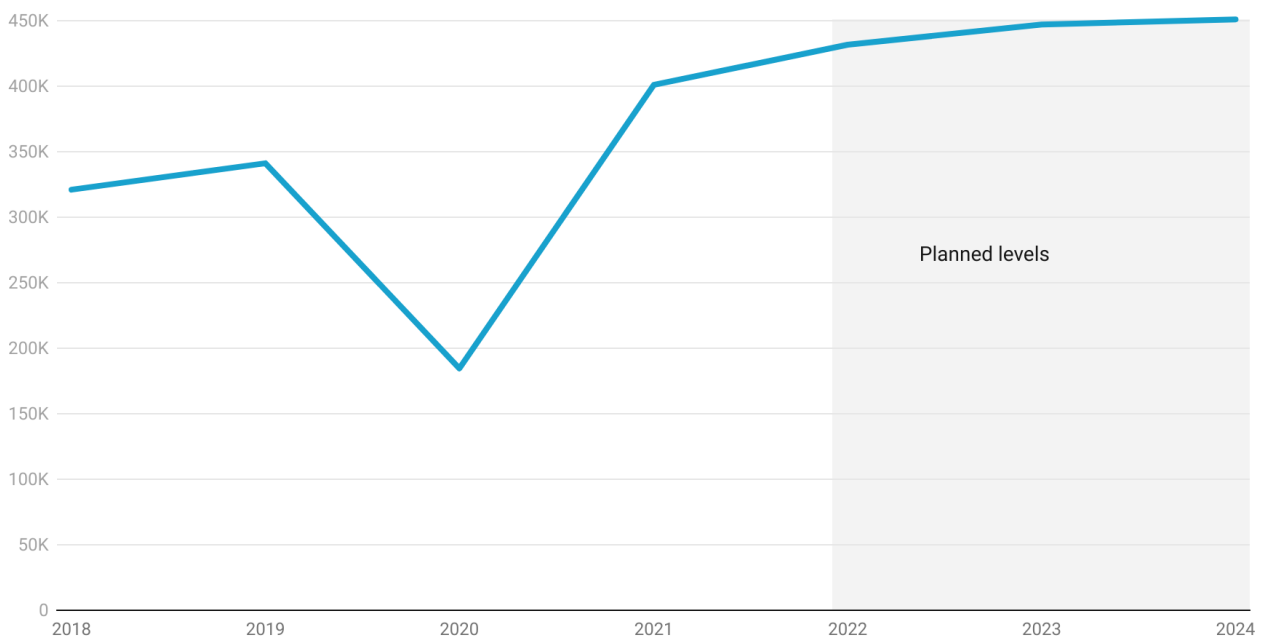
Australia's migration system has been playing catch-up since borders re-opened. Net overseas migration will not fully recover until 2024, a loss of over 600,000 people since the middle of 2020, 83 per cent of whom are generally of working age.³ Furthermore, the administrative visa backlog is significant blowing out waiting times and requiring substantial administrative effort to reverse this trend.⁴

Temporary skilled migrants now account for around 0.7 per cent of the labour force, less than half the level when temporary skilled migration peaked shortly after the mining boom.⁵

The global migration landscape is also changing. Canada significantly increased its permanent migration intake through the pandemic to provide greater certainty to temporary migrants already onshore and send strong signals to prospective future migrants offshore (see Figure 2).

Following Brexit, the United Kingdom is also focusing more proactively on attracting migrants, modelling its new points-based migration system on Australia.

