



Australian Government
Department of Immigration and Citizenship

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It is evidently true that Australia prospers from migration. From the outset, migrants have performed a significant role in supplementing our labour force and have been central to the success of major nation-building projects. For example, skilled migrants from many countries have assisted in building the Snowy Mountains Hydro-Electric Scheme, as well as the Sydney Harbour Bridge, Federation Square in Melbourne, and more recently, with the post-flood recovery efforts in Queensland, NSW and Victoria.

Australia's economy is diverse, and our migration programs are crucial in supplementing the skilled labour required for a wide set of occupations. Our migration programs provide engineers for some of the world's most advanced mineral and resource projects, along with health and aged care professionals, IT specialists, trade and hospitality professionals, and banking and finance industry workers to name a few.

Skills Australia projects that we will have 9.3 million job openings in Australia over the next 15 years. And around 4.4 million of these jobs will arise due to workers leaving the workforce as the baby boom generation begins to retire. With the ageing of our population, immigration will play an important role in plugging skills gaps and sustaining our standard of living.

But immigration is not just about numbers. It is about delivering the right workers in the right places at the right time. Migrants' superior labour mobility supports the diverse needs of our regional economies through matching skill vacancies and people more readily. Well-targeted skilled migration also boosts productivity. And increased productivity will be an essential element in sustaining our economy, against the backdrop of a long-term decline in domestic labour force growth from an ageing population.

This morning, I would like to talk to you about the flexibility of our skilled migration programs, and, in particular, about how the 457 temporary worker program can assist in meeting today's labour market needs in a high growth economy. I will also touch upon some recent reforms the government has made to skilled migration which will better serve Australia's longer term interests, including steps towards a more sustainable Australia.

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The economic context

I think I should begin with a broad economic overview in the context of our migration programs. It is clear that Australia's skilled programs, along with significant economic reforms, have made the Australian economy more resilient during unsteady economic conditions. This is demonstrated by our strong labour market and falling unemployment rate.

In the last twelve months the labour force has grown by 403 000 persons. And most of these were in full-time occupations. The unemployment rate is now 5 per cent and is predicted to fall to 4.5 per cent by the June quarter of 2012.

The Reserve Bank and the Treasury predict strong GDP growth over the next twelve months, however much of this growth will depend on investment in new resource projects. We understand the pressure this will place on businesses, especially smaller businesses competing for employees, to meet the increasing demand for skilled workers.

Some employers are expressing concern that a drop in levels of net overseas migration will further exacerbate labour force shortages, and this may contribute to inflationary pressures. It is important to recognise however, that reforms to skilled migration have not compromised access to skilled labour by Australian business.

In fact with labour market conditions improving more recently, visa applications for temporary skilled workers rose 85 per cent between October 2009 to December 2010. Also, we continue to have a high level of permanent skilled migration with a large proportion of employer nominated places.

It is important to understand that more demand-driven temporary migration programs are significantly more responsive to changes in the business cycle and they can assist with evolving economic conditions.

The Temporary Business (Long Stay) subclass 457 visa program provides a fast route for entry of skilled workers to approved business sponsors who nominate overseas workers to fill skilled positions in Australia.

Skilled workers can be sponsored for up to four years and there is no cap on the number of workers sponsored by an employer. The 457 program is also an important feeder group for permanent migration.

Historically, 457 visa application rates track closely with the unemployment rate. When unemployment goes up in Australia, the use of overseas workers goes down.

In a time of emerging skill shortages, the program is again picking up quickly. In December 2010, 4,500 applications were lodged for the 457 visa program, the biggest month for applications since December 2008.

Job vacancies and Subclass 457 applications 2003 to 2010



This chart demonstrates the responsiveness of the 457 program to the labour market. It shows the close relationship of the program to the total number of job advertisements as reported by the ANZ. The program is also delivering skilled workers to the parts of the economy where and when they are needed. It is geared to a wide range of occupations, including the emerging demand for trades, as Australia experiences the continued effects of the commodities boom.

In 2010-11, there has been a 44 per cent increase in the number of workers going to Western Australia and a 40 per cent increase to Queensland. Western Australia and Queensland account for around 32 per cent of 457 visa holders coming to Australia, with engineers and geologists among the most commonly sponsored.

The 457 program is available to businesses of any size – in fact, the vast majority of sponsors approved for the 457 program are small to medium enterprises.

Last year, a small Sydney business told DIAC that their experience of sponsoring an overseas worker “really demonstrated the level of support that’s available to a small company like ours and how bringing in highly skilled workers from overseas actually allows us to grow our business through investing in our local staff”.

In terms of client service, there has been a significant improvement in processing times from just a few years ago when a 457 visa took a median of 30 to 40 days from the time of application. This has now halved to a median of 18 days.

457 Program –delivering skills for the flood reconstruction

The 457 program is also able to be tailored to meet sudden economic and unexpected national circumstances.

We have all witnessed the devastating impacts of the floods, particularly in Queensland, and are acutely aware of the painstaking process of reconstruction that lays ahead.

Indeed, rebuilding Brisbane and other parts of Queensland requires a significant injection of skilled workers to get the job done. We will need engineers, builders, plasterers, electricians to name only a few.

Our first priority is to see Australian workers in these roles but the demand will be very significant. The subclass 457 program will play an important role in ensuring we have the capacity we need.

