

Effects of temporary migration

Shaping Australia's society and economy



About this publication

Effects of temporary migration

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About CEDA

CEDA – the Committee for Economic Development of Australia – is an independent, not-for-profit membership organisation. We identify policy issues that matter for Australia's future and pursue solutions that deliver better economic, social and environmental outcomes for Australia.

CEDA's cross-sector membership spans every state and territory and includes more than 780 of Australia's leading businesses, community organisations, government departments and academic institutions.

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committee for economic development of australia

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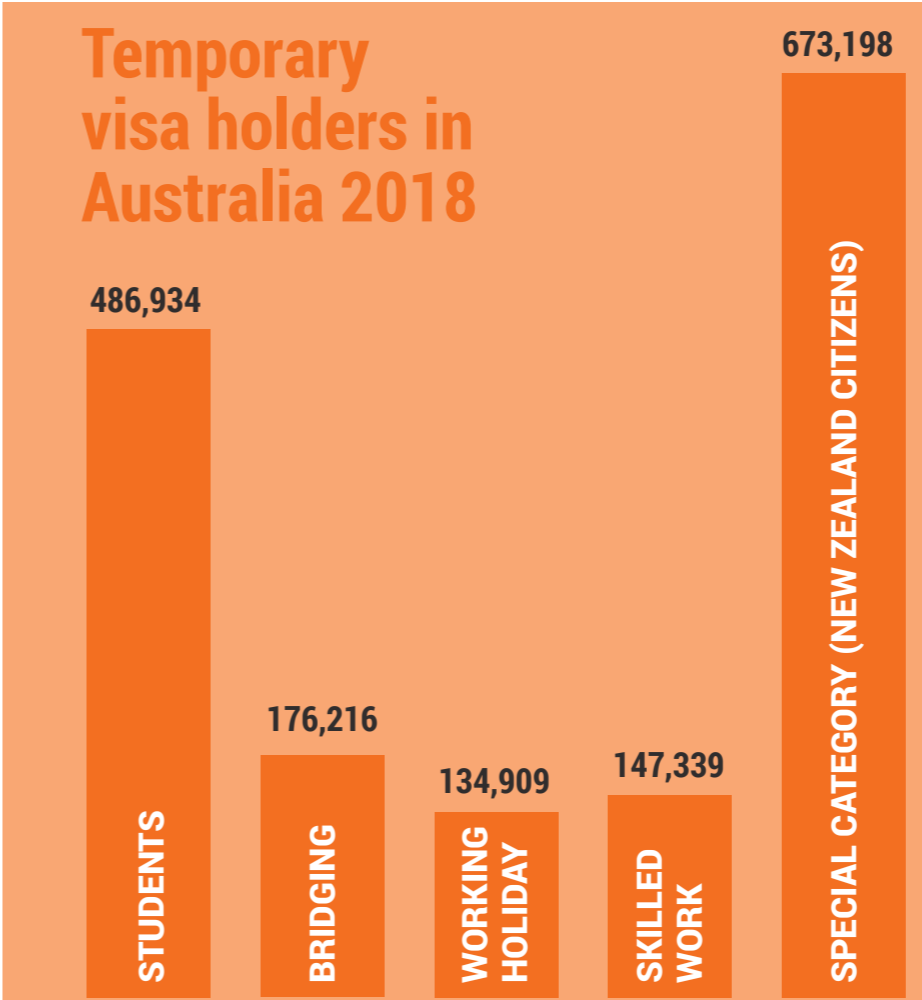
THERE WERE ALMOST 2 MILLION TEMPORARY MIGRANTS IN AUSTRALIA IN EARLY 2019.



Temporary skilled visa holders of working age account for **less than one per cent** of Australia's **13.5 million** strong labour force.

CHARACTERISTICS of temporary skilled migrants

- More than half **work in four industries** – accommodation and food services; information media and telecommunications; professional, scientific and technical services; and other services (e.g. personal care and mechanical repair).
- The **top four occupations** granted visas in 2017–18 were: (1) Developer Programmer (2) ICT Business Analyst (3) University Lecturer (4) Cook.
- Temporary skilled migrants are excluded from free or subsidised government services but **still contribute to tax revenues**, resulting in a net benefit to government budgets.
- The **top three citizenships** of visa holders are United Kingdom, India and Philippines.
- 96 per cent are **under the age of 50**, compared to almost 67 per cent of the Australian population.



Myth busting

Myth: Temporary skilled migrants are displacing local workers.

Fact: Around 70 per cent of temporary skilled visa holders reside in New South Wales (45 per cent) and Victoria (25 per cent), states which currently have the lowest rates of unemployment in Australia – 4.4 per cent and 4.7 per cent respectively.

Myth: Employers are using the temporary skilled migration program to undercut local employment terms and conditions.

Fact: Temporary migrants tend to be employed in higher paying jobs – the average base salary for nominated positions was around \$95,000 in 2017-18.

Temporary work-visa history

CHANGES ►

Business (Long Stay) visa (Subclass 457) scheme commences, following the recommendation of the Roach Report in 1995.		Labour market testing removed (July)	Changes announced to improve regional access to temporary skilled labour (November)	Migration Legislation Amendment (Sponsorship Measures) Act 2003 enacted to standardise sponsorship requirements (October)		New minimum salary levels and language requirements introduced (May)	Sponsorship extended to interdependent partners (June)	Stronger compliance and enforcement mechanisms announced (April)	Reforms made to give priority to skilled migrants with a confirmed job or those with skills in critical need introduced with critical skills list focusing on medical and key IT professions, engineers and construction trade (December)	Market based minimum salary – Temporary Skilled Migration Income Threshold (TSMIT) – introduced along with increased English language requirements, skills assessments for high-risk applications, training benchmarks and new sponsorship obligations (September)
Minimum skill and salary thresholds introduced (July)						Enhanced monitoring and compliance measures introduced (October)		New English language requirements introduced (July)		Migration Legislative Amendment (Worker Protection) Act 2008 comes into effect (September)
1996	2000	2001	2002	2003	2006	2007	2008	2009		

REVIEWS ►

	Review of Temporary Residence visas commences (July)		Review of Temporary Residence visas released (June)	Joint standing Committee on Migration Temporary visas...permanent benefits inquiry commences (December)				External Reference Group examines how temporary skilled migration measures could ease labour shortages (February–May)	
								Deegan Review released (October)	

CHANGES ►

Changes made to business skills visa categories (April)	Enterprise Migration Agreements introduced (May)	Subclass 457 visa renamed Temporary Work (Skilled) visa following abolition of subclass 456 visa.	Fair Work Ombudsman asked to monitor and enforce compliance with 457 visa conditions (March)	New penalties introduced making it unlawful for sponsors to receive payment in return for sponsoring 457 visa (December)	English speaking requirements relaxed and sponsorship timeframes extended (July)	New tiered processing benefitting low-risk sponsors and new sponsorship obligations to prevent discriminatory recruitment processes introduced	Reforms made to 457 visa program including enhanced compliance and enforcement to ensure targeting of genuine skill shortages and labour market testing (February)		
Reform package designed to shift the skilled stream of the migration program from a supply driven to a demand driven program introduced (February)	Additional commitments made to improve 457 visa processing (May)	Labour market testing formally reintroduced (November)		Government responds to Azarias Review supporting majority of recommendations (March)		Ministerial Advisory Council on Skilled Migration (MACSM) reinstated	Further tightening of 457 and Permanent Employer Sponsored visa categories (July 2017-March 2018)	Temporary Skill Shortage (TSS) visa scheme in place of 457 begin (March)	
New accreditation scheme for 457 visa sponsors commences (November)									
2010	2011	2013	2014	2015	2016	2017	2018	2019	

REVIEWS ►

Points test reviewed			Azarias Review announced (February)		Ministerial Advisory Committee on Skilled Migration (MACSM) tasked to review effectiveness of consolidated Skilled Occupation Lists to ensure better alignment to industry needs			Senate Legal and Constitutional Affairs References Committee inquiry reports on the effectiveness of the current temporary skilled visa system in targeting genuine skills shortages (April)
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Foreword

Migration remains central to Australia's economic prosperity and delivers benefits for the broader community. However, concerns around migration levels have become a hot topic.

There are almost two million temporary migrants in Australia. Migration remains central to Australia's economic prosperity and delivers benefits – permanent and temporary – for the broader community. Yet concerns around migration levels have again become a hot topic.

CEDA's report examines the facts around temporary migration, its importance to business and the economic benefits it delivers to Australians. While less often discussed than permanent migration, it is a significant and important part of Australia's migration system.

CEDA's analysis shows that contrary to some concerns, recent waves of migrants have not had an adverse impact on the wages or jobs of local workers.

Australia's temporary skilled migration scheme has faced significant scrutiny and has been subject to constant change and review. This creates significant uncertainty, undermining the benefits of this important program to business and the wider economy. Reflecting this, CEDA's recommendations in this report focus on improving the temporary skilled migration process in four key areas:

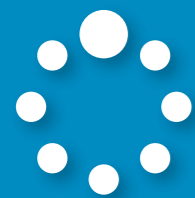
- Improving the process of identifying eligible occupations for temporary skilled migration through publication of data and methods, and better classification of occupations.
- Embedding stability of the scheme through more structured and independent evaluation at set intervals.
- Realising administrative efficiencies, including for intracompany transfers of employees and labour market testing.
- Aligning the use of the Skilling Australians Fund Levy to identified areas of emerging skills shortages, to ensure training initiatives alleviate skill shortages driving skilled migration.

Australia will continue to need temporary skilled migration to fill skill shortages as labour demands change and industries continue to evolve.

Improving predictability of the scheme and increasing understanding of the benefits will help reduce the scheme's exposure to politicking and ensure important economic benefits for the economy and Australians more broadly are realised.

This report aims to move us closer to those goals.





Overview

Temporary migration is a natural offshoot of globalisation. It is necessary to keep Australia competitive and innovative.

Population and immigration have been a central focus of public debate in recent years, including in the lead-up to this year's federal election. This debate is fundamentally important. The growth, make-up and settlement of Australia's population will be major determinants of Australia's future economic and social development – just as they have been in the past.

Against the backdrop of lower birth rates and population ageing, immigration has become an increasingly important driver of population growth in Australia and most developed countries. Here and elsewhere it is a topic around which there are many and varied views, often strongly held. For potential migrants Australia has much to offer and likewise Australia derives considerable benefits from migration. All of this points to the need for immigration policy to be debated and developed in a way that is considered, circumspect and forward-looking.

While considerable attention focuses on permanent migration, one issue that is less well understood is temporary migration and its impacts. This report seeks to contribute to a broader understanding of the scale and scope of temporary migration and its contribution to Australia's economy and society.

The first section of this report outlines the evolution of temporary migration in Australia, including the key facts and figures of various streams of migrants, and how they contribute to population growth. The growth of temporary migration highlighted in this section underscores the need for careful policy management to ensure that the benefits to Australia are realised and well understood, not least because temporary migration streams can act as a de facto path to permanent migration.

The second section presents new economic research undertaken by CEDA, which highlights that, contrary to some concerns, recent waves of migrants have not had an adverse impact on the wages or jobs of Australian born workers.

The remainder of the report focuses on temporary skilled migration – a program that has become the focus of community concerns around jobs and wages, including that migrants displace Australian workers and undermine pay and conditions.

CEDA's research confirms that temporary skilled migration has been an overwhelming net positive for the Australian economy, enabling skills shortages to be filled and contributing to the transfer of new knowledge and experience to Australian workers. Australians need not feel anxious about the impact of temporary skilled migration on their jobs.

As outlined in section three, the Temporary Skill Shortage (TSS) program and its predecessors, including the 457 program, have helped to fill important skills gaps, with safeguards to prevent the displacement of Australian workers and, undermining of pay and conditions.

Nonetheless, this program has been subject to constant change and review, undermining the capacity of business to undertake workforce planning with certainty.

There is now an opportunity to embed greater stability and efficiency into the TSS migration program to give business and the community greater confidence in the process and the realisation of benefits. This report outlines the key changes required to make this happen.

A critical ingredient to Australia's economic success

Immigration has been a key determinant of Australia's economic success, underpinning Australia's 28 years of sustained economic growth and fundamentally underpinning the shape and strength of post-war economic development. Today 28 per cent of Australians were born overseas, and nearly half of all residents have at least one parent who was born elsewhere.

The strength of immigration has underpinned Australia's strong population growth, which in turn has underpinned strong headline economic growth. Over the past 70 years, Australia welcomed more than seven million permanent migrants to Australia, with more than two million of these coming in the last decade (Figure 1).

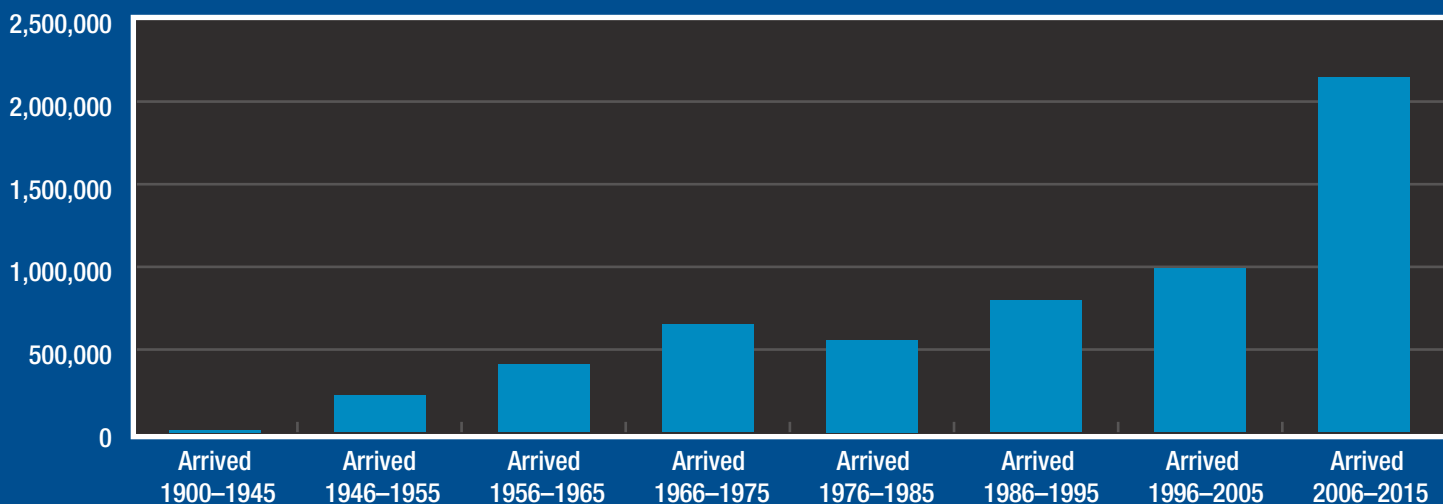
The composition of Australia's immigration program has evolved over time, with a focus on increasing Australia's skills base and human capital. This has been driven by increasing the share of younger and more highly skilled migrants. Australians born overseas have a median age about 10 years younger than those born in Australia and are more likely to hold advanced qualifications.



Analysing the data

FIGURE 1: NET MIGRATION

By year of arrival (number)



Source: ABS, Census 2016.

Overall, the broad benefits of immigration are widely recognised and supported. The 2018 Scanlon Foundation *Mapping Social Cohesion* survey found that 80 per cent of respondents agreed with the proposition that immigrants are generally good for the Australian economy.

Despite immigration's central role in Australia's economic success and broad community consensus on the benefits, immigration has become an increasingly contested topic in recent years.

There are community concerns about the scale of immigration and where migrants are choosing to settle, especially in our capital cities, because of access to education, critical services, employment and educational opportunities. Concerns centre on the strains on existing infrastructure, services and public amenity and social cohesion.

There is also a sharp focus on the implications of increasing immigration on employment and educational opportunities available to existing residents and citizens.

Temporary migration – a growing part of Australia's immigration story

Much of the public discourse centres on permanent migration, or fails to distinguish between permanent and temporary migration. Many of these concerns link directly to temporary migration, specifically people entering Australia on temporary visas, including as students and skilled workers.

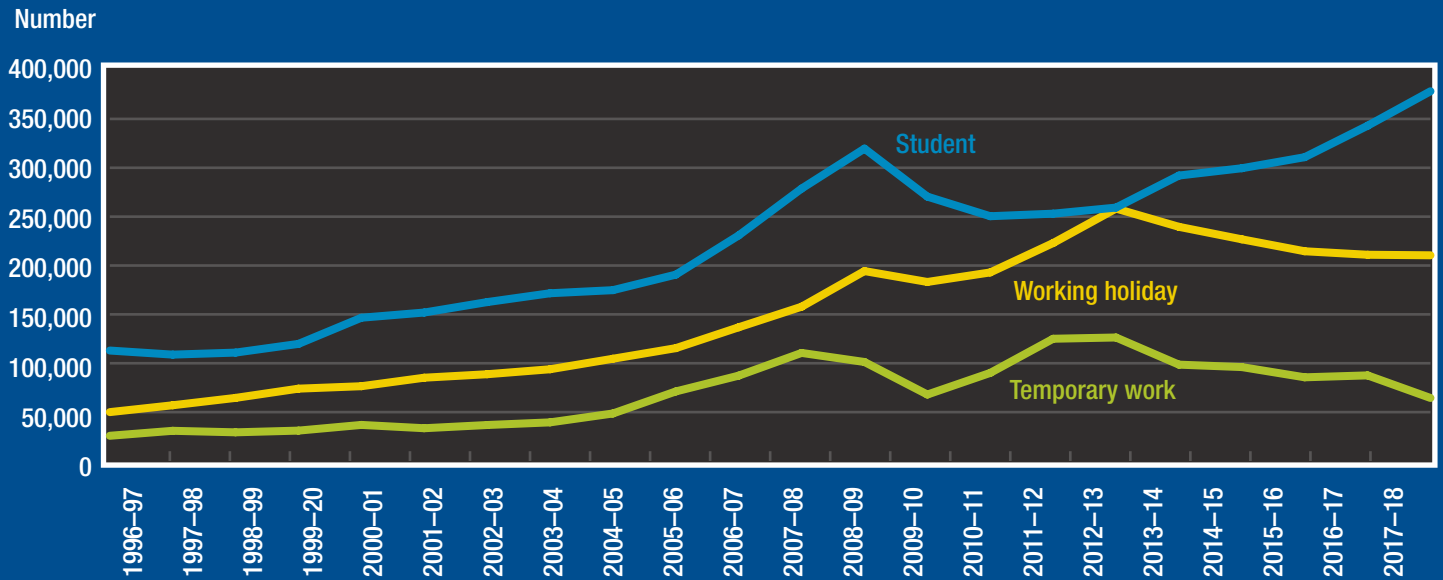
The concerns tend to centre around the procedural fairness of the migration system and perceptions that domestic residents are missing out on opportunities made available to newly arriving migrants. Concerns include that:

- higher fee-paying overseas students are crowding out tertiary education places and eroding the quality of education;
- overseas students are using education as a back door to permanent residency and then securing jobs not associated with their educational qualifications;
- skilled temporary migrants are displacing local employees and investment in domestic education, training and skills development; and
- employers are using temporary skilled migration program to undercut local employment terms and conditions rather than addressing a genuine skills shortage.



Analysing the data

FIGURE 2: TEMPORARY VISA GRANTS, MAJOR CATEGORIES, 1996–2018



Source: Federal Department of Home Affairs, Annual Reports.

While such concerns may have been heightened in recent years, temporary migration is nothing new to Australia. It has been growing in importance since World War II and accelerated at the turn of the millennium as evident in Figure 2. Today there are around two million people on some form of temporary visa.

Temporary migration has proven to be particularly responsive to Australia's economic conditions. For example, following the global financial crisis and coinciding with a booming resources sector, Australia's relatively favourable labour market conditions and flexible exchange rate attracted increasing numbers of temporary skilled workers and working holiday-makers. Between the end of 2010 and the middle of 2013, the number of temporary skilled visa holders in the mining industry doubled to reach around 6000, before receding to over 1200 today.

A strong economy and policy changes to enable universities to charge international students full fees, have driven an almost four-fold rise in student visas granted over the last two decades.

Temporary migration's contribution to permanent migration and population growth

The interaction between temporary migration, permanent migration and Australia's population growth is not well understood. The nature of this interaction differs over the short and long term.

Short-term impacts

In the short-term, temporary migration is the biggest contributor to net overseas migration (i.e. migrant arrivals minus migrant departures) and population. For example, temporary migrants contributed 71 per cent of the growth in net migration in 2016-17. This contributes to official population numbers and was equivalent to 45 per cent of all population growth in that year, including natural increases.

Long-term impacts

The time limited nature of temporary visas means that more people return home than remain here in the medium to long-term. In the long term, the biggest determinant of net migration is the number of permanent visas granted, with this number subject to an annual cap. In the decade to 2016-17, the Australian population grew by 3.7 million. Over 60 per cent, or 2.25 million, of this was driven by net migration with 1.9 million permanent visas granted over this period highlighting that this was the primary driver of net migration and population growth.