Figure 2: Canada - permanent resident admissions



Source: Canadian Government • Created with Datawrapper

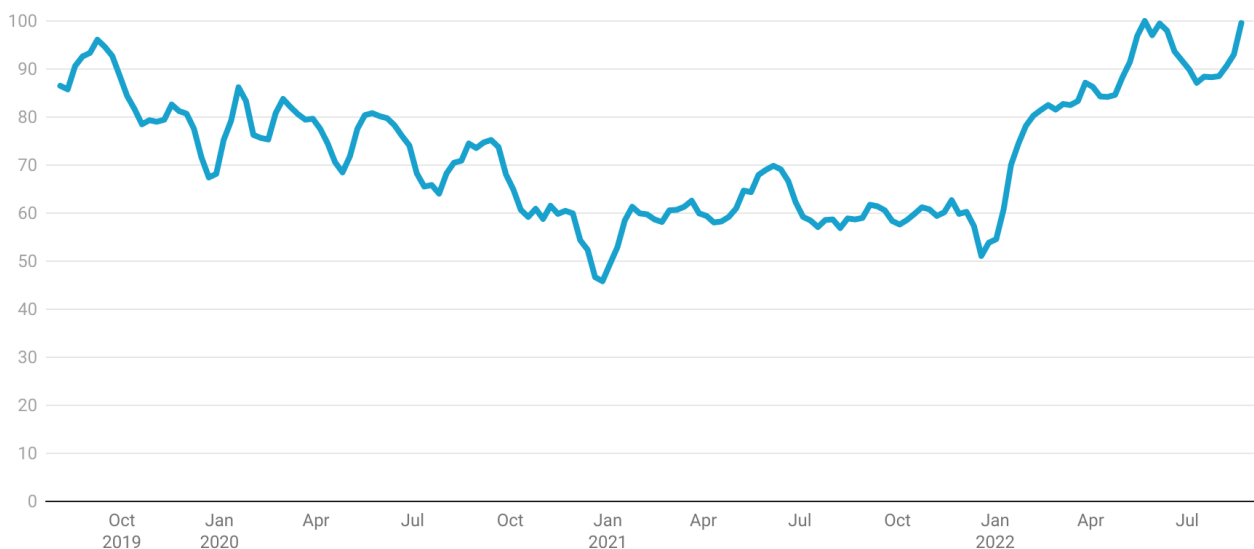
"Prolonged administrative delays and uncertainty risk cruelling the pitch to prospective migrants at a critical juncture in the recovery of global migration flows."

Australia has a window of opportunity

As Figure 3 suggests, global interest in migration to Australia has recovered to levels not seen since before the pandemic. This positive shift in sentiment is also evident in international education.⁶ But prolonged administrative delays and uncertainty risk cruelling the pitch to prospective migrants at a critical juncture in the recovery of global migration flows. This comes on top of negative sentiment regarding Australia's stringent border policies and lack of income support for temporary migrants during the pandemic, in contrast to Canada and the United Kingdom.

Figure 3: Google search interest in migrating to Australia

Search interest index* (100 = most searches), 4 week moving average



*Based on an index of relevant worldwide search terms, drawing on findings from studies such as P.Wanner 2021, 'How well can we estimate immigration trends using Google data?', *Quality and Quantity*.

Source: Google Search Trends • Created with Datawrapper

"In the October Budget the federal government should outline how it intends to address the COVID-19 induced drag on the migration system and recover lost migration."

Migration can deliver skills quickly

Even with some level of administrative delay based on high volumes of applications, skilled migration will be more rapid than designing, implementing and bringing workers through new education and training programs. For example, even in current circumstances the median short-term temporary skilled visa currently takes 83 days to finalise.⁷

The current circumstances necessitate changes to Australia's migration settings in both the immediate and longer term.

Immediate reforms to the migration system

1. Outline visa backlog action plan in October Budget

In the October Budget the federal government should outline how it intends to address the COVID-19 induced drag on the migration system and recover lost migration, and what migration settings will be adopted in the medium-term. This is critical in providing greater certainty and confidence to prospective migrants and their families, employers, migration agents and other parties engaged in the visa processing system.

The government should lift the migration program planning levels in the budget to address the visa backlog, with a focus on current applications that could be processed more quickly with an increase in category-specific visa caps.