Over the longer-term, temporary migrants can transition to a permanent visa. These transitions are set out in regulations, which stipulate the potential pathways and eligibility requirements, creating incentives and opportunities for those seeking permanent visas.¹

Data from the Federal Department of Home Affairs shows that since at least 2012-13, over half of all permanent skilled visas were granted to applicants already onshore under the temporary skilled stream.²

When describing the temporary skilled visa program in 2016, the Productivity Commission noted that:

Along with the other temporary immigration programs, this program does not have an explicit objective of providing a pool of applicants for permanent immigration who are predisposed to make a positive contribution to the Australian community. However, the 457 program is a particularly significant source of applicants for permanent immigration.³

In contrast, student migrants who make up a much larger proportion of temporary visa holders than temporary skilled migrants are far less likely to become permanent residents. Only 16 per cent move to a permanent visa after 20 years.

The implications of temporary pathways to permanent migration

The fact that temporary migration, particularly temporary skilled migration serves as a de-facto pathway to permanent migration is desirable. After all, temporary skilled migrants are relatively young, productive, well educated and have proven themselves in the Australian workforce.

The current system maintains the important delineation between the temporary and permanent programs, while at the same time making provision for a pathway to permanent migration where appropriate. This recognises the different preferences of applicants – that some, but not all, temporary migrants wish to become permanent residents after a period of time. It also recognises those applicants who are most likely to make successful transitions to permanent residency.

This does not mean that there are not important policy and planning implications of the trend towards temporary migration as a de-facto path to permanent migration.

It will be important to minimise administrative burden and uncertainty for those applicants pursuing the path from temporary to permanent through more efficient processing. The growth in bridging visas is a helpful proxy for how the Australian Government is managing the intersection of temporary and permanent migration. A bridging visa is issued to someone who has applied for another visa, but their original visa has expired. At the end of the first quarter of this year, there were almost 230,000 people in Australia holding a bridging visa, the highest figure on record. These people have applied for permanent visas as well as various temporary visas.

In addition, Australia should not unintentionally create a class of perpetual temporary migrants for whom permanent migration and the associated safety nets are always out of reach. Excluding New Zealand citizens, there were an estimated 46,000 people who arrived on a temporary visa between 2007 and 2008 and remained on one at the end of 2016.

The temporary visa system must also be coherent across different categories. For example, working holiday visas are designed as a cultural exchange and tourism program, but are sometimes used to address demand for low skilled labour in areas of shortage. There are work-related visas that are primarily designed to address these labour market issues. The mooted visa simplification program by the Federal Department of Home Affairs is expected to address the internal consistency and efficiency of the temporary visa system.

Finally, temporary migration stocks and flows should be factored into government planning and assessment of social and economic factors of migration, including infrastructure and service delivery. This will be an important task for Treasury's new Population Centre of Excellence.

The impact of recent migrants on Australia's labour market

Anxiety about jobs and educational opportunities are not new. This has been a consistent theme for the past decade or more. In the context of temporary skilled migration, concerns tend to gain or lose momentum in step with changing labour market conditions, or perceptions around the availability of jobs.

Australia's training and education system will not always be fast enough to respond to emerging skill needs. Time lags, poor information and complex projects will create skill demands that materialise just as quickly as they dissipate. In other cases, there are long-term demands coming down the pipeline that look impossible to meet without temporary skilled migration. For example, Australia will need:

- **18,000 more cyber security workers by 2026, against current supply of 500 graduates a year.**
- **Triple the current aged care workforce within three decades in order to meet anticipated demand.**

Such demands will not be met by simply increasing wages to induce more Australian workers to take up this career.

CEDA's research indicates that temporary skilled visa holders experience better labour market outcomes than other migrants. For example, they typically earn more – in 2016, 42 per cent of temporary skilled visa holders earned over \$78,000 a year compared to 35 per cent of permanent skilled migrants.

Despite repeated claims and assertions, the evidence suggests that the success of recent waves of migrants in the labour force does not come at the expense of Australian workers.

CEDA modelling using ABS data shows that recently arrived migrants have not had a negative impact on the wages or participation rates of Australian-born workers. On the contrary, our results indicate that, in some cases, an increase in migrant concentrations in certain levels of qualification and experience is associated with a positive impact on wages and employment.

CEDA's analysis is consistent with previous research conducted in Australia, which shows no evidence that the entry of migrants had a negative effect on the labour market outcomes of incumbent workers.

An ever-changing approach to temporary skilled migration

Despite the economic evidence that migration does not pose a threat to Australian born workers, governments have responded to community concern with a seeming revolving door of reviews, reports and frequent policy changes to Australia's temporary skilled migration program.

In some instances, announced changes have surprised business, reflecting limited consultation. The 2017 changes that abolished the 457 visa altogether and replaced it with the new TSS visa (subclass 482) is the latest episode in a long history of amendments.

The practical impact on business of constant changes to temporary skilled migration requirements is uncertainty, limiting the ability to undertake workforce planning, invest and bid for projects, and limiting the ability to attract the best candidates.

Concerns about potential impacts on jobs and wages and the misuse of the scheme by some employers is understandable, and in the case of the latter, justifiable. However, factual evidence about the impact of temporary migration, and the costs and benefits to our society and economy need to be carefully weighed.

Alleged abuse of the temporary skilled migration system tends to attract considerable attention, but the evidence suggests that abuse has not been widespread. For example, between 1996 and 2016 there were 173 cases of 457 visa worker rights violations across courts, independent tribunals and media reports.⁴ The government has also in recent years strengthened sanctions, integrity measures, enforcement and compliance to address cases of abuse and exploitation.⁵

The weight of evidence suggests that contrary to popular misconceptions, temporary skilled migration:

- **Provides significant economic benefits:** previous research undertaken for the Migration Council of Australia showed temporary skilled visas provided the second highest boost to the economy of all migration streams.⁶
- **Makes up a tiny proportion of the Australian workforce:** temporary skilled visa holders make up less than one per cent of the Australian workforce.
- **Is geographically concentrated in areas of low unemployment:** 70 per cent of temporary skilled visa holders reside in New South Wales and Victoria, states with the lowest unemployment rates in the country.
- **Boosts government budgets:** temporary skilled visa holders are excluded from free or subsidised government services but still contribute to economic activity and tax revenues, resulting in a boost to budget bottom lines.

In designing and refining the system over time, governments have focused on addressing genuine skills shortages, while ensuring that Australian workers get priority.

But temporary skilled migration has achieved more than simply plugging short-term skills gaps. It has played an important role in developing global talent and importing unique overseas experience into Australian company workforces. For example, medical device manufacturer Cochlear used temporary skilled migration for a decade to overcome inadequate engineering skills in advanced manufacturing.⁷ These engineers built up Cochlear's advanced manufacturing skill base to the point that it has a stable Australian workforce. CSL has used temporary skilled migration and the international linkages it provides to introduce operational consistency and globally integrate its Australian manufacturing into international supply chains.⁸

The government's global talent scheme (GTS) pilot has a similar objective to attract individuals with highly sought after niche skills that build Australian capability. In this way, the ability to attract the intellectual capital needed to support business investment and innovation is just as critical as being able to access physical and financial capital.

The temporary skilled visa program has been subject to perpetual change and reviews, including in the last two years. Yet the system is still not working as well as it could for business and temporary skilled migrants. Feedback from business and migration professionals suggests that there is:

- a lack of transparency in the methodology, analysis and data that underpins the selection of occupations to determine a 'skill shortage' in the short-term or a strategic need for an occupation in the medium and long-term;
- reliance on rigid categories of occupations that have not been reviewed and updated recently to take account of the impact of changes in technology on the labour market;
- poor appreciation of the global nature of large companies and the extent to which executive talent today is developed across national boundaries within companies, rendering temporary skilled visa requirements an impediment to moving personnel across the world;
- broad recognition that labour market testing is an inflexible administrative requirement that continues to be imposed despite more stringent occupational lists and international policy makers questioning its effectiveness; and
- a skills levy that is paid even in many instances when temporary skilled visa nominations are unsuccessful and spent on training initiatives with only a weak linkage to the skills shortages that drove the need for skilled migration in the first place.

On this basis, CEDA proposes five fixes to embed greater stability, predictability, transparency and administrative efficiency into the temporary skilled migration program.

1. The Federal Government should strengthen identification of skill shortages and eligible occupations for skilled visas in the skilled occupation list to increase confidence in the process by:
 - Being more transparent about the data and methods used in assessing whether occupations are included on skilled occupation lists.
 - Immediately reviewing the Australian and New Zealand Standard Classification of Occupations (ANZSCO) codes to ensure they align with current and emerging labour trends, particularly the impact of technology.
 - Establishing an independent committee, like the Migration Advisory Committee in the UK, to undertake analysis, consultation and advice on the formulation of skilled occupation lists.
2. The Federal Government should remove the requirement for labour market testing once the skills shortage list process has been strengthened.
3. The Federal Government should immediately introduce a dedicated, streamlined path for intra-company transfers of employees to Australia.
4. The Federal Government should improve the operation of the Skilling Australia Fund Levy by:
 - Aligning the use of the Skilling Australia Fund Levy to training initiatives that alleviate the skill shortages driving skilled migration.
 - Changing the point of levy collection from the visa nomination stage to the visa approval stage so that employers do not incur the levy if a visa nomination is refused.
5. The Federal Treasurer should task the Productivity Commission with undertaking a review of the Temporary Skill Shortage visa program every three to five years to guide future changes to policy settings.

Further detail on how these fixes should be implemented is provided in the third section of the report.



Conclusion

The community has come to appreciate that as a mid-sized economy, a long way from global markets, free movement of goods, services and capital is important to our economic success. This has seen Australia's broad commitment to ensuring that trade and investment barriers do not become an impediment to economic growth and opportunity.

Temporary economic migration is a natural offshoot of globalisation. It is necessary to keep Australia competitive and innovative. Yet the philosophy that applies to trade and investment does not always prevail when it comes to the movement of, and our ability to attract, skills and expertise. This is to our detriment at a time when our ageing population and lacklustre productivity will increasingly drag on our standard of living.

Future economic development will require the right people at the right time to apply new ideas, technology and international collaboration to create new high-value goods and services.

It is now time to build greater consensus on a long-term approach to temporary skilled migration that contributes to meeting this objective in the same way that global trade and investment has for many decades, in the best interest of business, the economy and the wider community.

Endnotes

- 1 Productivity Commission 2016, *Migrant Intake into Australia, Inquiry Report No. 77*, Canberra.
- 2 Department of Home Affairs 2019, Permanent additions to Australia's resident population, Available: <https://data.gov.au/data/dataset/e87976fd-c545-4ec0-ab5b-034080868624>
- 3 Productivity Commission 2016, *Migrant Intake into Australia, Inquiry Report No. 77*, Canberra. p. 390.
- 4 A.Boucher 2018 'Measuring migrant worker rights violations in practice: The example of temporary skilled visas in Australia', *Journal of Industrial Relations*, vol. 61, 2: pp. 277-301.
- 5 Senate Legal and Constitutional Affairs References Committee. 2019 (April), *Effectiveness of the current temporary skilled visa system in targeting genuine skills shortages*.
- 6 Migration Council of Australia 2015, *The Economic Impact of Migration*.
- 7 D.Howitt 2018, Cochlear submission to Senate Inquiry into the effectiveness of the current temporary skilled visa system in targeting genuine skills shortages.
- 8 Douglas, A. 2018,. CSL Submission to Senate Inquiry into the effectiveness of the current temporary skilled visa system in targeting genuine skills shortages, 14 December.



To improve the current temporary skilled visa program CEDA is proposing five recommendations.

Recommendations

Temporary skilled migration enables labour shortages to be addressed in a timely way and allows employers to access the skills and expertise they need to drive business performance.

Skilled migration also delivers benefits to business and the wider economy through transfer of knowledge and skills, increasing the skills base and productivity of the broader workforce.

To improve the current temporary skilled visa program CEDA is proposing five recommendations. These recommendations are made bearing in mind that the program has been subject to perpetual change and reviews, including in the last two years.

On this basis, proposed fixes to the current system are focused on:

- Restoring the stability and predictability of the scheme, through more structured evaluation of policy settings undertaken at reasonable intervals to allow a fulsome consideration of the efficacy of policy change.
- Improving transparency of the scheme, to strengthen stakeholder confidence in the capacity of the TSS visa to address temporary skill shortages while ensuring that Australian workers get priority.
- Realising administrative efficiencies where it is possible to realise the same outcomes with less red tape.



Recommendation #1

The Federal Government should strengthen identification of skill shortages and eligible occupations for skilled visas in the skilled occupation list to increase confidence in the process by:

- Being more transparent about the data and methods used in assessing whether occupations are included on skilled occupation lists.
- Immediately reviewing the Australian and New Zealand Standard Classification of Occupations (ANZSCO) codes to ensure they align with current and emerging labour trends, particularly the impact of technology.
- Establishing an independent committee, like the Migration Advisory Committee in the UK, to undertake analysis, consultation and advice on the formulation of skilled occupation lists.



Recommendation #2

The Federal Government should remove the requirement for labour market testing once the skills shortage list process has been strengthened.



Recommendation #3

The Federal Government should immediately introduce a dedicated, streamlined path for intra-company transfers of employees to Australia.



Recommendation #4

The Federal Government should improve the operation of the Skilling Australia Fund Levy by:

- Aligning the use of the Skilling Australia Fund Levy to training initiatives that alleviate the skill shortages driving skilled migration.
- Changing the point of levy collection from the visa nomination stage to the visa approval stage so that employers do not incur the levy if a visa nomination is refused.



Recommendation #5

The Federal Treasurer should task the Productivity Commission with undertaking a review of the Temporary Skill Shortage visa program every three to five years to guide future changes to policy settings.



CHAPTER ONE
HENRY SHERRELL

Evolving role of temporary migration

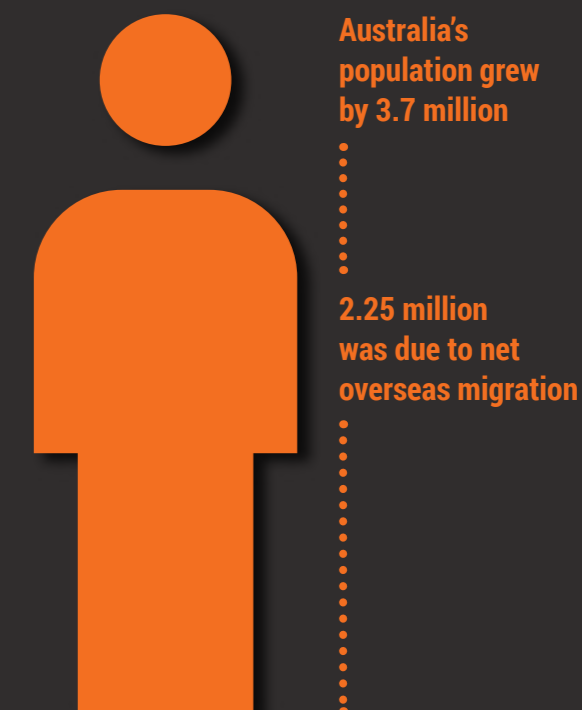
This chapter charts the evolution of temporary migration from trends across visa categories, how temporary migration interacts with permanent migration and implications for society and policymakers.



Chapter snapshot

THERE WERE ALMOST 2 MILLION
TEMPORARY MIGRANTS IN
AUSTRALIA IN EARLY 2019.

BETWEEN 2007-17:





Temporary migration has transformed Australia's overall migration program. In early 2019, there were almost two million temporary migrants in Australia.¹ As Australia's population of temporary migrants grows, so does public debate about jobs, access to university places and alleged mistreatment of temporary migrants by some businesses.

As evident in Box 1.1, the shift towards temporary migration has been underway for some time, with the temporary migration program growing in importance since World War II.

In the last decade, this trend has further accelerated. The mining boom generated historic use of temporary skilled visas, supporting business growth and investment across resources and other sectors at a time when much of the global economy was weak. At the same time, the post-Global Financial Crisis (GFC) labour market in a weak global economy created the perfect conditions to attract backpackers and students.

New and expanded visa categories have opened further opportunities for people to come to Australia, albeit with restrictions on who is permitted to come and for how long.

Recent trends in temporary migration

Figure 1 shows that temporary visa numbers have been highly responsive to domestic and global economic trends. All major categories increased in the decade leading up to the GFC. The GFC proved to be a short-term blip, with the terms of trade boom pushing temporary work and working holiday visas higher until the terms of trade peaked in 2011–12. Weaker economic conditions and tighter visa requirements have pushed working visas lower since this time.

While student visa numbers dipped from historic highs after the GFC, the last decade has seen a renewed surge in international students, as higher education providers seek to supplement domestic funding growth for teaching and research with more lucrative international students.

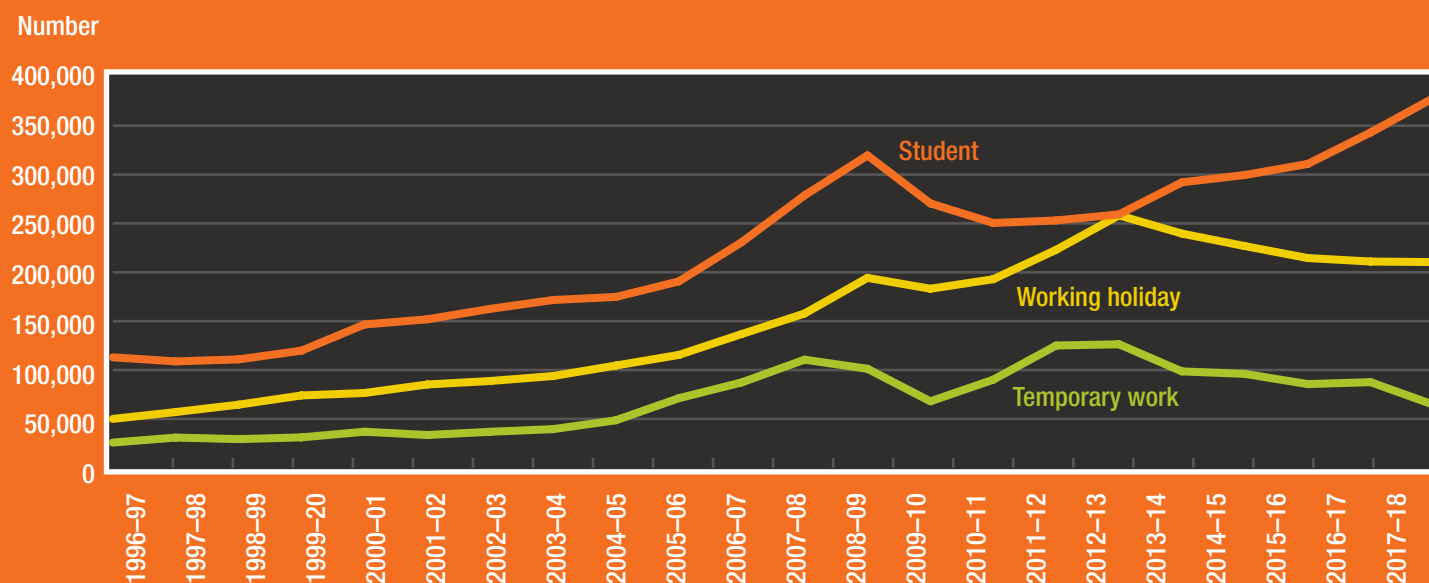
The number of visas granted is not the same as the number of people migrating to Australia. A person can be granted a second visa or move from one visa to another within Australia, meaning a large population of temporary visa holders can generate a lot of visa grants with far less actual migration.

Table 1 outlines the temporary visa holders across all categories through time. Since 2000, there has been an overall increase in the population of people holding a temporary visa in Australia.



Assessing the trends

FIGURE 1: TEMPORARY VISA GRANTS, MAJOR CATEGORIES, 1996–2018²



Source: Federal Department of Home Affairs and data.gov.au

BOX 1.1

A short history of Australia's evolving migration priorities

- At the end of World War II Australia's migration policy prioritised mass migration and permanent settlement. Numerous changes to policy settings in the post-war era have boosted the importance of temporary migration.
- The Hawke Government made a significant move by embracing full-fee paying international students in 1985 to support Australian higher education, kick starting growth in a visa category that has come to be the dominant mode of new temporary migrants in 2019.
- Globalisation and the competition for human capital prompted the Keating Government to adopt a corporate skills-based approach to temporary migration that began with the Roach Review.
- The Howard Government continued this trend introducing the 457 visa program, changing the incentives for international students in Australia and using working holiday bilateral agreements as a foreign policy tool.

TABLE 1: TEMPORARY VISA HOLDERS IN AUSTRALIA, VARIOUS CATEGORIES, 2000–2018³

VISA TYPE	2000	2005	2010	2015	2018
Visitors	184,270	169,005	174,910	226,395	304,140
Students	121,140	192,775	382,710	374,564	486,934
Bridging	61,220	48,914	83,000	102,219	176,216
Working holiday maker	45,260	57,703	99,388	143,918	134,909
Skilled work	50,400	62,700	127,648	188,002	147,339
Special Category	435,000	449,000	566,815	653,832	673,198

Source: Department of Home Affairs, Temporary Visa Population statistics; Department of Immigration, Population Flows, 2000, 2005, 2010.

Note: Visitors include those who held a visitor visa and were in the country on the 30th of June of the corresponding year. This should not be confused with grants, or all visa-holders over the whole year

Temporary migration and population growth

The growth in temporary migration prompts inevitable questions about the extent to which temporary migration is contributing to Australia's population growth. Based on the available data, the answers are not straight forward. Permanent migration remains the most important lever and while government policy is not designed to create a pathway to permanent residency for temporary visas, in practice it often does.

To understand these issues better, it is necessary to consider:

- net overseas migration
- the short- and long-term drivers of net overseas migration
- the role of permanent and temporary migration
- the link between temporary migration and permanent residency.

Net overseas migration (NOM)

Migrants often move between different visa types and, since 2012–13, about half of all permanent visas are granted to people already in Australia on another type of visa.

Population growth is assessed using net overseas migration; the difference between incoming and outgoing migrants. Table 2 shows that migrants who arrived on a temporary visa contributed 71 per cent of the growth in net migration in 2016–17; most of the net migration growth, and equivalent to 45 per cent of all population growth (including natural increase).

This leads some to conclude that temporary migrants drive Australia's migrant-led population growth. However, the ABS net migration figures

TABLE 2: NET OVERSEAS MIGRATION (NOM) BY VISA CATEGORY, 2016–17⁴

Visa category	NOM Arrival	NOM Departure	NOM	Proportion
Temporary visas	315,411	129,957	185,454	71%
Permanent Visas	105,689	20,441	85,248	32%
New Zealand citizen (subclass 444)	31,856	25,869	5,987	2%
Australian citizen	78,890	93,141	-14,251	-5%
Other(d)	6,976	6,927	49	0%
Total	538,822	276,334	262,488	-

Source: ABS, *Migration, Australia, 2016–17*, cat. no. 3412.0, ABS, Canberra, 27 July 2018.

do not account for transitions between visa categories after arrival, thereby overstating the role of temporary visas in relation to migration and population growth.

How to account for visa transitions?

Migrants on a temporary visa in Australia will either leave Australia or transition to a permanent visa, yet ABS data only measures which visa migrants arrive on and which visa they leave on.⁵ If a person moves from a temporary visa to a permanent visa, this is not captured in the net overseas migration statistics. Without a permanent visa, at some stage in the future, someone on a temporary visa must leave Australia.

Estimates that allow us to account for visa transitions like the one in Figures 3 and 4 are not readily available. Indeed the information presented in these figures were sourced from the Department of Home Affairs on special request. If we are to have a more reasoned discussion about the contributions of temporary migrants to population growth, data like this should be made more readily available to policymakers and researchers.

Long-term drivers of net overseas migration

Over time periods greater than 12 months, the contribution to net migration by temporary visas diminishes in comparison to the contribution made by permanent visas.

It is difficult to determine which visa category is responsible for migrant-led population growth.⁶ The most important factor is the time period being assessed.

Net overseas migrant arrivals who are in Australia for a total of 12 months or more, during a 16-month period, are added to the population. Net overseas migrant departures are removed from the population after they have been outside of Australia for 12 months or more during a 16-month period.



The role of permanent migration

The ABS provides a detailed breakdown of net overseas migration classified by the visa type people arrive on, or depart from, Australia. There is no ABS measurement for net overseas migration data for periods greater than 12 months. But it is evident that over the long term migrants on permanent visas have generated most net overseas migration growth, at least over the past decade.

In the decade to June 2017, the Australian population grew by 3.7 million. Of this, 2.25 million was due to net overseas migration. In the same period, 1.9 million permanent visas were granted.⁷ There is no public data pointing to what proportion of people granted a permanent visa remain in Australia; however, it is reasonable to assume that the figure is a strong majority.

Over the long term, the most important policy lever for governments in relation to migration and population growth is the number of permanent visas made available. Without a permanent visa, at some stage, migrants holding a temporary visa will depart Australia.

The role of temporary migration

In contrast to permanent migration, temporary migration has a significant impact in the short and medium term, but the time-limited nature of the visa means the population effects pale in comparison to permanent visas over the long term.

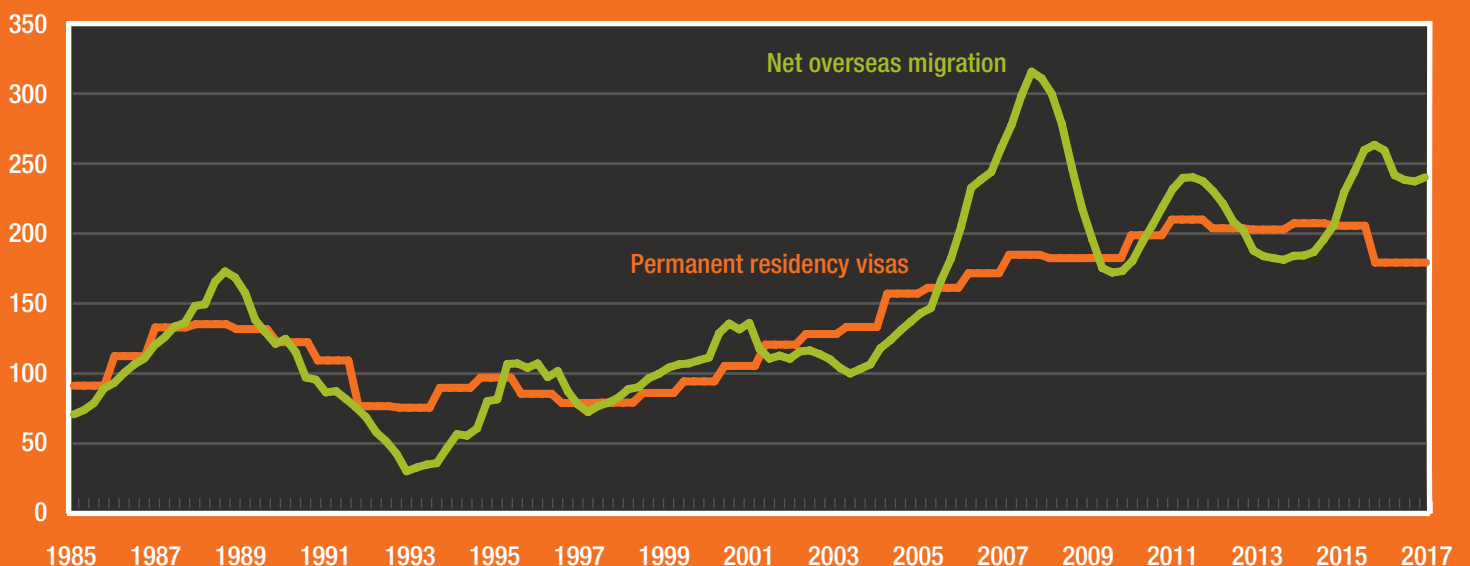
Analysis from the Department of Home Affairs, released as part of the *Shaping the Nation* report, presents some insights about the visa journeys of 457 visa holders. Figure 4 shows that 55 per cent of 457



Analysing the data

FIGURE 2: AUSTRALIAN NET OVERSEAS MIGRATION (NOM) AND PERMANENT MIGRATION PLANNING LEVEL, 1985–86 TO 2016–17⁸

Number (000's)



Source: ABS, *Migration, Australia, 2016–17*, cat. no. 3412.0; Phillips, J. and Simon-Davies, J. 2017. *Migration to Australia: a quick guide to the statistics*, (Table 1).>



Assessing the trends

FIGURE 3: STUDENT VISA TRANSITIONS

Proportion of student visa cohort - per cent

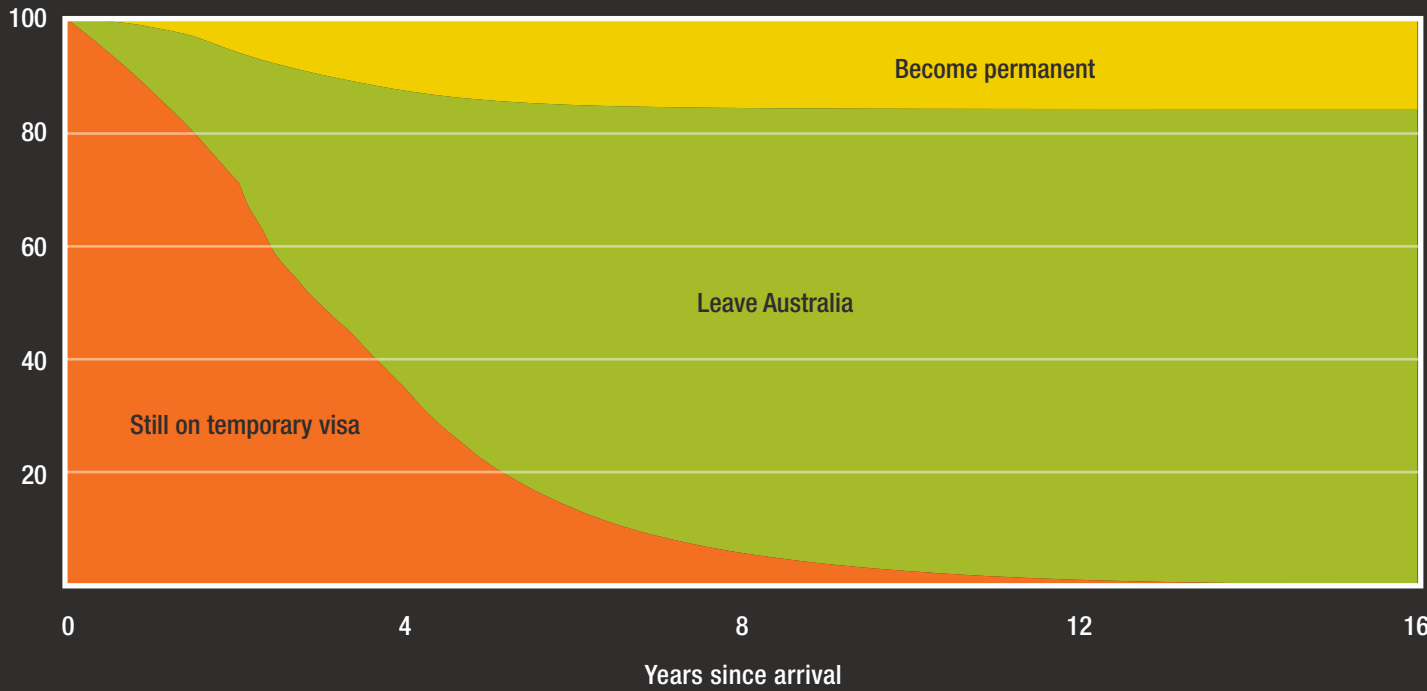
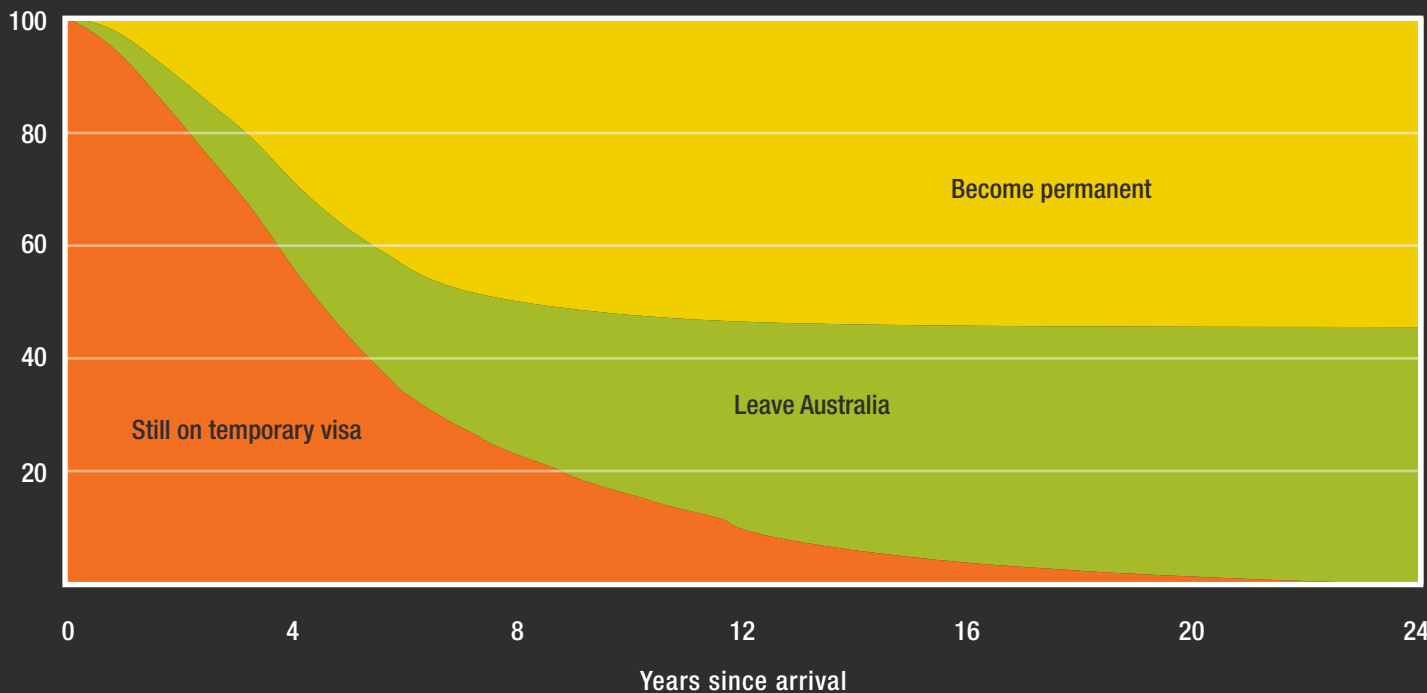


FIGURE 4: 457 VISA TRANSITIONS

Proportion of 457 visa cohort - per cent



Source: Based on the Australian Government, the Treasury and Department of Home Affairs data.



visa-holders transition to a permanent visa and 45 per cent leave Australia over 16 years.

By contrast, almost 84 per cent of student visa-holders leave the country after 20 years. Only 16 per cent move to a permanent visa.

Temporary migration and permanent residency

For each of the various temporary visa categories, the policy goals do not include a transition to permanent residency. No Australian Government has seriously considered an automatic transition from a temporary visa to a permanent visa. Even under the Howard Government's attempts to boost student visas, there was no automatic permanent visa transition. Despite this, about half of all permanent visas are granted to people already in Australia on a temporary visa.⁹

There are many policy crossovers between temporary and permanent visas. Employers can nominate migrants in both temporary and permanent categories. Points-tested skilled permanent visas require strong English language proficiency, work experience and formal qualifications. International students and Temporary Graduates often gain each of these from their time in Australia.

But there remains a distinct lack of an overarching migration policy framework, one that recognises the rise and rise of temporary migration in Australia over the past generation. A recent Productivity Commission inquiry into Australia's migration system recommended the Australian Government keep capping permanent visas while also keeping the main temporary categories uncapped. The Productivity Commission recommended better aligning temporary and permanent visas through a series of policy tweaks. While this might address a number of budding issues, policy tweaks will do little to address the fundamental issues emerging on temporary migration.¹⁰

There are a rising number of people who hold a temporary visa over an extended period. Excluding New Zealand citizens, there were an estimated 46,000 people who arrived on a temporary visa between 2007 and 2008 and remained on one in November 2016 according to the most recent ABS Characteristics of Recent Migrants survey.¹¹ This marks a three-fold increase from the previous November 2013 survey.

In addition to more people spending more time on temporary visas, the historic growth in bridging visas is a proxy for how the Australian Government is managing demand for the intersection of temporary and permanent migration. A bridging visa is issued to someone who has applied for another visa, but their original visa has expired. A bridging visa generally has the same conditions of the expired visa. As at March 2019, there were almost 230,000 people in Australia holding a bridging visa, the highest figure on record. These people have applied for permanent visas as well as various temporary visas. The existence of such a large group of people means waiting times for visa processing are longer and additional uncertainty is enveloping the temporary migration system.



Expert perspective

“There are questions around migration as a tool for economic development and moral questions, such as how long a person should be part of our society without access to citizenship and how the government can develop immigration policy that balances the interest of different groups.”

CSL SUBMISSION TO SENATE INQUIRY

A much more challenging issue to resolve is whether the established temporary visa categories are fit for purpose. Looking across temporary visa categories as opposed to examining them individually raises often ignored questions. Why are two different temporary visa categories trying to solve the same issue via two very different approaches? For example, the second year working holiday visas and the Seasonal Worker Program both seek to address labour shortages in the agricultural industry in regional Australia. Despite this one is a regulated, sponsored visa while the other has emerged as a default work visa from foreign policy decision making.

Why does one stream of the temporary skilled work visa have a potential pathway to permanent residency while the other does not? This has yet to be explained clearly by the Australian Government. Should post-study work visa policy be determined primarily by stimulating attractiveness for higher education export markets or by labour market dynamics, given the presence of an existing work-based temporary skilled visa?

There are no clear-cut answers to these questions. Each involves trade-offs for various people and groups, particularly those who have come to rely on particular temporary visa categories.



Temporary migration categories in focus

There are four main temporary visa categories – skilled work, students, working holiday, and New Zealand citizens – with two additional emerging categories, temporary graduates and Pacific seasonal workers.

Each temporary visa category has been created to fulfil a distinct set of policy goals, but they also share a number of common settings. The most important is the lack of a quota, meaning the number of visas granted is dependent on demand of those meeting the eligibility criteria. The four main categories outlined here may permit work.

Demand for migration, instead of supply established by the Australian Government, is at the heart of temporary migration. This means that the Australian Government shapes visa trends through eligibility criteria instead of caps and quotas. For example, a higher English language threshold will limit the potential number of applicants while a higher salary threshold will limit the potential number of employer sponsors, all other things being equal.

This method of shaping visa trends stands in distinction to many temporary visa categories elsewhere in the developed world. For example, the equivalent of Australia's temporary work visa in the United States (the H1-B) and the United Kingdom (the Tier 2 visa) are both capped, at 85,000 and 20,700 respectively. There are, of course, notable exemptions meaning the actual number of visas granted is above the cap.

While the underlying assumption behind a demand-driven temporary visa system is that non-government actors are better positioned to determine their needs than the Australian Government, this is more complex in practice. For example, there are emerging calls for considering quotas given the growing size of temporary visa streams, such as international students and working-holiday makers as a last resort given exploitation in the labour market.¹² The fact neither of these visa categories are primarily labour market visas shows there are competing demands on different visa categories.

Temporary skilled work visa

The 457 visa was introduced in 1996 after the completion of the *Roach Review, the Committee of Inquiry into the Temporary Entry of Business People and Highly-skilled Specialists*.¹³ The visa consolidated a number of smaller visa categories and simplified entry criteria for sponsoring businesses to meet short-term skills needs. In 2017 this visa was replaced by the Temporary Skill Shortage, subclass 482 visa.

Underpinning Australia's set of temporary work visas is the assumption that Australia was unable to be, and should not aim to be, self-sufficient in all skills required for a modern labour market. Australian policy settings recognise there will be gaps and allows procedures to address them.

As at March 2019, there were 85,916 people who were sponsored by an employer holding a TSS visa in Australia. This represents less than one per cent of the total labour market, and about 2.5 per cent of the labour

market of the eligible occupations under the visa. Chapter 3 provides further detail on how this visa works, recent trends and how it could be improved.

The TSS does not have a guaranteed pathway to permanent residency. However, many migrants do make the transition, as the Employer Nomination Scheme (ENS) is a permanent version of a similar employer sponsored temporary visa. A recent Federal Treasury-Department of Home Affairs report, *Shaping a Nation*, found approximately 520,000 people between 2000–01 and 2013–14 who were employed on a temporary skilled work visa transitioned to a permanent visa at some point in the future.¹⁴ This was 55 per cent of the visa population in that time period.

International students¹⁵

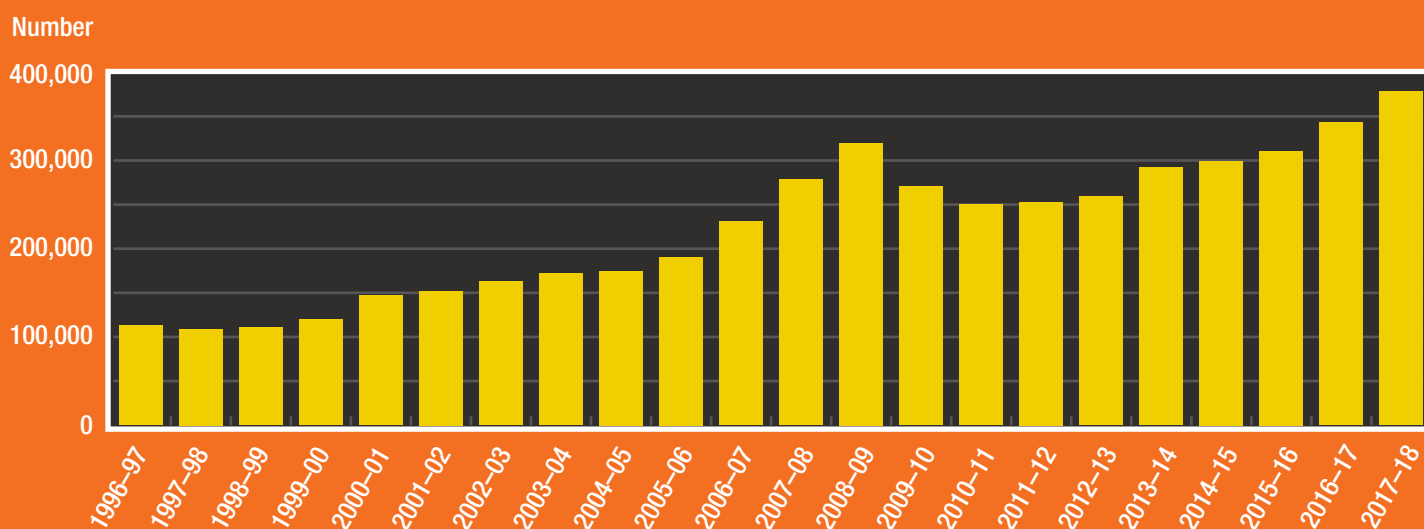
International students have been studying, and working, in Australia for decades. In 1983, there were 13,700 overseas students attending higher education institutions (with others in the Australian school system). Full-fee paying was introduced in 1986, meaning the proportion of overseas students paying full fees went from seven per cent in 1987 to 83 per cent in 1993.¹⁶ More immediately, the introduction of full-fee paying international students created a sudden growth, which has only abated a couple of times in over 30 years. Figure 5 shows the numbers of international student visas granted between 1996 and 2018. Education is now Australia's third largest export.