2. Streamline skilled migration access for trusted global companies

The federal government should immediately introduce a dedicated, streamlined path for intra-company transfers of employees to Australia. This would enable trusted users of the migration system with a strong local presence to bring global executives to Australia to lead major business expansions and build local workforce capability. Such an accelerated pathway would be particularly advantageous in addressing skills shortages in sectors with a strong multinational presence such as technology. It would also bring Australia into line with the United States and United Kingdom which offer intracompany transfers, while addressing the recommendations of previous Parliamentary Committees.⁸

3. Create a new migration pathway for carers

Caring industries have relied on migration to bolster the workforce, although this has mostly been indirectly through working holiday, student or family member visas. Just over 30 per cent of workers in the aged care industry are migrants.⁹

"Migration is not a substitute to improving underlying working conditions."

Approximately 64 per cent of migrants in caring professions are on temporary visas, and around 38 per cent arrived on student visas.¹⁰ The permanent skilled migration scheme includes registered nurses but not personal care workers.

Much of the demand for workers is for those that have lower, but essential, skills. Personal care workers are generally classified as ANZSCO Level 4 in the skills hierarchy – the second lowest category. There is considerable demand for this level of skills, and the National Skills Commission expects this to be the second highest category of need across the labour market, behind Level 1 skills (the highest skilled workers). Workers at a Level 4 skill level are not currently eligible for our skilled migration program through standard pathways.

There are risks associated with relying on sideways entrants to the caring workforce. Workers are unlikely to have appropriate qualifications or experience for the work and may not be motivated or have the right personal characteristics for the roles. There is likely to be limited career progression or investment in further training as the length of visa is uncertain.

Many visas, such as student or working holiday visas also have conditions attached around hours of work, length of time with an employer and industry of employment that means they are not appropriate for building a long-term career in a sector. A lack of clear visa status and pathway to longer-term residency also means that workers are more at risk of exploitation and poor workplace conditions.

Migration is not a substitute to improving underlying working conditions. Australia must improve working conditions and take more targeted action to attract and retain skilled migrants in aged care to meet the size of the challenge outlined in CEDA's Duty of Care: Meeting the aged care workforce challenge. We rely on these workers to fill key positions and should be rewarding them with good working conditions and certainty over their visa arrangements. Longer term visas and pathways to permanent residency are likely to be required to attract people and encourage them to stay in Australia and develop their careers and talents long term.

Instead of relying on sideways entrants to the workforce, Australia should actively recruit for industry need – attracting qualified, motivated applicants, rather than those that end up working in caring roles purely out of need for employment. To achieve this, CEDA recommends introducing a specific Essential Skills Visa to address Australia's significant caring workforce deficit.

Alternatively, the Immigration Minister could designate Personal Care Assistant (a Skill Level 4 Occupation) as an occupation on the Skilled Migration Occupation List. At present there are just over 600 Skill Level 4 temporary skilled visa holders, under specifically negotiated labour agreements compared to almost 33,000 Skill Level 1 visa holders.¹¹ While designating this occupation under current arrangements may prove to be more expedient, the volume of workers likely to be needed, lower pay levels compared to many other temporary skill shortage occupations and potential for exploitation warrants a dedicated visa pathway with rigorous accompanying regulation and monitoring to protect workers.

"Instead of relying on sideways entrants to the workforce, Australia should actively recruit for industry need."

How could an Australian Essential Skills Visa work?

An Australian Essential Skills Visa would need to balance qualified workers into high demand industries, while ensuring it is an attractive proposition for potential migrants. It should provide high quality working conditions to migrants, and limit opportunities for exploitation.

An Australian Essential Skills Visa category should be based around the following principles:

- Applicants need to work in an area of critical need – such as aged care, childcare, disability or healthcare.
- Applicants should be able to demonstrate either relative experience or appropriate qualifications (equivalent to an Australian Certificate III). Or a requirement to undergo such training in Australia through the employer.
- Applicants need to demonstrate English proficiency.
- Applicants would need a job offer from an Australian employer, with pay and conditions at least equivalent to local workers.
- Minimum of four-year initial visa term, with commitment to renew for a further four years, or pathway to permanent residency.
- Workers should not be location restricted. Free to change employer or location of employment within designated caring sector.
- The scheme should collect data on migrants and career pathways, with built in evaluation after two years.