Of the three major visa categories, students have made up the largest group, resulting in more than 610,000 students being in Australia as at March 2019. The past three years have seen particularly strong enrolment growth, across the higher education and vocational education sectors.



Analysing the data

FIGURE 5: INTERNATIONAL STUDENT VISAS GRANTED, 1996–2018



Source: Phillips, J., Klapdor, M. and Simon-Davies, J. 2017 (January), Migration to Australia since Federation: a guide to the statistics



The vast majority of international students leave Australia at some stage after their study. *Shaping a Nation* found 84 per cent of international students did not receive a permanent visa between 2000–01 and 2013–14. This trend means Australia as a destination for education is the primary driver of student migration trends over time, whether the factors are related to educational quality, opportunity, economic and/or social conditions.

The vast majority of international students in Australia have work rights, unlike in some countries where the right to work is conditional. However, it is clear the prospect of future residency is an important factor for a minority of international students.

Temporary Graduate visa category

The Temporary Graduate visa category is growing quickly off a low base. As of March 2019, there were just over 80,000 Temporary Graduates in Australia, almost double the number from two years previously. Changes to the student visa framework in 2011 following the Knight Review introduced the opportunity for new international students to a straightforward two- to three-year unsponsored work visa.

Students and the labour market

Students in Australia are generally allowed to work for 40 hours each fortnight when courses are in session, and unlimited during breaks. While an automatic work right has only existed since 2008, prior to this it was very common for work rights to be granted on application. The right to work for international students is designed to supplement their living expenses, often substantial given education fees and accommodation in major urban centres. While it is difficult to say with certainty how many students work at any one time, surveys show about half participate in formal employment.

Unlike temporary skilled visas, a student working in the labour market requires no formal sponsor. They can enter a formal employment relationship equivalent to an Australian citizen. This generates a sense of freedom for the student, meaning they are not tied to a single employer. Yet it is clear the costs associated with higher education in Australia, combined with living expenses, mean some students likely struggle to make ends meet, skewing the balance between work and study. Without the right to work, there would be a strong incentive for many students to work in the informal labour market, likely without protections and standards such as insurance and minimum wages.

Working Holiday¹⁸

Working holiday visas operate under formal bilateral agreements signed with other countries. Australia signed the first of these agreements with the United Kingdom, Ireland and Canada in 1975, and with Japan in 1980. South Korea and Malta followed, in 1995 and 1996 respectively. These reciprocal programs provide opportunities for tourism and cultural exchange.

It was under the Howard Government that these agreements become a mainstay of government policy. Seventeen bilateral agreements were

signed between July 2000 and October 2007, including with Germany, Italy, France, Taiwan, and the United States. Australia has welcomed substantial numbers of backpackers from each of these countries.¹⁹

Today there are 42 bilateral agreements signed and in effect, with another three signed and not in effect, and a further 13 under negotiation.

Under the majority of the agreements, potential migrants must be between 18 and 30 (with an extension to 35 being implemented) and have a passport of the agreement country. There are no skill or qualification requirements and backpackers have full work rights, with the sole exception being a limited time of three or six months of work for each employer.

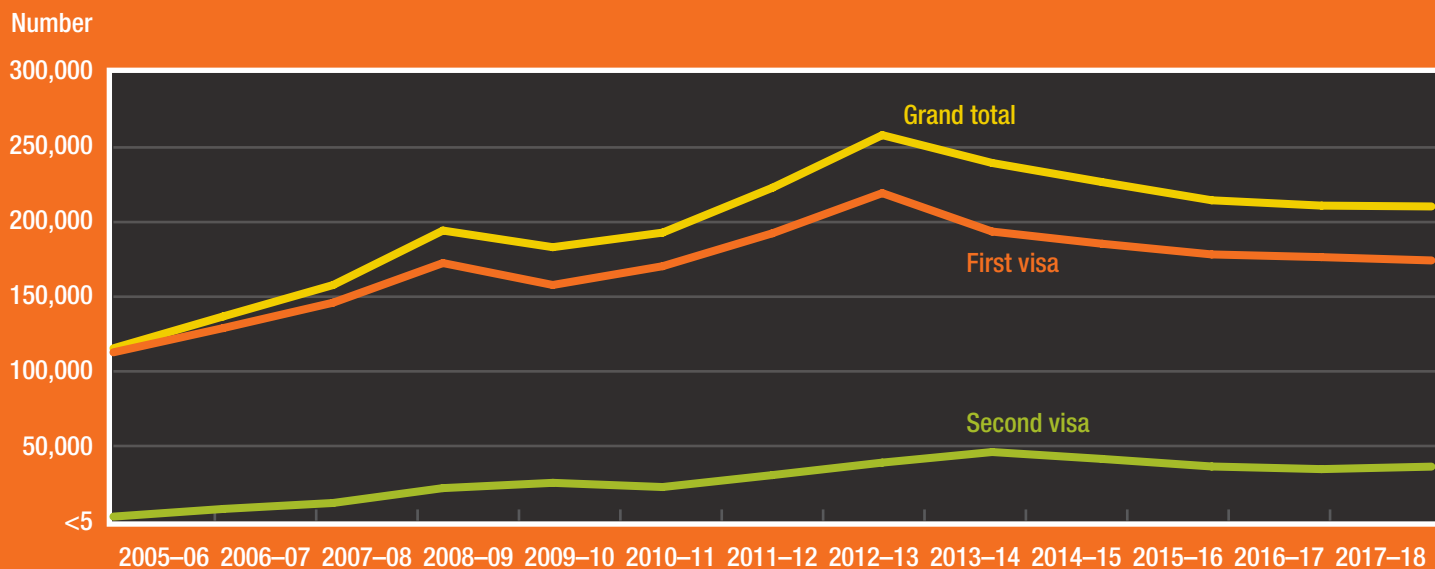
The number of working holiday visas granted has almost doubled in the decade from 2005 to 2015, as shown in Figure 6.

Fast facts

NEW ZEALAND
citizens make up the largest single category of temporary migrants in Australia.

42
Australia has 42 working holiday visa bilateral agreements with other countries.

FIGURE 6: WORKING HOLIDAY MAKER VISA GRANTS, FIRST AND SECOND VISA, 2005–2018²⁰



Source: Federal Department of Home Affairs



The post-GFC environment made Australia a relatively attractive destination for many of the working holiday bilateral agreements. Trends for individual citizenship countries jumped markedly. French working holidaymakers quadrupled between 2005–06 and 2012–13, while the number of holidaymakers from Hong Kong increased more than twenty-fold and Taiwan fifty-fold over the same period.

Seasonal Worker Program

The Seasonal Worker Program (SWP) visa was introduced in July 2012 following a successful pilot. It is an employer-sponsored temporary visa for occupations not requiring existing skills or qualifications. An employer must become an eligible sponsor, then nominate a worker, who then applies for a visa.²¹ The growth in the SWP is strong and now well formed, with over 8000 visas issued for the program in 2017–18.²²

New Zealand citizens as temporary migrants

Australia's 'open border' with New Zealand creates the most unique temporary visa category, the Special Category Visa (subclass 444).

As at March 2019, there were over 676,000 people holding a special category visa. While a small minority of these people are tourists at any one time, the vast majority live in Australia permanently making New Zealand citizens the largest single category of temporary migrants in Australia.

Conclusion

Despite this decades-long evolution of Australia's temporary migration program, there remain a litany of questions on temporary visa policy in Australia, including how the various visa categories fit into a broad framework for Australian migration, the labour market and broader economy.

There are questions around migration as a tool for economic development and moral questions such as how long a person should be part of our society without access to citizenship²³ and how the government can develop immigration policy that balances the interests of different groups. These questions are set to be addressed through the government's Visa Simplification program.

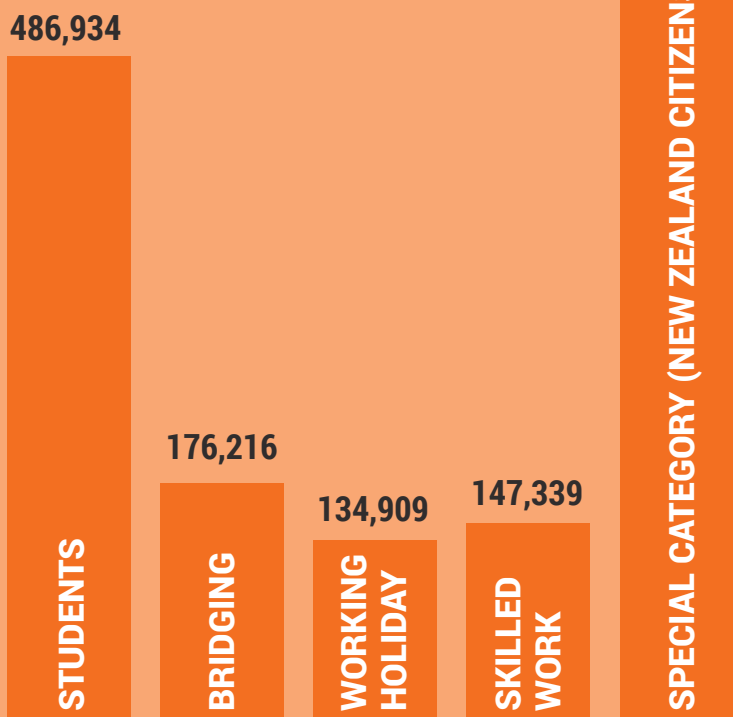
While a general population policy was announced in early 2019, there was no mention of temporary visas or the effects they have on the rate of population growth, composition of Australia's population or the economic and geographic effects of these people in Australia. This is despite the Australian Government forecasting a rise in the rate of net overseas migration in the 2019–20 Budget, almost certainly due to higher rates of temporary migration given the planned reduction of permanent residency visas.

After a generation of temporary migration in Australia, the trade-offs involved in change are now substantial. These people are factored into investment decisions, how the labour market operates, the higher education sector, and lived communities across Australia. None of this means hard or transformative policy decisions may not be judged necessary by a future Australian Government. However, the effect of policy transition and change must be carefully considered and more broadly discussed given the likelihood of unintended consequences and potential disruptive effects.



Chapter summary

Temporary visa holders in Australia 2018



TEMPORARY VISA CATEGORIES IN FOCUS



SKILLED WORK



STUDENTS



WORKING HOLIDAY MAKERS



NEW ZEALAND CITIZENS

BRIDGING VISAS provide a proxy for how the Australian Government is managing demand for the intersection of temporary and permanent migration.

As at March 2019, there were **almost 230,000 people in Australia holding a bridging visa**, the highest figure on record.



About the author

Henry Sherrell is a researcher with a focus on Australian immigration policy. He has worked for the then Department of Immigration and Citizenship, the Migration Council Australia, the Development Policy Centre, and the Federal Parliamentary Library. He has been an advisor in Federal politics and holds a Master of Public Policy from the Australian National University.

Endnotes

- 1 Noting that this group of people should not be compared to the formal estimates of Australia's population, as some people who hold a temporary visa do not qualify as a resident of Australia.
- 2 Department of Home Affairs, annual reports; archived statistical websites and data.gov.au (includes all visa grants, including subsequent student and working holiday visa grants).
- 3 Department of Home Affairs, Temporary Visa Population statistics; Department of Immigration, Population Flows, [2000](#), [2005](#), 2010.
- 4 ABS, [Migration, Australia, 2016–17](#), cat. no. 3412.0, ABS, Canberra, 27 July 2018.
- 5 For background on temporary migrant trends, see Treasury and the Department of Home Affairs, [Shaping a Nation: Population growth and immigration over time](#), Commonwealth of Australia, Canberra, 2018, p. 21.
- 6 For background on migrants transitioning between visas, see the Productivity Commission, 'Interaction between temporary and permanent immigration', (Chapter 12), [Migrant intake into Australia](#), 2016, pp. 411–34.
- 7 ABS, [Australian Demography Statistics](#), March 2018, cat. no. 3101.0; Phillips, J. and Simon-Davies, J. 2017, [Migration to Australia: a quick guide to the statistics](#), Research paper series 2016–17, Parliamentary Library, updated 18 January.
- 8 ABS, [Migration, Australia, 2016–17](#), cat. no. 3412.0; Phillips, J. and Simon-Davies, J. 2017. [Migration to Australia: a quick guide to the statistics](#), (Table 1).
- 9 See Department of Home Affairs. 2019 (April), [Permanent additions to Australia's resident population](#), Australian Government.
- 10 Productivity Commission. 2016 (September), [Australia's Migrant Intake](#), Australian Government.
- 11 Australian Bureau of Statistics. 2016 (November), [Characteristics of Recent Migrants survey](#), Australian Government.
- 12 Brendan O'Connor quoted in Brown, G. 2018, '[Labor flags crackdown on student working visas, push to populate regions](#)', *The Australian*, 22 July.
- 13 For background on the Roach Review, see Mares, P. 2013, '[457s and temporary migration: the bigger picture](#)', *Inside Story*, 26 June.
- 14 See the Treasury and Department of Home Affairs, [Shaping a Nation: Population growth and immigration over time](#), April 2018.
- 15 International students includes higher education, vocational education, English language course students, schools, and foreign and defence sponsored students.
- 16 ABS, Australian Social trends, overseas students in higher education. Accessed from: <https://www.abs.gov.au/AUSSTATS/abs@.nsf/2f762f95845417aeca25706c00834efa/de4fd4d0af435ad4ca2570ec007521f0!OpenDocument>
- 17 J Phillips, J., Klapdor, M. and Simon-Davies, J. 2017 (January), [Migration to Australia since Federation: a guide to the statistics](#), Parliamentary Library.
- 18 There are two streams of the working holiday category: the 'working holiday' visa subclass 417 and the work and holiday visa subclass 462. This is discussed in detail below however for ease of terminology, the term 'working holiday' refers to both streams.
- 19 See Department of Home Affairs. 2018 (June), [Working Holiday Maker visa program report](#).
- 20 Department of Home affairs, [Working Holiday maker data](#), data.gov.au
- 21 Department of Jobs and Small Business. 2019, [Frequently asked questions about the seasonal worker program](#), Australian Government. Accessed 29 May 2019.
- 22 Howes, S. 2018, [Another bumper year for the seasonal worker program](#), Development Policy Centre, 31 July.
- 23 Mares, P. 2017, *Not Quite Australian*, Text Publishing.



CHAPTER TWO

Labour market outcomes of temporary migrants

This chapter presents the economic evidence and facts on the actual labour market outcomes associated with the various temporary skilled migration visas using recent data. It also updates previous modelling and analysis on the relationship between recent migrants and labour market outcomes of local workers.



Chapter snapshot

Modelling points to increased immigration being associated with a **POSITIVE EFFECT** on the earnings of local workers.

Increased immigration is associated with an **INCREASE** in the participation of Australian workers.





The public conversation on temporary skilled migration has tended to focus on perceived costs, namely concerns that temporary migrants displace local workers and undermine industry pay and conditions. The structure of our temporary skilled work visa system is in fact underpinned by protections that seek to address these concerns. And, as discussed elsewhere in this report, the balance of these protections has changed frequently in lock step with community apprehension about jobs and wages. Nonetheless, the focus remains on these concerns and not the benefits to business and the wider economy of being able to boost the availability of skills and experience.

CEDA's analysis reinforces the findings of others that migrants, particularly more recent waves of migrants, have not negatively impacted the wages, or participation rates of incumbent workers.¹ On the contrary, our results indicate that, in some cases, an increase in migrant concentrations in certain levels of qualification and experience is associated with a positive effect on wages and participation.

The first section of this chapter provides descriptive analysis of the labour market outcomes of temporary migrants. The second section presents the results of economic modelling of migrant impacts on local workers, including detailed analysis of the available labour market and immigration data. This modelling deals with recent waves of migrants (both temporary and permanent) as it is not possible to disaggregate analysis according to visa status with the available data. However, looking at the last two decades, it encompasses a period of significant growth in temporary migrants.

Education and labour market outcomes of temporary migrants

Temporary migrants encompass a range of visa subclasses including students who have some work rights, working holiday makers, seasonal workers, and short-term skilled workers (figure 1).

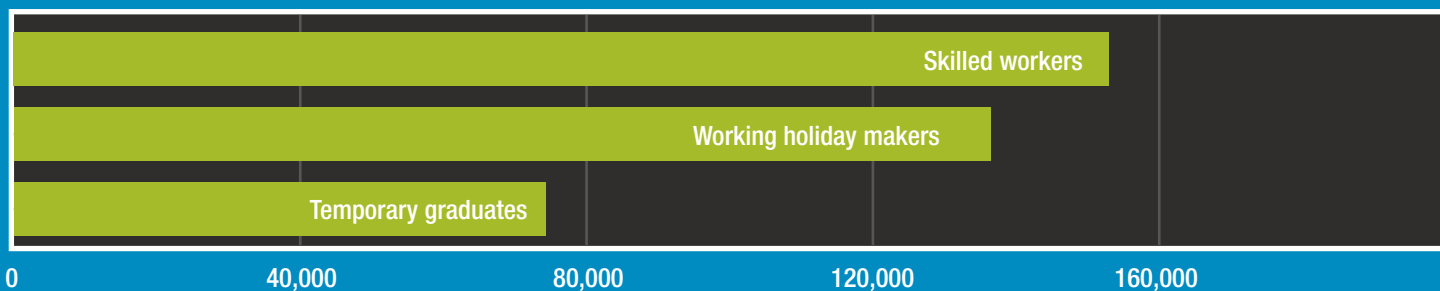
The data challenge

The nature of temporary migration presents important challenges for data collection and analysis. Temporary migrants often do not stay in Australia for very long and can fall through the cracks of the regular surveys administered by statistical agencies. And, in instances where temporary migrants are surveyed, they are often not asked specific questions about the visa they arrived on or the visa they are currently on (which may not be the same thing). Further compounding these challenges, is the fact that access to data on temporary migrants is restricted and difficult to obtain, making program evaluation challenging.

Some research has relied on administrative data, but this is not readily available to researchers outside of the public sector.² This forces researchers to adopt imperfect approaches to evaluating the program including making key assumptions about the current visa status of migrants.

Analysing the data

FIGURE 1: TEMPORARY VISA HOLDERS BY SUBCLASS



Source: DHA (2019) Migration statistics

Aggregate insights

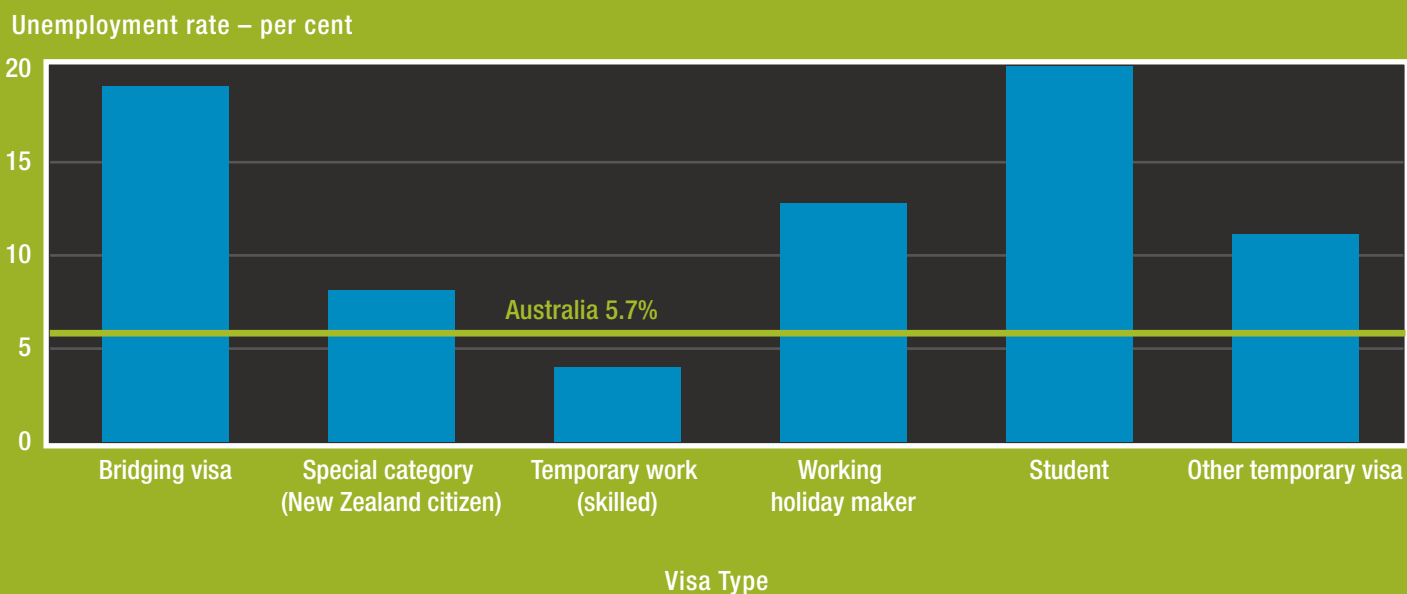
The Australian Census and Temporary Entrants Integrated Dataset (ACTEID), released in April 2019, provides aggregate insights into labour market and education outcomes of temporary migrants.

Temporary skilled migrants overwhelmingly outperform other groups of migrants on almost all labour market outcomes. They generally have lower unemployment rates than other temporary migrants, higher rates of labour force participation, and work in higher paid jobs.

There is substantial variation in the labour market outcomes of temporary migrants by visa subclass in Australia (Figure 2). Temporary skilled workers (457 visa holders) consistently have the lowest rates of unemployment, even below the Australian average (represented by the green line).

Analysing the data

FIGURE 2: UNEMPLOYMENT RATE BY VISA CATEGORY IN 2016

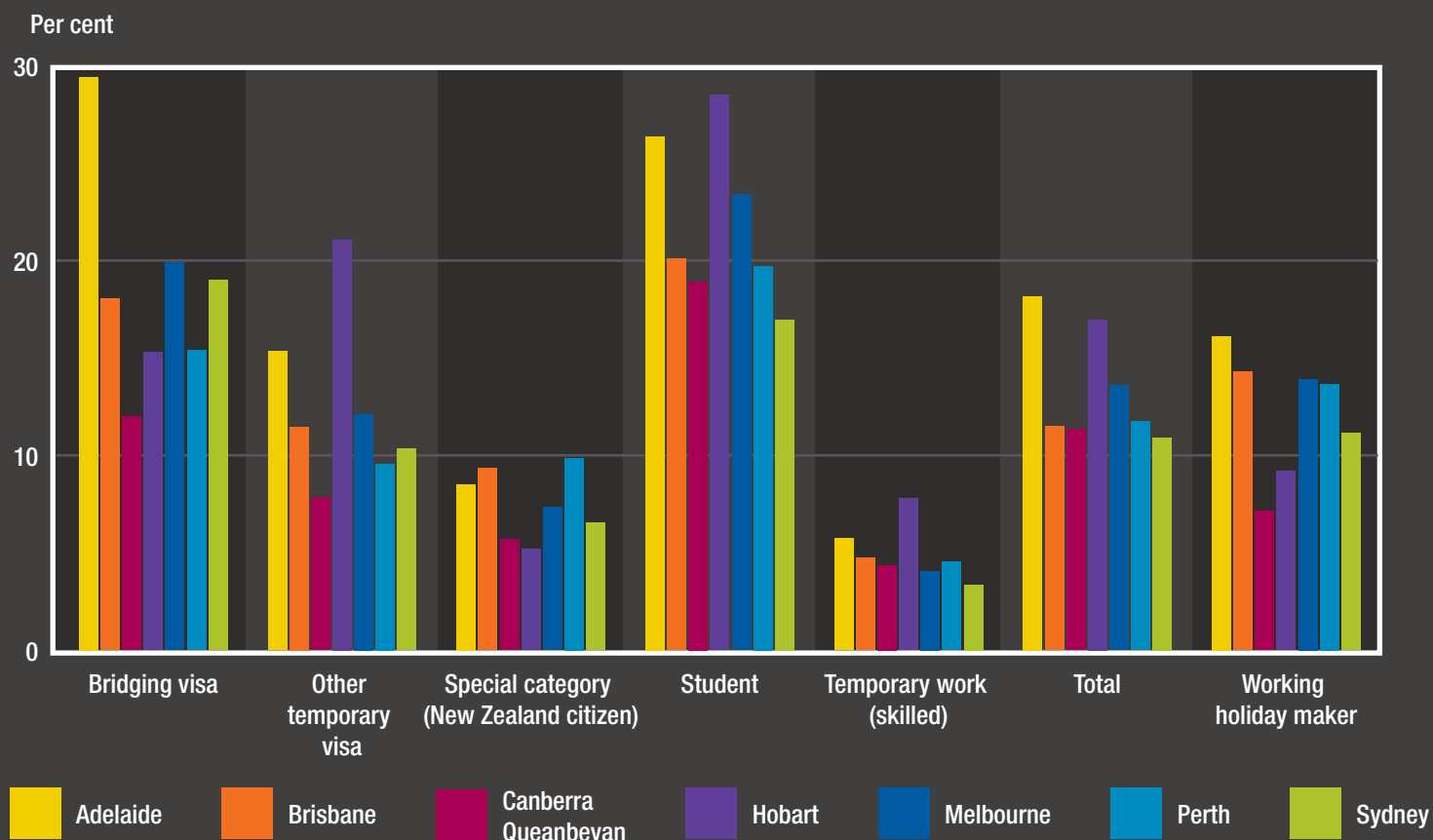


Source: Author's analysis of ABS (2019) ACTEID



Analysing the data

FIGURE 3: UNEMPLOYMENT RATE BY CAPITAL CITY AND VISA SUBCLASS IN 2016



Source: ABS 2019 ACTEID 2016

Note: It is important to note that some of this low unemployment could be explained by 457 visa holders leaving the country upon expiry of their visa which would downwardly bias estimates of the unemployment rate.

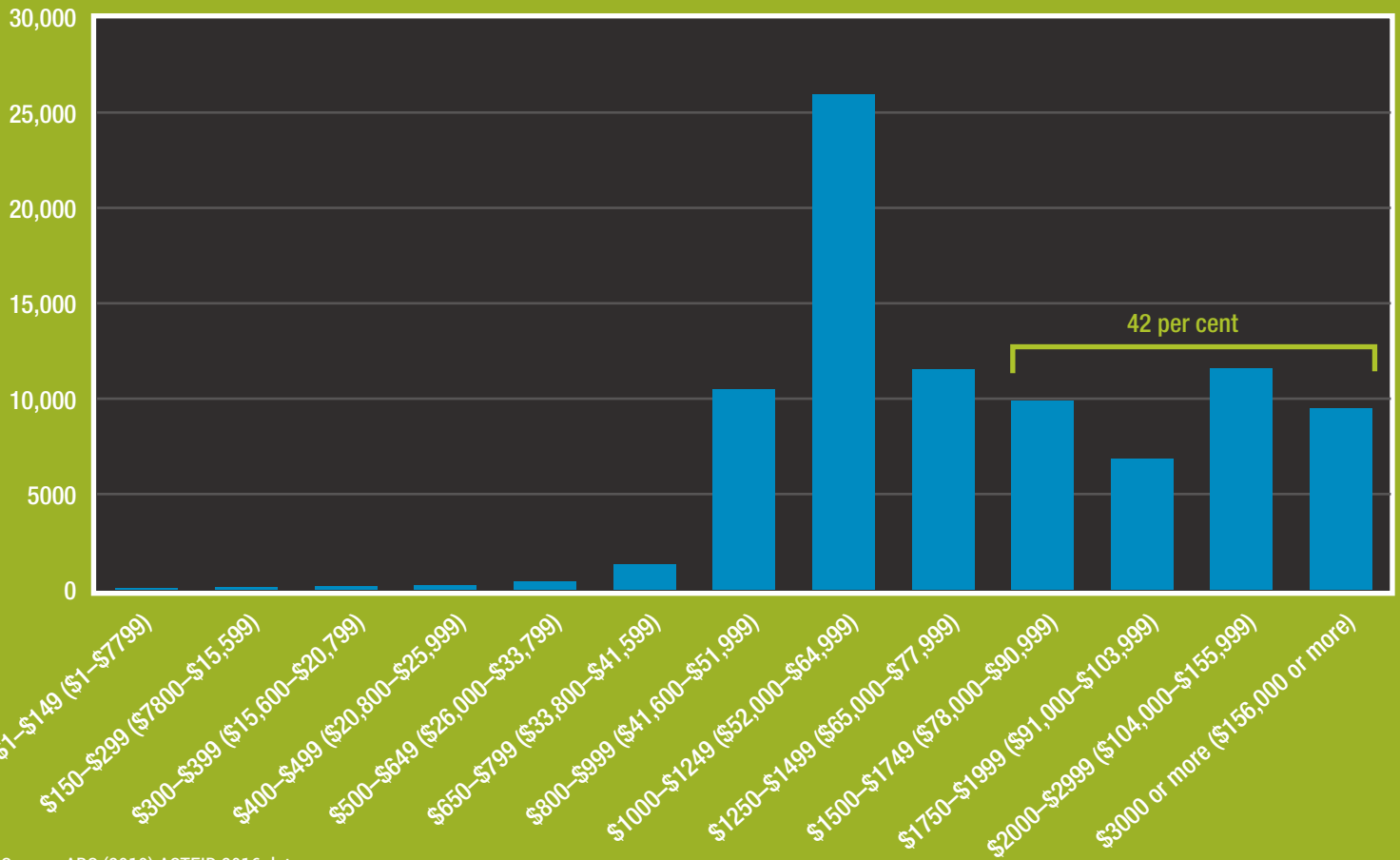
Often these employment outcomes vary depending on the city migrants choose to settle in – with temporary skilled (457) migrants having outcomes consistent with local labour market conditions. For example, temporary skilled migrants living in Hobart on average experience unemployment rates that are 30 per cent higher than those in Melbourne. Figure 8, on page 60, illustrates the number of temporary skilled visas granted across different states, further underlining different regional labour market conditions.

In addition to having low unemployment rates, and high rates of labour force participation, temporary skilled migrants also earn more than other types of migrants (figure 4). In 2016, 42 per cent of skilled 457 visa-holders earned over \$1500 a week (\$78,000 a year) compared to around 35 per cent of permanent skilled migrants.³



Analysing the data

FIGURE 4: 457 MIGRANTS BY INCOME CATEGORY 2016



Source: ABS (2019) ACTEID 2016 data

Overall, we find that temporary skilled migrants have low unemployment rates and tend to earn more than their permanent skilled counterparts, and the overall Australian population. They also tend to have lower unemployment rates than other categories of temporary migrants, and the overall Australian population. Simple analysis of aggregate data points to better labour market outcomes in terms of participation, employment and incomes. This suggests the scheme is delivering for the Australian workforce and assists in lifting the average skill level in labour market.



Detailed data analysis of recent migrants

This section presents evidence of the impact of recent waves of migration (both temporary and permanent) on employment of local workers in the last two decades.⁴

To gain a better understanding of the effects of recent waves of migrants on the local labour market, we conducted independent modelling of the ABS Survey of Income and Housing data. In independent modelling commissioned by the Productivity Commission (PC), Breunig et al (2015)⁵ found no concrete evidence that the entry of migrants had a negative effect on the labour market outcomes of Australian born workers, or incumbent workers (migrants that had arrived in previous years).

In the years since the publication of the final Productivity Commission report immigration has become a more prominent topic in the national policy debate – albeit more focused on permanent migration.⁶ The growing number of migrants, both temporary and permanent makes a revisit of the research examining the impacts of migrants on the local labour market an important contribution to the current policy debate.⁷

Previous research findings

Empirical research on this topic has revealed mixed results. The Mariel Boatlift example in Box 2.1 shows that the area of migration research is quite complex and differences in methodology and key assumptions can lead to vastly different results.

While the Australian literature on the impacts of immigration is not as dense as the US literature, we do have some evidence to suggest that, at the very least, local labour market outcomes are not harmed by immigration (Brell and Dustmann 2019 and Breunig et al 2016).⁸

There has been some debate, particularly in the US, where unskilled migration dominates, about the impact migrants have on the local labour market.⁹ In part this could be because the US system of migration is less controlled than Australia's and includes an estimated 10.7 million undocumented migrants in 2017 (6.7 per cent of the labour force) who tend to be relatively low-skilled and struggle with formal employment because of their unresolved status.¹⁰ For some context, Australia's labour force numbers around 13.5 million.¹¹ As such caution should be exercised when applying the estimates from other countries, with different immigration structures and laws, to the Australian context.

BOX 2.1

Marinel Boatlift

One example of the debate on the labour market impact of migration is the Marinel Boatlift where the south of Florida experienced an influx of migrants over a short period of time. This increased the Miami labour force by seven per cent and provided economists with a natural experiment – a sudden significant change in the usual operation of the labour market that allowed researchers to test the impact of changes on local workers. Card (1990) found that the influx of workers had no effect on the wages or unemployed rates of less skilled workers, or on the outcomes of migrants who had arrived earlier. Borjas (2017) using the same experiment found that the Marielitos – the new migrants – had a negative impact on the labour market outcomes of high school dropouts (i.e. those most likely in direct competition with unskilled migrants). Further research by Clemens and Hunt (2017) suggested that the reason for these differences in estimates was because of differences in composition of the survey sample.¹² There are few natural experiments of this kind in the Australian immigration context and while this kind of analysis tells us a lot about what has happened in the past, how it affects the present is less clear.

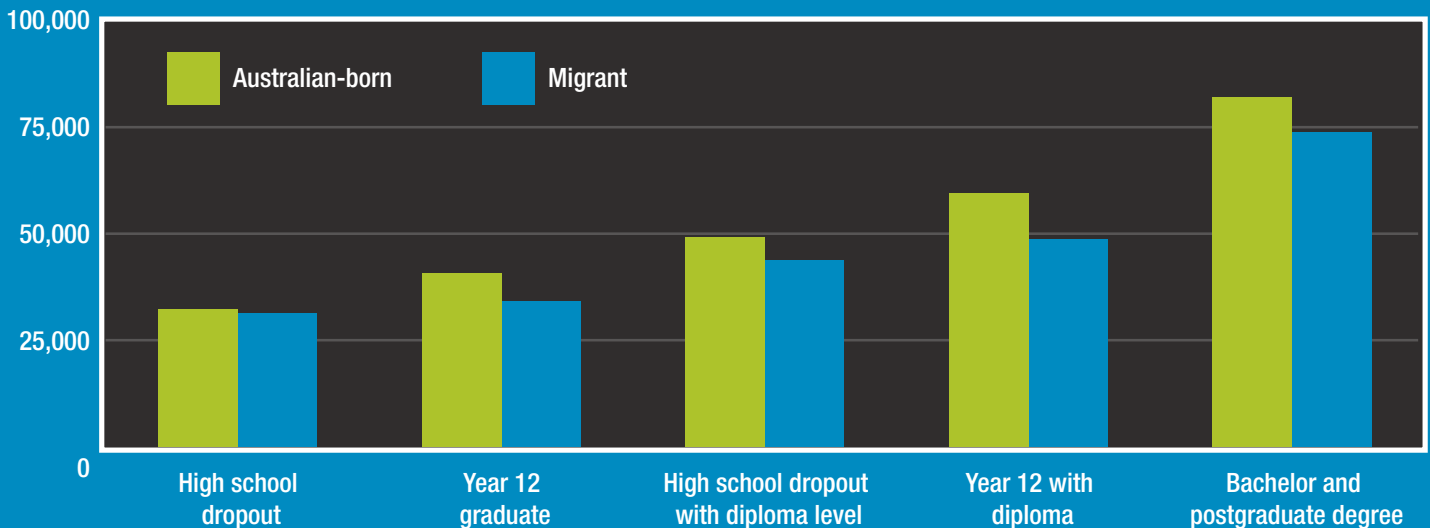
Other research which looks at more recent estimates of the impacts of migrants uses skill-share instruments to identify the impact of migrants on local labour markets.¹³ Borjas (2003), found that the influx of migrants into closed labour markets worsened the employment prospects of US born workers.¹⁴ However, a review of this research by Card and Peri (2016) has since refuted those claims suggesting that the effects depend upon the substitutability between the local and native sub populations.¹⁵



Analysing the data

FIGURE 5: ANNUAL EARNINGS BY EDUCATION CATEGORY (HES 2016)

Annual earnings (\$)



Source: ABS (2016) Survey of Income and Housing 2015

Descriptive statistics of recent migrants and Australian born cohorts

This section presents analysis of data from the ABS Survey of Income and Housing (which includes information about the incomes and expenses, educational qualifications, arrival in Australia, and labour force status of survey respondents).¹⁶ This data was used in the modelling results outlined in further detail below.

An examination of annual earnings of recent migrants and Australian born respondents with undergraduate and postgraduate degrees tend to out-earn those without, and migrant degree holders on average earn less than Australian born degree-holders (figure 5). At \$77,000 this amount is still 20 per cent higher than average earnings across the economy in 2016.

This could reflect the shorter time that migrants have to develop the necessary networks and experience to excel in the labour market. Figure 6 provides some evidence to support this, with migrants in the 21–25 years of experience category out-earning all other migrant and Australian born workers with similar levels of experience.

As expected, migrants that are more highly educated tend to have higher labour force participation rates and there is a higher proportion of migrants in the overall population of those with higher educational outcomes (see figure 7).

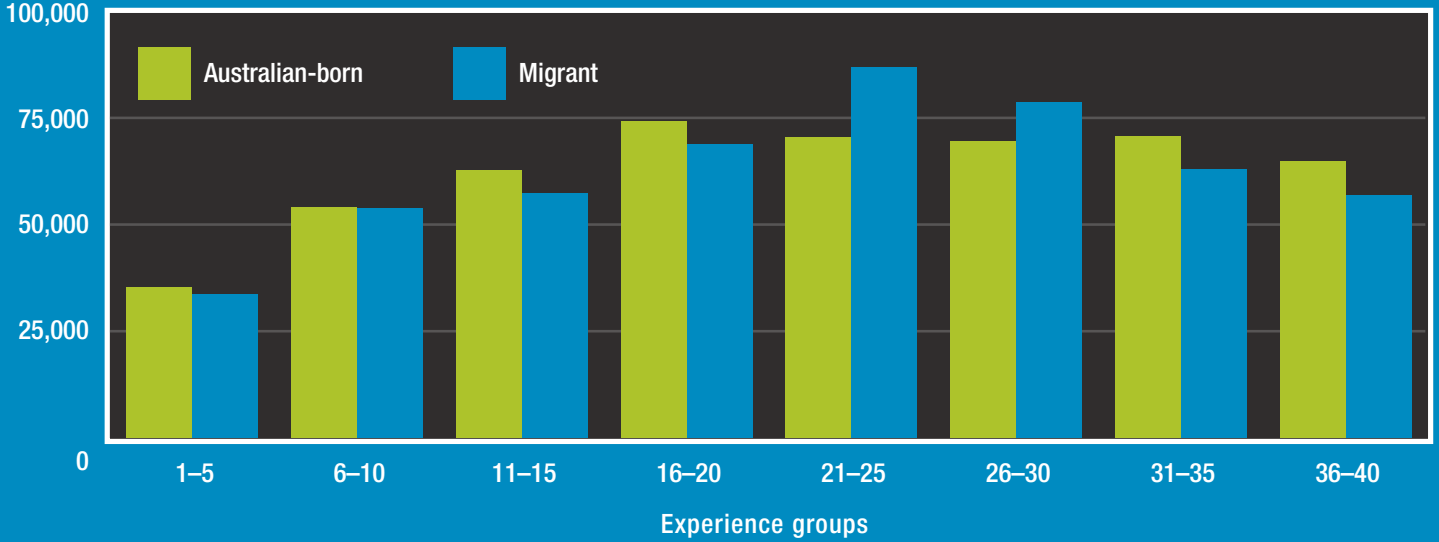
However, these simple correlations do not tell the full story. Further analysis that controls for other factors such as education and experience is conducted below.



Analysing the data

FIGURE 6: ANNUAL EARNINGS BY EXPERIENCE GROUP

Annual earnings (\$)

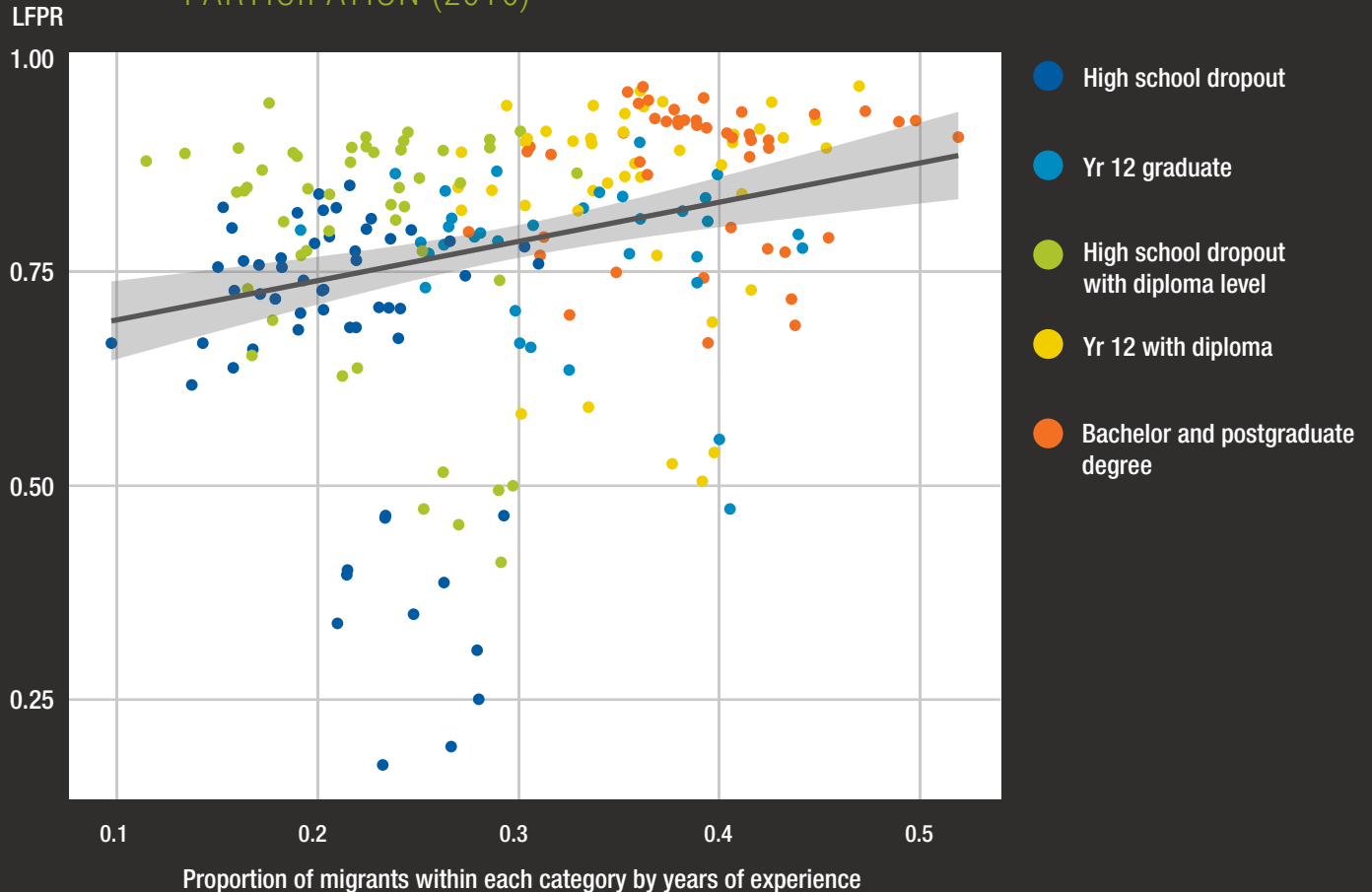


Source: ABS (2016) Survey of Income and Housing 2015



Analysing the data

FIGURE 7: MIGRANT PROPORTION WITHIN SKILL CELL AND LABOUR FORCE PARTICIPATION (2016)



Source: Source: Authors' analysis of ABS (2017) Biennial Survey of Income and housing years 2003-2016.