To further boost the attractiveness of migration pathways, the government could consider the development of a scheme where Australian caring qualifications (particularly at a Certificate III level) are delivered in country, with migration to Australia after students complete the course and secure an offer of employment in Australia. These sorts of bilateral arrangements would also assist in ensuring that Australia is cognisant of caring workforce needs in source countries. Australia's arrangement would build on the lessons from international experience with Essential Skills Visa arrangements in New Zealand and Canada.

"The government could consider the development of a scheme where Australian caring qualifications are delivered in country, with migration to Australia after students complete the course and secure an offer of employment."

4. Temporary arrangements for skilled occupation lists

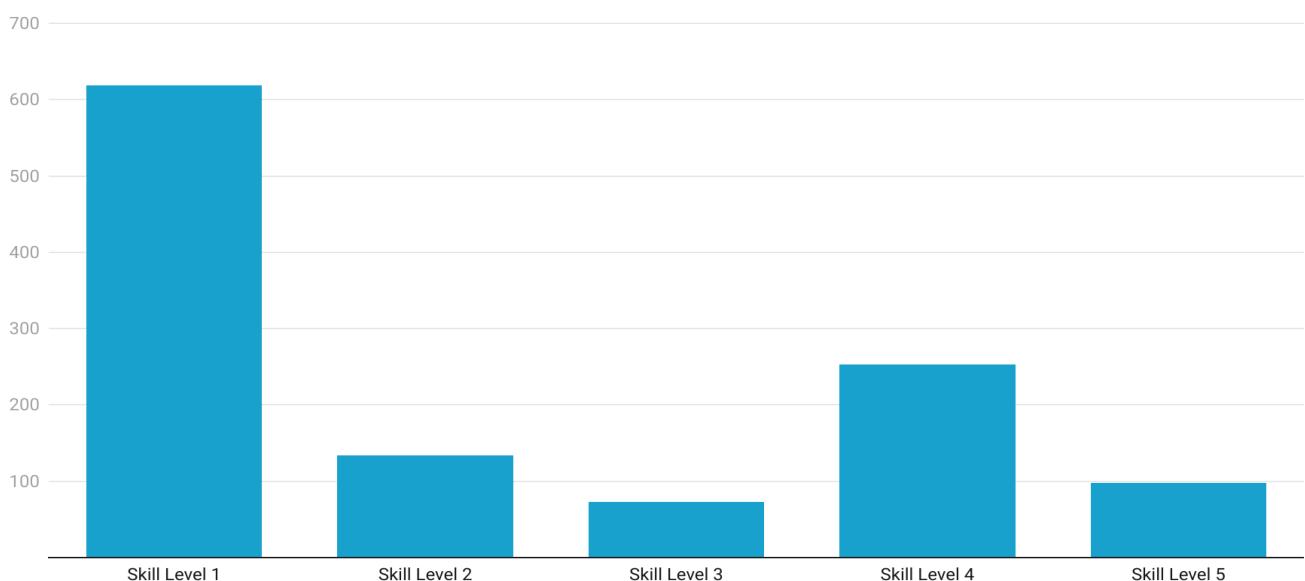
There is broad agreement that skilled occupation lists, based on ANZSCO occupation codes are unnecessarily restrictive, administratively complex and do not reflect the rapidly changing nature of skills demands in the economy. A recent example that illustrates the limitations is data scientists. With no clear ANZSCO classification and confusion from employers and prospective migrants, in 2019 the Department of Home Affairs made an administrative determination for data scientists to be included in "information and organisation professionals NEC", an occupational group that also includes electoral officers and lobbyists.