BOX 2.2

Methodology

In this study we estimate the effect of recent migrants (both temporary and permanent who have arrived since 1996) on the labour market outcomes of local workers. Local workers includes both Australian-born workers and established migrants who arrived before 1996. In order to do this, we used seven cross sections on the biennial Survey of Income and Housing data spanning 2003–2016. We split the education categories into five groups – high school dropouts, high school graduates, high school dropouts with certificate-level qualifications, high school graduates with certificate-level qualifications, and bachelor and postgraduate degrees.

We classified the labour market into eight five-year groupings of potential experience. Migrants were defined as those who were not born in Australia, and recent migrants were defined as migrants who had arrived after 1996.

For each grouping of education and experience group at a particular point in time, we estimated the effect of the migrants on different labour market outcomes of local workers.

We considered a number of labour market outcomes including labour force participation rate, unemployment, weekly wages and annual earnings.

This paper uses skill-shares variables to estimate the relationship between immigration and local labour market outcomes. Previous literature looked at location-specific effects however this has been deemed by many to be an ineffective way of measuring the impact of migration as it does not allow for flexibility or movement of migrants and natives in their job search.

Results

The modelling examined three important labour market outcomes of local workers – unemployment rate, weekly wages, and annual earnings – and the impact of changes in recent migration levels on these outcomes.

The results show clearly that successive waves of recent migrants (those who have arrived since 1996) have not adversely impacted the labour market outcomes of local workers, and in some cases is associated with a small positive impact on aggregate labour force participation rates and wages.

In order to do this, we first divided the working-age population into five education groupings as below:

1. High school dropouts (no further education);
2. High school graduates (no further education);
3. High school dropouts with cert/diploma level qualification;
4. High school graduates with cert/diploma level qualifications and;
5. Bachelor and postgraduate degree holders.

For each level of education, we created an archetypal age at which a person in that category would enter the labour market – 17 for high school dropouts; 19 for high school graduates; 21 for those whose highest qualification was at certificate/diploma level; and 23 for bachelor and postgraduate degree holders. Based on the age at which the person entered the labour market, we create a potential experience variable which is defined as the difference between age and the age at entry into the labour market. We divide persons in the sample into eight different experience groups each spanning five years.

Most of the analysis that follows concerns migrants that arrived after 1996 – a watershed year that marked the beginning of subsequent waves of temporary skilled migration in Australia. In addition to this, the permanent migrant intake began to skew much more in favour of skilled migration than family migration after 1996.

For each grouping of education and experience group at a particular point in time, we estimate the effect of the migrants on different labour market outcomes of local workers.

Wages

The addition of recent migrants into the labour force is positively associated with wages and the participation rate. There is also some evidence to suggest that there is a positive relationship between the recent wave of migrants and a lower unemployment rate.

Our model shows that there is a positive relationship between immigration and wages (both weekly and annual earnings), after taking into account the year of the survey. Adding in the year of the survey allows us to control for broader labour market conditions. This allows us to confidently say that at any point in time immigration boosts wages – even after taking into account the variation in wages because of fluctuations in the economy.



Even after controlling for education and experience (comparing like for like), this positive effect persists. All specifications of our model point to immigration being positively associated with the earnings and weekly wages of local workers.

CEDA's analysis shows that concerns that recent waves of migrants put downward pressure on wages for local workers is not supported by the data and evidence at hand.

Unemployment and Labour Force Participation Rates

CEDA's results show that an increase in immigrant share is associated with a fall in the unemployment rate but is not statistically significant. We also find a positive relationship between immigration and labour force participation rates in all specifications of our model, implying that recent migrants have not harmed the outcomes of local workers. To the contrary, migrants' presence in the labour market is associated with positive labour force participation outcomes for local workers.

The combination of the positive relationship between immigration and labour force participation, and that immigration is not associated with reduced employment suggests that the inflow of immigrants did not reduce the employment of local workers.

Table 2.1 presents the results of similar studies, alongside the results from our research. Using US census cross section data between 1960 and 2000, Borjas (2003) found that migrant concentration in education-experience cells were negatively correlated with wages of local-born workers.¹⁷

Breunig et al, using a combination of Australian Census and Household Income and Labour Dynamics in Australia (HILDA) data, find effects broadly similar to those we estimate with the exception of the unemployment rate.¹⁸

TABLE 2.1: HOW DO OUR RESULTS COMPARE

	Log weekly wages	Log annual earnings	LFPR	Unemployment rate
US literature (Borjas) †	-0.422 (0.295)	-1.025 (0.359)	n/a	n/a
Breunig et al ‡‡	0.519 (1.024)	0.437 (1.108)	0.287** (0.135)	0.101 (0.095)
Our estimates	0.2175 (0.266)	0.864*** (0.227)	0.9234*** (0.414)	-0.024 (0.043)

Note: *, **, *** denotes significance at the 10%, 5% and 1% significance level.

Estimates presented here are weighted by the relevant populations in each subgroup, and the standard errors are clustered at the skill-experience group level.

† Used migrants rather than recent migrants

‡‡ Used (HILDA/Census data)

There are two possible reasons for the difference in our estimates

1. Our research uses different data: While we used Survey of income and housing data; Breunig et al use combined Census and Household, Income and Labour Dynamics in Australia (HILDA) data to estimate the impact of recent migrants
2. Our research uses more waves of data: We use biennial Survey of income and housing data between 2003 and 2015, whereas Breunig et al use three cross sections of data from the Census – 2001, 2006, and 2011.

Nonetheless the overall story is consistent and reinforces the finding that recent migrants have not harmed the wages, employment rates or the participation rates of local workers.

Conclusion

Statistics earlier on in this report showed that temporary migrants are among our most productive workers, with the lowest rates of unemployment and relatively high earning capacity.

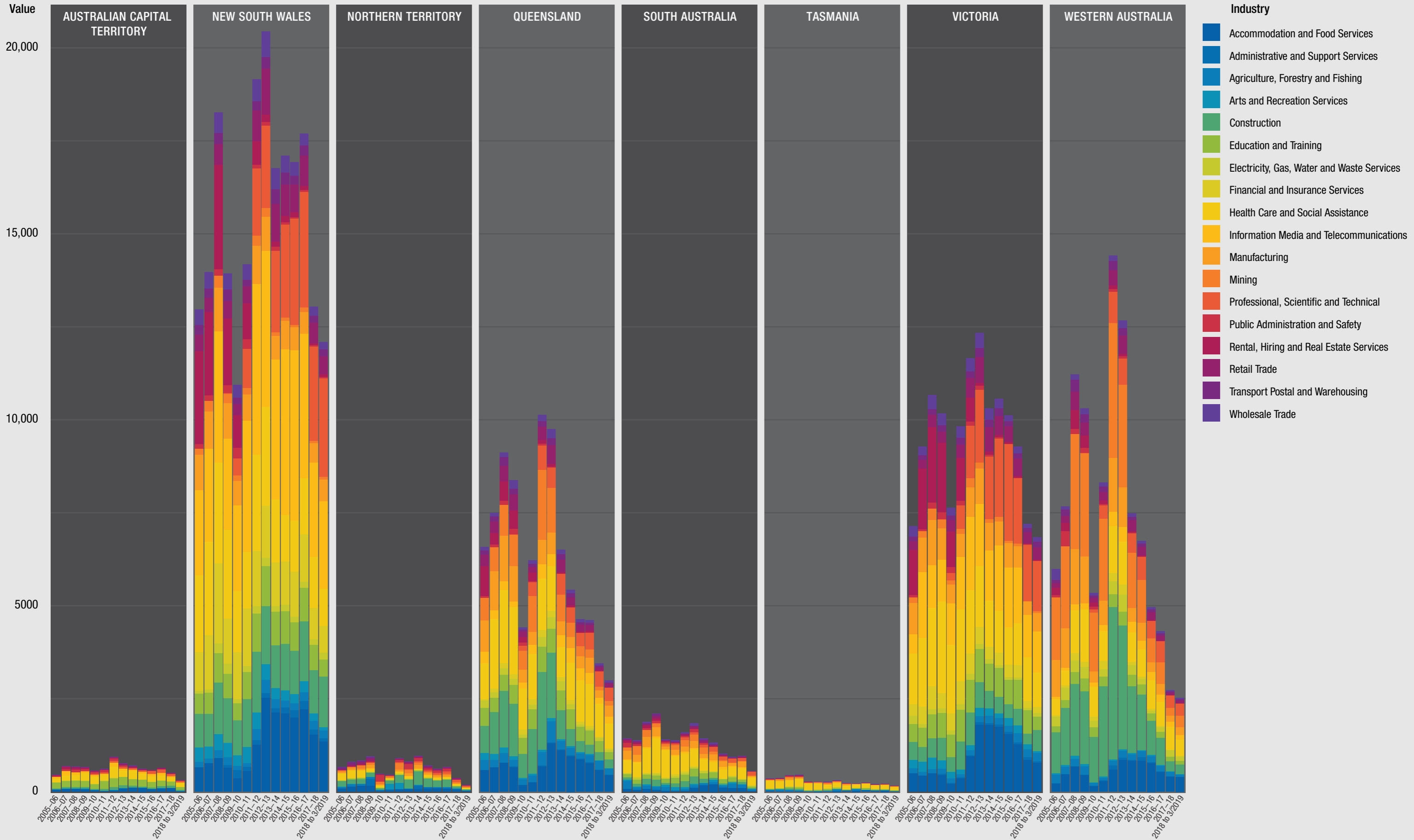
The opposition to temporary migration has centred around the question – do migrants take the jobs of local workers? There is not economic evidence to support this claim. The modelling presented here shows that recent migrants in some cases are associated with increased labour force participation and wages for local workers although the impacts are small in magnitude. It is likely that immigration also adds to the productivity of the nation, and fuels technological innovation.¹⁹

Over the last few years there has been vocal opposition to temporary migration on the grounds that the system undermines the wage growth of Australian workers. While this report cannot definitively say if wage or occupational degradation occurs in specific occupations and industries, the analysis shows that in aggregate immigration has not harmed Australian workers.

Migration is widely cited as one of the reasons for Australia's 28 years of uninterrupted economic growth.²⁰ Analysis here shows that migrants have not adversely impacted Australia's local workers.

Analysing the data

FIGURE 8: TEMPORARY SKILLED VISAS GRANTED (STATE BY STATE)





Chapter summary

Immigrants have not harmed:



WAGES



PARTICIPATION RATE OF
LOCAL WORKERS

42%

of temporary skilled
migrants earn above

\$78k

Migration has been a
contributor to Australia's

28 YEARS

of uninterrupted economic growth

Endnotes

- 1 Breunig, R., Deutscher N., and Tho H. 2015, [The relationship between immigration to Australia and the labour market outcomes of Australian born workers: Migrant intake into Australia draft Report Technical Supplement C](#). Commonwealth of Australia; and Breunig, R., Deutscher N., and Tho H 2016, [The relationship between immigration to Australia and the labour market outcomes of Australian workers. Migrant intake into Australia, Technical Supplement A](#). Commonwealth of Australia.
- 2 Department of Home Affairs. 2018, [Shaping a Nation report](#).
- 3 ABS (2018) ACMIID 2016 and ABS (2019) ACTEID
- 4 For a more comprehensive review of broader economic contributions of migrants, see Migration Council of Australia. 2015, [The Economic Impact of Immigration](#) and Parham, D., To, H., Ratna, N., Regan, S. and Grafton, Q. 2015, [Migration and Productivity in Australia](#). Crawford School of Public Policy, ANU College of Asia and the Pacific. Australian National University, Canberra. for a thorough discussion of the productivity impacts of immigration.
- 5 Breunig R., Deutscher N., and Tho H. 2016, The relationship between immigration to Australia and the labour market outcomes of Australian workers.
- 6 Breunig R., Deutscher N., and Tho H. 2016, The relationship between immigration to Australia and the labour market outcomes of Australian workers.
- 7 The focus of the report which this short research note accompanies is temporary migration. The analysis conducted in here might cover some temporary migrants but is not able to provide a complete picture of temporary migrants. This is in part due to the inadequacy of current data sources in identifying temporary migrants. This is both because of the short duration for which temporary migrants call Australia home, and the lack of data collection and data availability in this area.
- 8 Brell, C and Dustmann, C (2019) Immigration and Wage Growth: The Case of Australia, RBA conference paper.
- 9 Card D. 1990, 'The Impact Of The Mariel Boatlift On The Miami Labor Market.' *Industrial Labor Relations Review*.
- 10 Note that these are only estimated as there are no official numbers of the true number of undocumented migrants living in the US. For a more detailed explanation of the issue see Passel, J. and Cohn, D. 2018, ['US Unauthorized Immigrant Total Dips to Lowest Level in a Decade'](#), Pew Research Center, Hispanic Trends (27 November).
- 11 ABS, May 2019, *Labour Force, Australia*, Catalogue No. 6202.0.
- 12 Clemens M. and Hunt J. 2016 The Labor Market Effects Of Refugee Waves: Reconciling Conflicting Results. NBER working paper series.
- 13 Beine, M., Bertoli, S. and Fernández-Huertas Moraga J. 2015, [A Practitioners' Guide to Gravity Models of International Migration](#), *The World Economy*. Available:
- 14 The structure of US migration is much different to Australian migration; with Australia operating a highly selective points-based immigration system. See Cobb-Clark. 2000, 'Do selection criteria make a difference?' *Economic Record* for the Australian case.
- 15 Card and Peri. 2016, ['Immigration Economics: A Review'](#), Journal of Economic Literature.
- 16 The analysis was run for both migrants and recent migrants. For the purpose of this report, we have presented the results as it related to recent migrant (those who arrived in Australia after 1996). The appendix to this report contains the results of migrants (not Australian born) and Australian-born
- 17 While the US estimates provide some context for our results, we should also note that the Australian and US migration systems are very different and so caution should be exercised in interpretation of this table
- 18 While our estimates of immigration and the unemployment rate differ from those of Breunig et al, 2016. caution should be exercised when interpreting these estimates as they are not statistically significant.
- 19 Parham D., To H., Ratna, N., Regan S. and Grafton, Q. 2015, Migration and Productivity in Australia.
- 20 Department of Home Affairs. 2018, [Shaping a Nation report](#)



CHAPTER THREE

Improving the Temporary Skill Shortage visa system

This chapter explores one important component of temporary migration – temporary skilled migration under the TSS 482 visa and its predecessor the 457.

**Fast fact**

Temporary skilled visa holders of working age account for **less than one per cent** of Australia's **13.5 million** strong labour force.

< 1%



Chapter Snapshot

40+

is the number of reviews and changes made to the temporary skilled visa since 1996

Temporary Skill Shortage Visa



2017-2018



APPLICATIONS LODGED



VISAS GRANTED

39,230

34,450

NUMBER OF WORKING AGED PEOPLE FOR EVERY DEPENDENT



2019 = 4.5



2055 = 2.7

Australia will become increasingly dependent on migration to boost the working age population.

Purpose and objectives of the temporary skilled migration scheme

Based on demographic trends now in train, Australia will be increasingly dependent on migration to boost its working-age population in the decades ahead – with 2.7 working age people for every dependent compared to 4.5 today.²

Even if Australian governments and businesses take concerted action to boost the skills of permanent residents, short-term skills gaps will emerge and remain in some sectors. This reflects the fact that mismatches between skill demand and supply are difficult to prevent (because of information lags and labour market frictions). It takes time to address these mismatches because of the lead times involved in education and training, and cyclical workforce requirements, including those related to industries that involve large and lumpy projects (e.g. resources and infrastructure).

Australia's future economic development must therefore be underpinned by a continuing focus on temporary skilled migration.

Recent experience demonstrates the highly cyclical labour market needs of Australia's resources sector. From the beginning of the mining boom in 2005 to its peak around 2011, mining employment doubled as a proportion of the total employment reaching 2.5 per cent before receding again.³

There are also a range of workforce challenges across different industries unlikely to be addressed by education and training alone. For example, previous analysis conducted for Australian Governments shows that Australia could face a shortage of up to 123,000 nurses by 2030.⁴ In cyber security, Australia will need nearly 18,000 more workers by 2026, but universities produce around 500 graduates a year at present highlighting an inevitable shortfall.⁵ The Australian Government has also suggested that it will seek to triple Australia's aged care workforce over the next three decades in order to meet anticipated demand.⁶

In mining, tertiary education enrolments tends to follow the commodity cycle, leaving the sector vulnerable to skills shortages when demand picks up again. For these universities that partner with the Minerals Tertiary Education Council (MTEC) there is expected to be just 53 fourth year university enrolments in mining engineering by 2021 compared to almost 300 in 2014.⁷



Scheme objectives

These sorts of specific sectoral skills shortages are exactly why Australia has a temporary skilled visa system. The Department of Home Affairs describes the TSS visa (subclass 482) as:

...[enabling] employers to address labour shortages by bringing in genuinely skilled workers where they cannot source an appropriately skilled Australian. It facilitates targeted use of overseas workers to address temporary skill shortages, while ensuring that Australian workers get priority.⁸

It is clear, therefore, that the focus of the visa is on balancing twin objectives – addressing targeted skills shortages but doing this in a way that does not present a barrier to appropriately skilled Australians securing those jobs. As is evident below, the tension between these two objectives and the opposing views from business, unions and other stakeholders have driven frequent reviews of the scheme and the layering of new requirements and changes over time.

When announcing the most recent changes to the scheme, then Prime Minister Malcolm Turnbull emphasised the imperative of the TSS visa to:

...ensure Australian workers are given the absolute first priority for jobs, while businesses will be able to temporarily access the critical skills they need to grow if skilled Australian workers are not available.⁹

These changes coincided with a period of strong employment growth, but relatively slow wages growth and elevated rates of underemployment, underlining the political imperative of protecting Australian workers as the primary rather than associated objective of the scheme. The changing weight of emphasis on each of these objectives over time, in line with the political environment, community attitudes and labour market conditions has influenced intense scrutiny on and frequent changes to the scheme.

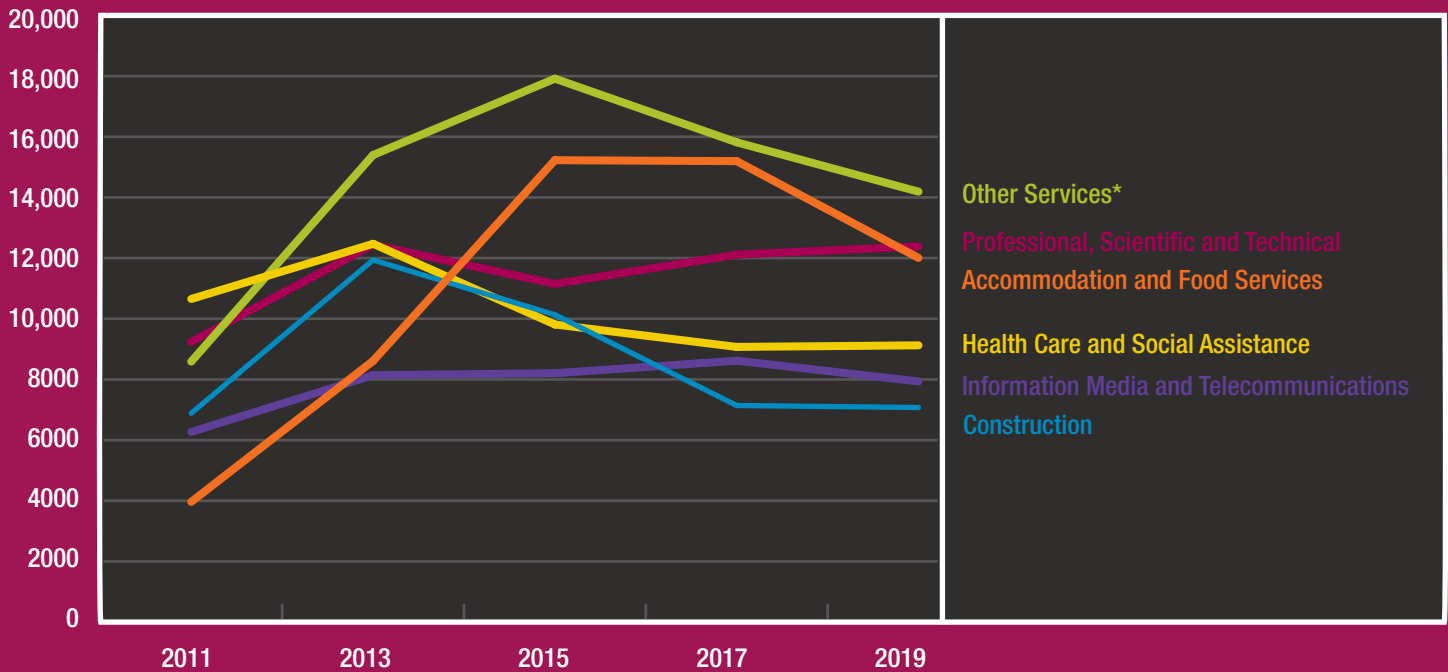
It is noteworthy that there is very little mention of the potential of the TSS visa to contribute to Australia's human capital, not just through direct impacts but through the transfer of knowledge, skills and international connections to Australian workers and businesses. The scheme plays an important role in developing global talent and importing unique overseas experience into Australian company workforces – bringing learnings from complex projects never seen in Australia before. For example, medical device manufacturer Cochlear utilised temporary skilled migration for a decade to overcome inadequate engineering skills in advanced manufacturing. These engineers built up Cochlear's advanced manufacturing skill base to the point that it has a stable Australian workforce.¹⁰ The important role of knowledge transfer and developing global talent is an important part of the government's Global Talent Scheme initiative but this role needs to be more explicitly acknowledged and promoted.

Previous research undertaken for the Migration Council of Australia showed temporary skilled visas provided the second highest boost to the economy of all migration streams.¹¹



Analysing the data

FIGURE 1: PRIMARY SKILLED VISA HOLDERS BY SECTOR (2011 TO 2019)



* Other services includes for example automotive repair and personal care

Source: : Department of Home Affairs. Temporary Work (Skilled) visa program, 31 March 2019, Accessed from: <https://data.gov.au/data/dataset/2515b21d-0dba-4810-afd4-ac8dd92e873e>

Putting temporary skilled migration into context

Despite the intense focus on the temporary skilled migration program through the TSS visa and subclass 457 visa before it, TSS visa holders represent a relatively small proportion of the workforce and temporary migrants overall.

As at March 2019, there were around 154,000 temporary skilled work visa holders including those holding the new subclass 482 visa and its predecessor 457.¹² This includes almost 86,000 primary visa holders and over 68,000 secondary visa holders – family members and dependents.

Almost three-quarters of primary visa holders are in six sectors, highlighted in Figure 1.

TSS visa holders of working age account for less than one per cent of the Australian workforce and 6.6 per cent of temporary migrants.¹³ Even when the number of 457 visa holders in Australia peaked with the mining investment boom, they still represented less than 1.4 per cent of the Australian workforce.¹⁴



Fast facts: Temporary Skill Shortage visa holders

- **Around 70 per cent** of visa holders reside in New South Wales (45 per cent) and Victoria (25 per cent), states which currently have the lowest rates of unemployment in Australia – 4.4 per cent and 4.7 per cent respectively.
- **Two-thirds** reside in Sydney and Melbourne.
Of these people, 40 per cent reside in the inner city.
- **96 per cent** are under the age of 50, compared to almost 67 per cent of the Australian population.
- **95 per cent** of primary visa holders fall into three occupation categories – managers; professionals and technicians; and trades workers.
- **The top three** citizenships of primary visa holders are United Kingdom, India and Philippines.
- **Over 50 per cent** of primary visa holders work in four industries – accommodation and food services; information media and telecommunications; professional, scientific and technical services; and other services (e.g. personal care and mechanical repair). This compares to 21 per cent of the total workforce employed in these sectors.
- **The top four** occupations granted primary visas in 2017–18 were:
(1) Developer Programmer (2) ICT Business Analyst (3) University Lecturer (4) Cook.
- **TSS visa holders are excluded from** free or subsidised government services but still contribute to economic activity and tax revenues, resulting in a fiscal benefit to government.
- **The average base salary** for nominated positions was around \$95,000 in 2017–18.
- **Over half** of temporary skilled visa holders transition to permanent visas.

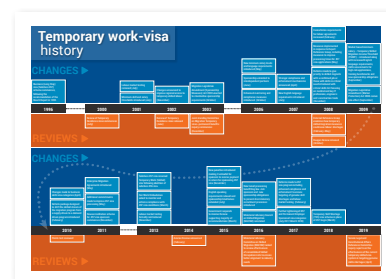
The data suggests that the relatively small population of visa holders are highly concentrated on a geographical, industry and occupational basis. In addition, like the broader migrant population, they are relatively young.

The changing nature of temporary skilled visa requirements

The diagram on page six provides a chronology of reviews and changes to the temporary skilled work visa since it was introduced as the subclass 457 visa in 1996. The mix of changes pursued over time reflect the tension in objectives outlined at the beginning of this chapter – addressing targeted skills shortages but without imposing barriers on suitably skilled Australian workers.

In its first decade of operation the 457 scheme was subject to changes that sought to streamline access for employers and other changes that introduced new skill and salary restrictions to better target the scheme towards genuine skill shortages. Even during the height of the mining boom when skills shortages were apparent across multiple industries, the focus oscillated between measures that sought to tighten access to skilled visas and simultaneously streamline access for the ‘right’ occupations and sectors.

While these two objectives need not be mutually exclusive, they have resulted in a system in a constant state of flux. CEDA has criticised the lack of proper policy and program evaluation across governments in recent reports – but the temporary skilled visa program has suffered from the opposite problem – over evaluation.



The plethora of reviews conducted by different bodies with varying terms of reference, in concert with regular changes prevents proper evaluation of the effectiveness of the scheme at any point in time.

This is evident in April's Senate Legal and Constitutional Affairs References Committee report on the effectiveness of the current temporary skilled visa system in targeting genuine skills shortages. The Committee's report noted that based on changes to the scheme implemented over 2017 and 2018, it was too soon to understand how the changes would impact the overall number of temporary skilled work visas being sought and granted. Nonetheless, the Senate Committee proceeded with making 21 recommendations to change the scheme with a focus on tighter restrictions on the use of TSS visas.



There have also been cycles of introduction, removal and reintroduction of some provisions. For example, labour market testing was a feature of the 457 visa upon its introduction. In 2001 it was removed from the 457 program following an External Reference Group Review report. In 2013 it was reintroduced and has remained part of the system despite the Azarias Review recommending its removal again in 2014.

The 2017 scheme changes announced by then Prime Minister Malcolm Turnbull under the banner 'Putting Australian Workers First' represented a significant shift. These changes replaced the longstanding 457 visa with the 482 visa.

Eligible occupations were grouped in two lists: a standard program where employers and migrants could transition to a permanent visa (medium- and long-term strategic skills list) and a shorter-term visa where a pathway to permanent residency was removed (short-term skilled occupation list). Occupations on the STSOL are considered to be in shortage in the short term only, and workers should be prepared to depart once this shortage clears. By contrast, occupations on the MLTSSL are considered in chronic shortage or of strategic long-term importance. These workers are further incentivised to come to Australia by the potential pathway to permanent residency. In addition, a new training levy was introduced to fund a Commonwealth-State vocational education funding agreement.

Business was taken by surprise by such a significant shift in policy, with a one-third reduction in eligible occupations and a separation of occupations into two lists with different conditions and restrictions.¹⁵ This affected people with visa applications already in the pipeline. Primary visa applicants in 2017–18 were around 12,000 less than the previous year.¹⁶ It later became apparent that business and other stakeholders had not been consulted ahead of the announcement, including the Ministerial Advisory Council on Skilled Migration. The Council had been established to provide advice to the Minister for Citizenship and Multicultural Affairs on Australia's temporary and permanent skilled migration programs and associated matters.

These changes also highlighted the different and evolving goals of policymakers. The 2017 policy changes were particularly stark for a change in direction. Michael Pezzullo, the Secretary of the then Department of Immigration and Border Protection (now Department of Home Affairs) described the changes as rectifying a "bloated out" visa program that had become "a proxy pathway to permanent residency".¹⁷ This connection to permanent residency was seen as a negative, something being abused by migrants and employers alike.

Before this, two prominent previous Immigration Ministers – Chris Bowen and Scott Morrison – both described the transition from a temporary work visa to a permanent work visa as one that makes sense and generates great opportunities for Australia.¹⁸ Indeed, the two-step migration pathway had been trumpeted by Immigration Ministers and the Department for a decade before being undone in 2017.

TABLE 3.1: TSS VISA STREAMS

Stream	Short-term	Medium-term	Labour Agreement
Duration of position	Up to maximum of two years. Up to four years if International Trade Obligation applies	Up to four years	Up to four years (has to be negotiated if occupation on STSOL)
Occupation list	Short-term skilled occupation list (STSOL)	Medium- and long-term strategic skills list (MLTSSL) Regional occupation list (ROL)	Based on terms of labour agreement with the Australian Government
Renewal	Once while onshore	Eligible for multiple renewals onshore (STSOL)	Dependent on terms of agreement
English language requirements	IELTS score of 5.0 (at least 4.5 in each component)	IELTS score of 5.0 (at least five in each component)	Specified in agreement
Work experience requirements	At least two years in nominated occupation	At least two years in nominated occupation	Specified in agreement
Path to permanent residency	✘	✔	Dependent on terms of agreement

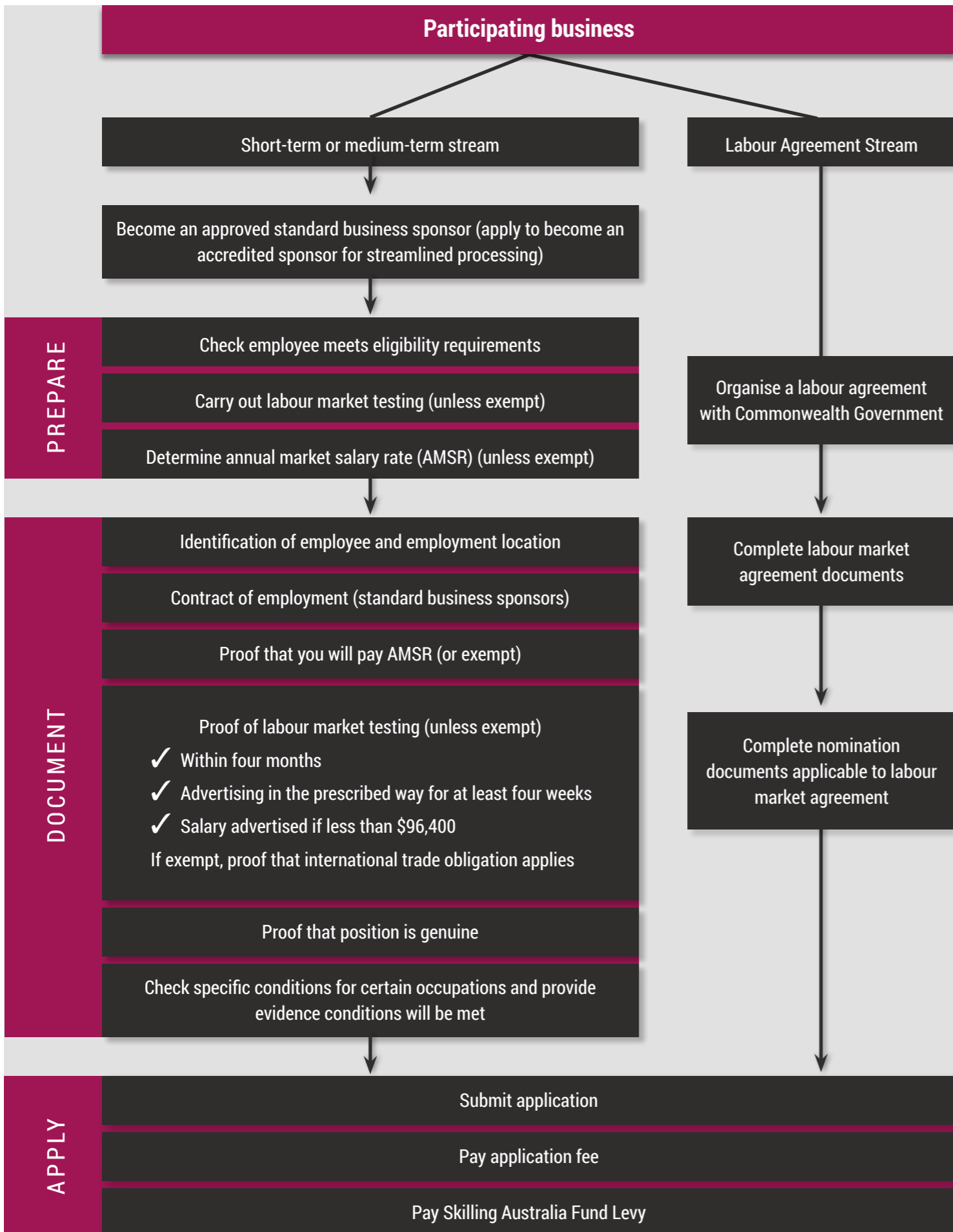
How temporary skilled migration currently works

Figure 2 (overleaf) illustrates the detailed process that both nominating businesses and visa applicants must undertake in order to fill a vacancy. While there are opportunities to fast-track this process for some businesses and in specific circumstances, on average it is a process that takes several months from the time a vacancy is identified to when it is filled. As an uncapped, demand-driven system a range of requirements exist to ensure that the scheme is responding to 'genuine' demand for skills rather than being used to reduce labour costs or displace appropriately qualified Australian workers.

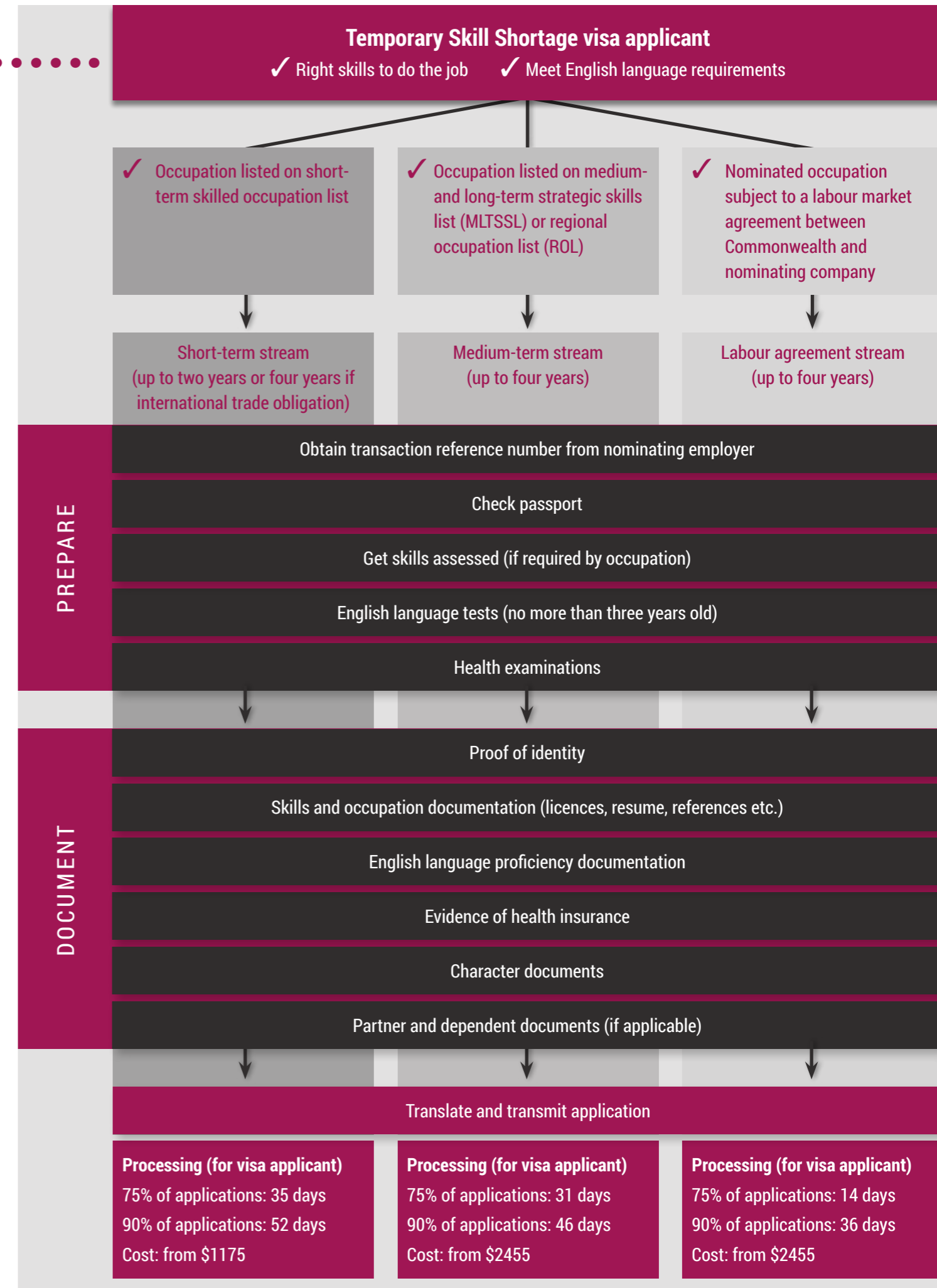
The most important requirements and characteristics of this process are outlined in turn below.

There are three visa streams that can be utilised by employers as outlined in Table 3.1.

FIGURE 2: TEMPORARY SKILL SHORTAGE VISA PROCESS (SUBCLASS 482)*



* As at 22 May 2019. Available at: <https://immi.homeaffairs.gov.au/visas/>





Short-term and medium-term streams

The intention of the short-term stream is to fill vacancies in occupations where there is a current short-term shortage. On the other hand, the medium-term stream seeks to fill vacancies for occupations that are in high demand, will make a significant contribution to Australia's economy and where a significant period of time would be required to build a suitable skill base in Australia. This stream provides more generous provisions for renewal and a path to permanent residency. There is also a regional occupation list that provides access to medium and long-term strategic skills list in order to take account of the different skill needs outside Australia's metropolitan areas.

The composition of the streams is determined by the Minister for Immigration, Citizenship, Migrant Services and Multicultural Affairs through Skilled Occupation Lists, informed by advice and recommendations from the Federal Department of Jobs and Small Business. The Department reviews these lists twice a year to update them in line with relevant developments in the labour market. Further detail on the development of these lists as a means of identifying genuine skills shortages is provided in the next section.

Labour agreements

The arrangements also allow for particular skill requirements across different sectors and regions. Depending on the form chosen, labour agreements can provide increased flexibility to source skilled labour in a specific company, project, industry or region by entering into an agreement with the Commonwealth Government. Options include:

- **Designated Area Migration Agreement (DAMA) for states, territories or regions to respond to unique skills needs not able to be resolved under the other streams. There are now DAMAs in place across the Northern Territory, South Australia, Victoria and Western Australia.**
- **Industry labour agreements for specific industries with fixed terms and conditions, and an ongoing requirement to demonstrate relevant skills shortages. There are eight industry agreements in place, including for fishing and dairy.**
- **Project agreements for skills shortages during the construction phase of resources and infrastructure projects.**
- **Company specific agreements where there is no relevant DAMA, industry or project agreement to address the skills needs in question. There are currently 63 company specific agreements in place.**
- **Global Talent Scheme (GTS), a pilot for sourcing very high skilled niche occupations that cannot be accommodated under the TSS visa or other agreement. There are currently 17 such agreements in place.**

There are currently 345 agreements in place.¹⁹ As of March 2019, there were almost 4000 primary visa holders subject to labour agreements or just under five per cent of all primary visa holders. This is at its highest level since 2010. It is unclear whether recent increases have been driven by increasing resort to labour agreements in response to

the 2017 changes to the scheme. It is clear, however, that companies seek labour agreements to gain greater certainty given that occupation lists can change.

Salary thresholds

Overseas workers should be paid no less than an Australian would in the same position – i.e. the annual market salary rate (AMSR). In addition, no TSS worker can be paid less than the temporary skilled migration income threshold (TSMIT) – currently set at \$53,900, with any non-monetary benefits to be paid above this threshold.

Labour market testing

In addition to the skilled occupation lists, labour market testing in effect seeks to provide another layer of assurance that a nominated position is filling a genuine skill shortage that could not have been filled by an Australian.

The employer must advertise the vacancy as prescribed in two prominent places over 28 consecutive days, including the annual salary unless it is higher than \$96,400. If no suitably skilled Australians are able to fill the role, then the employer must put forward a nomination for this role to be filled through the TSS.