Further administrative complexity and inconsistency is added by the formulation of multiple skilled occupation lists: the Medium and Long-term Strategic Skills List (MLTSSL), the Short-term Skilled Occupation List (STSOL), the Regional Occupation List (ROL), Regional Sponsored Migration Scheme (RSMS) ROL List and now the Priority Migration Skilled Occupation List (PMSOL).

Despite broad agreement that skilled occupation lists are unworkable, there is less consensus on how to filter genuine skills needs. In the short-term, CEDA recommends the federal government undertake a rapid process to consolidate down to one list that is as expansive as possible with a consistent pathway to permanent residency. This is a stop gap measure and should remain in place only until labour market conditions ease or the end of 2023 whichever is sooner. In the longer term, better mechanisms to filter demand including wage threshold and jobs matching mechanisms should be examined in detail, as outlined further below.

Figure 4: Projected employment growth

'000, November 2021 to November 2026



Source: NSC • Created with Datawrapper

"CEDA recommends the federal government undertake a rapid process to consolidate down to one list that is as expansive as possible with a consistent pathway to permanent residency."

5. Aligning skilled migration and training settings

CEDA has been concerned at the lack of transparency and assurance around the Skilling Australia Fund (SAF) levy paid by employers as part of the temporary skilled visa process for some time now. There is limited evidence that the funds are invested in addressing the skills needs that drive the use of temporary skilled visas in the first place. This is despite the Fund providing over \$854 million, matched by the states and territories, for projects that have supported over 220,000 additional apprenticeship and traineeship opportunities.¹²

The proposed establishment of Jobs and Skills Australia, a statutory body that will focus on workforce planning and developing closer partnerships with state and territory governments, unions, industry, and education providers can play a role in addressing this shortcoming. As part of the next National Skills Agreement, Jobs and Skills Australia should be given responsibility for advising on areas of greatest training need and regularly reporting on how training funds (including those derived from the SAF levy) have been allocated against those needs.

Future migration system directions

In addition to these immediate reform priorities, there are three critical directions that should define the longer-term architecture of the migration system.

1. Needs defined by skills not occupations

As noted above, occupational definitions far too constraining and cumbersome to update against rapidly evolving skills demand in the contemporary labour market. In line with CEDA's *A good match: Optimising Australia's permanent skilled migration*, a government-regulated online skills-matching jobs platform where pre-vetted prospective migrants and employers can interact to determine skills matches is the most enduring long-term solution. This could be supported by an appropriate wage threshold or wage monitoring mechanism and trialled within the permanent skilled migration system before being expanded

***"Jobs and Skills
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over time. The platform would have the added benefit of providing government with real time information on emerging skills needs in the economy.

Current skills shortages have seen State governments such as Western Australia move in this direction with their Skilled Migrant Employment Register to support employers and skilled migrants to connect with each other.¹³

2. Expand and streamline pathways to permanency

Australia's migration system is characterised by inconsistent and arbitrary determinations on which visa classes are eligible for pathways to permanent residency. This can lead to protracted, cumbersome, and uncertain pathways to permanency for many temporary migrants. In future, Australia should provide clear and consistent pathways to permanency to remain competitive against other destinations. This is necessary to attract and retain skilled international students and workers, and in recognition Australia's enduring skills needs.

3. Systematic review and transparency

In the absence of timely and transparent data on the performance of the skilled migration system and with fluctuations in the labour market, there have been more than 40 reviews and policy changes to the temporary skilled visa since 1996.¹⁴ In order to drive a more responsive skilled migration system, Australia needs more timely and expansive data on the performance of the system from the Department of Home Affairs. This should be complemented by regular periodic reviews by an independent institution such as the Productivity Commission.

The Jobs and Skills Summit provides an important opportunity to reset the direction of Australia's migration system after a once in a century pandemic brought migration to a standstill. With the right settings, migration can continue to underpin Australia's long-term prosperity, building human capital and supporting economic growth out of the pandemic.

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