English language requirements

Recognised tests such as the International English Language Testing System (IELTS) are used to test an individual's abilities in listening, reading, writing and speaking. The band score of five required under the TSS visa is considered a 'modest user' under the system. A modest user is described as having a partial command of the language and copes with overall meaning in most situations, while being able to handle basic communication in their own field.²⁰ As the Productivity Commission has observed, English language proficiency is a critical determinant of settlement and labour market outcomes.²¹

Skills assessment

Skills assessments carried out by registered authorities are required in limited circumstances, based on particular occupations and specific countries of passport. There are exemptions – for example, where an individual's qualification was gained in Australia or where the applicant already works for the nominating company overseas.

Skilling Australians Fund Levy

Sponsoring businesses must also contribute to the skills and training of Australians through the Skilling Australians Fund levy – \$1200 per worker for businesses with an annual turnover of less than \$10 million and \$1800 for annual turnover of \$10 million or more. The Federal Department of Home Affairs collects the levy, while the Federal Department of Education and Training administers the fund and allocates investments in collaboration with the states and territories.



Identifying occupations for skilled migration

As the Productivity Commission commented in 2016, “this issue of how to confine 457 workers to occupations in genuine shortage has bedevilled the scheme since its inception.”²²

Box 3.1

Skilled migration occupation lists review process

Stage 1: commence review

Reviews occur every six months.

Stage 2: Undertake initial labour market analysis and meet with stakeholders

Stage 2 involves the Federal Department of Jobs and Small Business undertaking labour market analysis of a broad range of ANZSCO Level 1 to 3 and other occupations – 650 occupations in all, with the lists produced including 508 occupations at the current time.

This analysis draws from a range of datasets, classified into primary factors (robust, reliable and available for most occupations) and secondary factors (less relevant and not available for all occupations). Primary factors include projected employment growth, skilled migrant employment outcomes and educational attainment of workers compared to required skill levels. Secondary factors include high migration risk, skill shortage research findings and graduate employment outcomes.

Points are allocated for each occupation, with higher points awarded where an occupation requires further analysis or there is a labour market concern. The Department stresses that no single factor on its own will determine the assessment for a given occupation.

Based on this analysis, the Department produces a traffic light report, including:

- Green: initial analysis suggests no change from previous update
- Orange: occupation may move from MLTSSL to STSOL
- Yellow: occupation may move from STSOL to MLTSSL
- Red: occupation may be removed from STSOL and/or MLTSSL
- Blue: occupation previously removed from list is added to STSOL or MLTSSL.

It is therefore unsurprising that the issue of the process for formulating and determining skills occupation lists has attracted considerable criticism and comment from a range of stakeholders, particularly business. The process was overhauled as part of 2017 changes and was implemented in tranches. The current process is outlined in Box 3.1.

Stage 3: Stakeholder submission period opens

- Stakeholders are invited to provide comment on a Traffic Light Bulletin – specifically on the list of blue, red, yellow and orange occupation lists. The underlying analysis and points determination used to produce the traffic light rating is not published.

Stage 4: Stakeholder submission period closed

- Recent experience suggests that the Department consults for around one month on the Bulletin.

Stage 5: Analyse themes and data from consultation

- The Department analyses the submissions received and based on data and evidence provided has the capacity to update its proposed changes to the skilled occupation lists.

Stage 6: Provide recommendations to government

- The Department provides its advice to the Minister for Immigration, Citizenship, Migrant Services and Multicultural Affairs for their decision on the lists.

Stage 7: Announce decision

- The Minister’s decision is announced via a legislative instrument that gives effect to the updated list. At this point the Department publishes submissions received.

Source: Department of Home Affairs, Department of Jobs and Small Business and Department of Education and Training, January 2019. Submission to Senate inquiry into the effectiveness of the current temporary skilled visa system in targeting genuine skills shortages.



Transparency of analysis

The clear definition of a process and methodology for determining the skilled occupation lists, and regular publication of traffic light reports for consultation is a step in the right direction.

Greater transparency would likely enhance business confidence in the process, lists and outcomes. The traffic light bulletins published by the Department are a few pages long and amount to advice rather than analysis. This could be enhanced by the publication of the full labour market analysis against primary and secondary factors, the weighting of different criteria and calculation of points. An alternative to publishing this information for all occupations would be to publish it for occupations where there is the greatest level of conjecture.

This full suite of information could also be released periodically rather than every six months when updates are due to occur as this would prove too onerous. The Migration Advisory Committee in the United Kingdom recently undertook a full review of the UK's skilled occupation list for the first time since 2013 and produced an almost 400-page report outlining data analysis, occupation shortage rankings and stakeholder feedback.²³ The Committee also undertakes reports on specific labour market issues – for example demand for nurses. This would be a useful example for Australia to follow. Such a body could provide greater capacity to examine the geographic variation in labour market shortages across Australia in greater detail.

The publication of more detailed reports periodically on the lists and specific labour market issues related to the demand for skilled visas would provide a sound evidence base for consultation with employers and in identifying genuine skills shortages. It would also increase the accountability of the Minister for Immigration and Citizenship as the final decision-maker on the lists, particularly where decisions deviate from objective analysis.

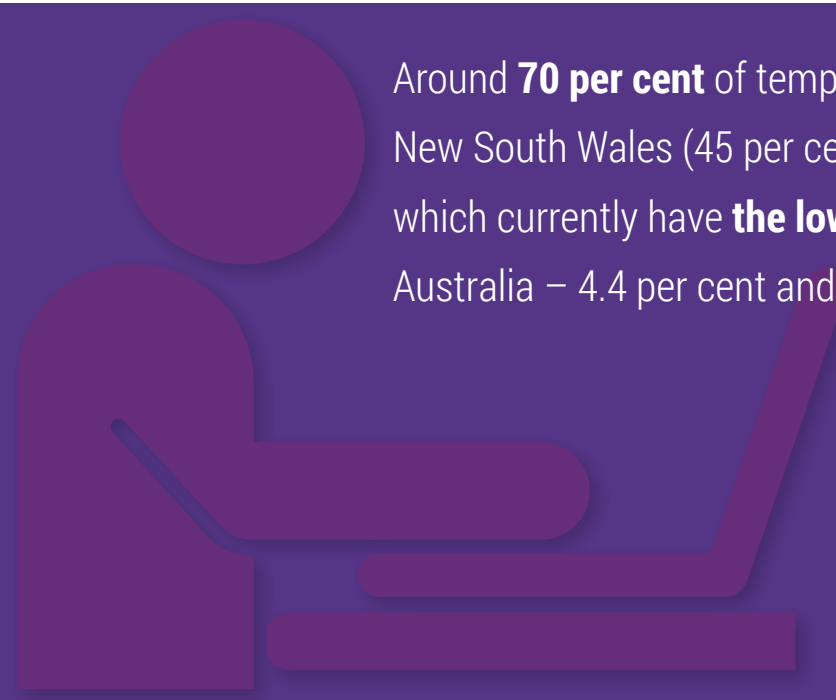
Occupation codes

The skilled occupation lists rely on the Australian and New Zealand Standard Classification of Occupations (ANZSCO). The classifications under ANZSCO were reviewed in 2009 and 2013, but have not been reviewed since, leading to concerns that the already rigid framework may not be fully reflective of modern jobs, including new occupations brought about by technological change. The Australian Bureau of Statistics has noted that there is strong stakeholder support for a review of the ANZSCO, but it does not have enough funding to prioritise this review.²⁴ This is an important review across multiple dimensions, including as it pertains to Australia's skills and training framework.

Advisory Committee

Despite being tasked in 2015 by the then Minister for Immigration and Border Protection to review the list of occupations available under the previous 457 visa, it is not clear that the Ministerial Advisory Council on

Q Mythbuster: *Skilled temporary migrants are displacing local employees*



Around **70 per cent** of temporary skilled visa holders reside in New South Wales (45 per cent) and Victoria (25 per cent), states which currently have **the lowest rates of unemployment** in Australia – 4.4 per cent and 4.7 per cent respectively.

Skilled Migration was substantively involved with the 2017 changes.²⁵ The council now appears to be largely inactive with just two members whose terms were due to expire in mid-2019 out of 18 potential board members.²⁶ The intent of seeking external advice on the design of the skilled migration program through a different governance mechanism is sound but this council has not realised its potential.

.....

What needs fixing and how should it be fixed

CEDA is mindful that the temporary skilled visa program has been subject to perpetual change and reviews, including in the last two years. On this basis, our proposed fixes to the current system are focused on:

- **embedding stability by building in more regular, consistent, evidence-based reviews**
- **improving transparency of the scheme, to strengthen stakeholder confidence in the capacity of the TSS visa to address temporary skill shortages while ensuring that Australian workers get priority**
- **realising administrative efficiencies where it is possible to realise the same outcomes with less red tape.**

Five fixes in line with this approach are outlined below.



1. More transparent and effective skilled occupation list identification

Further work is needed to improve the development of skilled occupation lists to enhance confidence and ensure that lists are as reflective as possible of genuine skills shortages in the economy.

The first step is boosting the transparency of data and methodologies currently employed by the Federal Department of Jobs and Small Business in constructing the lists. This could be published for occupations where there is the greatest level of conjecture, including seeming anomalies in occupations between the two lists. The full suite of labour market analysis could also be published every few years for consultation, while the brief traffic light reports continue on a six-monthly basis. Any sensitive data related to border security issues could continue to be excluded.

It is also likely that stakeholders will have greater confidence in the lists following a long overdue review of ANZSCO. The Government should provide dedicated funding for the ABS to undertake this review.

In the longer-term, the Government should consider establishing an independent committee to provide public advice on the skilled occupation lists, and other skilled migration issues as appropriate. This could be modelled on the UK Migration Advisory Committee (MAC). The MAC is an independent, non-statutory, non-time limited, non-departmental public body that advises the Government on migration issues.

Such a committee could have an independent chair, be staffed by labour market specialists and consult with states and territories, business, unions and professional bodies. It has the potential to deliver more effectively on the original intent of the Ministerial Advisory Council on Skilled Migration. As more regions of Australia enter into Designated Area Migration Agreements (DAMAs) and provide input into the Commonwealth Government's population policy, it is important that they provide active input into the strategic direction of skilled migration and have a designated channel for providing localised feedback.

Recommendation 3.1

The Federal Government should strengthen identification of skill shortages and eligible occupations for skilled visas in the skilled occupation list to increase confidence in the process by:

- Being more transparent about the data and methods used in assessing whether occupations are included on skilled occupation lists.
- Immediately reviewing the ANZSCO occupation codes to ensure they align with current and emerging labour trends, particularly the impact of technology.

- Establishing an independent committee (like the Migration Advisory Committee in the UK) to undertake analysis, consultation and advice on the formulation of skilled occupation lists.

2. Revisiting the case for labour market testing

As noted previously, labour market testing requirements were abandoned and subsequently reintroduced in recent years. In a demand-driven system with a regularly reviewed and curated skills occupation list, there is a question if both a list and labour market testing are required. The OECD has previously cast doubt on the reliability of labour market testing conducted by employers.²⁷ Further, the Azarias Review suggested that “It would be far more reassuring for the public if there existed a transparent, responsive and evidence-based approach to determining skilled occupations eligible for the 457 program.”²⁸

In line with this previous Review’s findings, if Recommendation 3.1 is implemented successfully, then there is a strong case for revisiting the ongoing need for labour market testing. There may be other changes that could be considered in the interim to increase timing and flexibility for business – for example requiring labour market testing within six months of a visa nomination, rather than the current four months. The current requirements are highly prescriptive and inflexible, applying a one size fits all approach to a diverse range of industries and occupations. This includes occupations where there is broad consensus that there is a genuine skills shortage.

A useful international example of an efficient and streamlined process is the Singapore employment pass for foreign professionals, managers and executives to work in Singapore.²⁹ Advertising is conducted for a two-week period on the government jobs bank, with only the advertisement reference number required with the visa application. This lessens the burden on employers but also provides a ready database for government of training needs for the local workforce.

Current arrangements can lead to businesses advertising multiple times to meet this requirement as timeframes for the TSS nomination process extend or mistakes are made due to inflexible and prescriptive advertising requirements.³⁰

Recommendation 3.2

The Federal Government should remove the requirement for labour market testing once the skills shortage list process has been strengthened.



3. Recognising the global nature of companies

Current arrangements do not recognise that the movement of human resources already within multinational companies to Australia is distinctly different to completely new entrants to the Australian labour market.

Highly skilled workers within large multinational companies tend to be relatively mobile – both because of the skills they possess but also because working across different jurisdictions is an important part of learning and development for talented people. For example, BHP proudly promotes the fact that it “develops its people by providing opportunities to move around the business and experience working with different commodities in different geographies.”³¹

Where a well-qualified individual with a strong track record in a multinational is the preferred candidate for an Australian role in that multinational, labour market testing, skills assessments, the Skilling Australia Fund Levy and skilled occupation list restrictions are largely irrelevant. The only relevant considerations should be that the individual has reasonable tenure with the company (e.g. more than two years), will be paid in line with annual market salary rates in Australia and the company is considered to be low risk from a visa compliance perspective.

Providing a dedicated streamlined path for intra-company transfers would better promote the international competitiveness of multinational companies in Australia by giving companies greater flexibility in how they source and develop their best global talent. There is also a case for reciprocity, given Australians are also benefiting from similar development opportunities overseas. Australia is out of step with its competitors – the United States and United Kingdom both have intra-company transfer visas.³²

Recommendation 3.3

The Federal Government should immediately introduce a dedicated, streamlined path for intra-company transfers of employees to Australia.

4. Transparent and well targeted skills and training investment

The Skilling Australians Fund (SAF) Levy has the potential to contribute to education and training to address skills shortages although in replacing the previous national partnership on skills it has actually resulted in a reduction in funding. There are a number of challenges with the levy, which have become apparent since its introduction in 2018.

At an administrative level, employers lodging a nomination application for a TSS are not eligible to obtain a refund in many circumstances. For example, when a nomination is refused by the department a refund is not provided. There is also the possibility of incurring multiple levy payments for the same nominated applicant – in the event that a new nomination is required because the occupation or salary changes or there is a corporate restructure.³³

The administration and expenditure of the fund does not appear to be strongly linked to addressing skill shortages evident in the use of skilled visas. The Commonwealth Department of Education and Training outlines a high-level set of criteria for prioritising projects for funding, including occupations with a reliance on skilled migration pathways just one of seven highly generalised criteria.³⁴ To date funding has been allocated to a range of apprenticeships and VET sector initiatives. At this stage, not all states have signed up to the national scheme and a state's receipt of funding is contingent on a matched funding contribution.

The practical effect of the levy is likely to be a transfer of resources from companies' training budgets to government training initiatives, with no clarity or assurance that this will be invested in addressing the skills shortages that give rise to the use of temporary skilled visas in the first place. With the process that is now in place for formulating skilled occupation lists along with the data available on primary visa holders, there should be a clearer nexus between the skills shortages generating demand for temporary skilled visas and the projects funded by the levy. This should underpin the administration of funds and reporting on their use under the National Partnership on the Skilling Australians Fund.

Recommendation 3.4

The Government should improve the operation of the Skilling Australia Fund Levy by:

- **Aligning the use of the Skilling Australia Fund Levy to training initiatives that alleviate the skill shortages driving skilled migration.**
- **Changing the point of levy collection from the visa nomination stage to the visa approval stage so that employers do not incur the levy if a visa nomination is refused.**



5. A stable and consistent evaluation framework

There is a need for a new institutional framework to allow for consistent, predictable and evidence-based evaluation. The Government should legislate for a Productivity Commission (PC) evaluation of the TSS visa program with broad consultation to be undertaken every three to five years.

The PC has the appropriate expertise, independence, inquiry processes and knowledge of population and migration issues to undertake such an evaluation efficiently and effectively. While substantive changes to the scheme (outside of the regular updating of skilled occupation lists) between evaluations should be discouraged, the Minister would still have discretion to make amendments in response to evidence-based need.

The primary focus of such evaluations would be the TSS visa, but additional skilled migration issues including other subclasses of visas could be examined as part of this process. There should be a strong focus on business consultation and input in these evaluations.

Recommendation 3.5

The Federal Treasurer should task the Productivity Commission with undertaking a review of the Temporary Skill Shortage visa program every three to five years to guide future changes to policy settings.



Chapter summary

- Temporary Skill Shortage visa holders make up a **small portion of the workforce** but the scheme has been subject to incredible scrutiny and change.
 - The current scheme involves a **detailed** and **rigorous process** for both employers and applicants.
 - The current scheme includes a **number of safeguards** to ensure it is addressing genuine shortages.
 - There are also mechanisms available to **address specific skill shortages** when the conventional process is too restrictive for example – small businesses in regional areas.
- But there is a need to increase **transparency and efficiency** and **improve** business confidence in the scheme across **five key areas**:



1. Improve the identification of skill shortages and eligible occupations for skilled visas by being more transparent, reviewing ANZSCO occupation codes and establishing an independent committee to provide advice.



2. Remove the requirement for labour market testing once the skills shortage list process has been improved.



3. Immediately introduce a dedicated and more streamlined path for intra-company transfers of employees to Australia.



4. Improve the operation of the Skilling Australia Fund Levy to ensure strong linkages to initiatives that alleviate skill shortages driving skilled migration.



5. Task the Productivity Commission with undertaking a review of the TSS visa program every three to five years.



Endnotes

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Slattery	British Consulate-General	NSW Department of Industry
Spotless	Business Council of Co-operatives and Mutuals	NSW Department of Planning and Environment
Stellar Asia Pacific	Cannings Communications	NSW Department of Premier and Cabinet
Stockland	Challenger	NSW Ports
Telstra	City of Parramatta	NSW Public Service Commission
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Westpac	Delta Electricity	RPS Advisory Services
Woods Bagot	Diabetes NSW/ACT	Snowy Hydro
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Federal Department of Jobs and Small Business	Hunter Water Corporation	TCorp
University of Canberra	IAG	The GPT Group
	Insurance & Care NSW (icare)	The Star Entertainment Group
	Jemena	The University of Sydney
	Johnson & Johnson	Transport for NSW
	Macquarie Group	University of Newcastle
	Mainsheet Capital	University of Wollongong
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GasFields Commission Queensland
Griffith University
Ipswich City Council
McCullough Robertson Lawyers
Mercer
Metro South Health
Morgans
New Hope Group
NTI
Olam Australia
Open Minds
Port of Brisbane
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Queensland Competition Authority
Queensland Department of Agriculture and Fisheries
Queensland Department of Employment, Small Business and Training
Queensland Department of Environment and Science
Queensland Department of Housing and Public Works
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SA Department of Treasury and Finance

SA Power Networks

Scotch College Adelaide

Seymour College

South Australian Water Corporation

Southern Cross Care

St Peters Collegiate Girls School

Statewide Superannuation Trust

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Thomson Geer

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Michael Brewster

Hydro Tasmania

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Australian Health Policy Collaboration

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Brotherhood of St Laurence

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City of Ballarat

City of Casey

City of Melbourne

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Clean Energy Council

cohealth

CSL

Essential Services Commission

ExxonMobil

Fair Work Ombudsman

Alexander Gosling, AM

GTA Consultants

Hawker Britton

Hudson

IFM Investors

Independent Schools Victoria

Jemena

La Trobe University

Lander & Rogers

Marchmont Hill Consulting

Maribyrnong City Council

Melbourne Convention and Exhibition Centre

Mercy Health and Aged Care Group

Mornington Peninsula Shire Council

Pitcher Partners

RMIT University

Royal Automobile Club of Victoria

S&P Global Ratings

SED Advisory

Software AG

South East Water

Swinburne University of Technology

University of Melbourne

Victoria University

Victorian Agency for Health Information

Victorian Department of Education and Training

Victorian Department of Environment, Land, Water and Planning

Victorian Department of Health and Human Services

Victorian Department of Premier and Cabinet

Victorian Managed Insurance Authority

Victorian Planning Authority

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Bankwest

Brownes Dairy

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Chevron Australia

Churchill Consulting

Cisco	Royal Flying Doctor Service of Australia
CITIC Pacific Mining	SAP Australia
City of Fremantle	Sinosteel Australia
City of Joondalup	South Regional TAFE
City of Perth	South32
Clifford Chance	Squire Patton Boggs
Corrs Chambers Westgarth	Synergy
Curtin University	Syrinx Environmental
Edith Cowan University	The Chamber of Minerals and Energy of Western Australia
GESB	The University of Western Australia
GRA Partners	Tianqi Lithium Kwinana Pty Ltd
Gramma Bazita Total Fire Solutions	University of Notre Dame
Terry Grose	Velrada
gtmedia	WA Department of Communities
Hall + Prior Aged Care Group	WA Department of Finance
Hays	WA Department of Health
HopgoodGanim Lawyers	WA Department of Jobs, Tourism, Science and Innovation
Hudson	WA Department of Planning, Lands and Heritage
INPEX Ichthys	WA Department of Primary Industries and Regional Development
Jackson McDonald	WA Department of Treasury
Lifeline WA	WA Department of Water and Environmental Regulation
MercyCare	WA Super
Felicity Morel-EdnieBrown	Water Corporation
Murdoch University	Wesfarmers
National Offshore Petroleum Safety and Environmental Management Authority	Western Australian Treasury Corporation
Newmont Australia	Western Power
Pan Pacific Hotels Group	Woodside Energy
Perpetual	
RAC (WA)	
Resource Capital Funds Management	



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