The department is establishing a dedicated team to guarantee that applications associated with flood reconstruction work in Queensland, NSW and Victoria will be processed in five days, provided all required information is included along with supporting evidence. The five day turnaround is quite simply a world leading initiative to meet a critical needs shortage.

The department is also organising information sessions for employers in flood affected areas of Queensland in coming weeks. Information about these will be posted on the DIAC website.

While the temporary 457 program is well suited to filling immediate skills shortages, the permanent skilled migration program is focused on delivering long-term skills to an economy and labour force that will increasingly feel the pinch of an ageing population.

Permanent reforms

The permanent migration program consists of a demand driven employer sponsored pathway, a regional sponsored pathway where applicants are sponsored by state or territory governments to address skill shortages specific to their jurisdictions, and the independent pathway where the migrant is not sponsored but possesses a critical skill of long-term benefit to the nation.

Many of you will be aware of the recent steps taken to ensure our permanent migration program optimises the benefit to Australia from each program place.

Priority processing of visa applications is being given to applicants who have an employer or state or territory government nomination, reflecting their importance in meeting immediate skills needs, followed by independent visa applicants whose occupation is listed on the Skilled Occupations List, or SOL as it is more commonly known.

To help target the best and brightest independent applicants, a new and more targeted SOL was introduced on 1 July 2010. Based on research conducted by Skills Australia, the new list looks to our future skill needs, not those identified in a recent trend and projected forward. The new SOL will change less frequently than its predecessor, the Migrants Occupations in Demand List, and offers a greater level of certainty to prospective migrants in choosing a career path.

Another key reform announced on 11 November is the new migration points test. The government proposes to introduce a new points test on 1 July 2011, subject to the commencement of supporting legislation. It will apply to anyone lodging an application from 1 July 2011 and will ensure that prospective migrants possess a better balance of skills and attributes. Emphasis will be given to the importance of English, work experience and high level qualifications. The maximum age threshold for applicants will be raised from 45 to 49. This recognises that in many professions, workers do not reach their full potential until their mid to late 40s, and that significant work experience is a key factor in determining a skilled migrant's labour market performance.

One of the consequences of our skilled migration programs' demand-driven focus is that net overseas migration now consists of more people working in full-time jobs and in the parts of the economy where they are most needed.

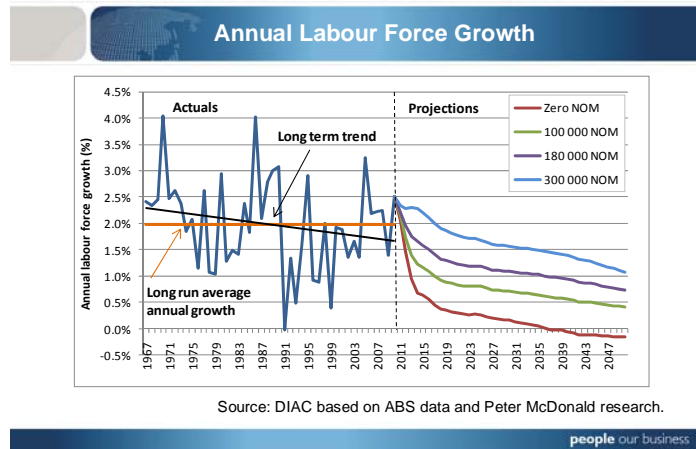
An example of this can be seen in the resource rich Pilbara region where there is a four to five-fold over-representation of sponsored migrants. This is a region where vacancies have increased by around 200 per cent since May 2010, as indicated by the January 2011 Department of Education, Employment and Workplace Relations' (DEEWR) Internet Vacancy Index Regional Analysis.

With many dimensions to our migration programs, it is crucial that we keep in mind the need to balance levels of migration with a sustainable population strategy and public perceptions, including the perception that migrants are competing with our domestic labour force.

To unravel the effects our migration programs have in this regard, we use the measure of Net Overseas Migration, or 'NOM'. The Australian Bureau of Statistics includes persons in NOM who have been in Australia for greater than 12 months out of a 16 month period, and conversely subtracts them if they leave Australia on a similar basis. NOM includes Australian residents returning from overseas, skilled workers coming to Australia on temporary visas and other long-term residents such as foreign students and New Zealanders residing in Australia.

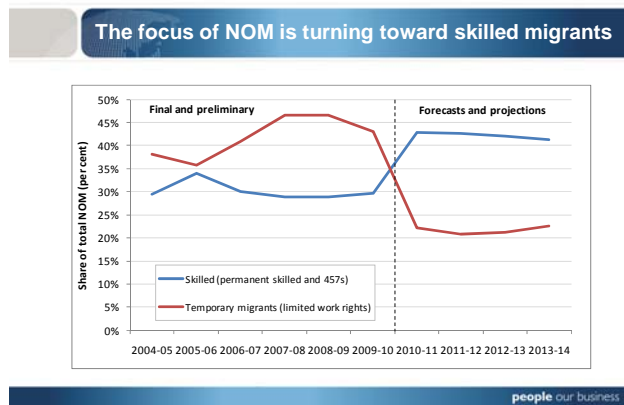
Australia's net overseas migration levels have been operating at historically high volumes. Due to a surge in temporary arrivals including student and temporary business entrants, NOM tripled from a level of 106,000 in 2004, to peak at 320,400 persons for the year ending March 2009.

NOM is now on a pathway down, and we expect to see it stabilise at around 180 000 people.

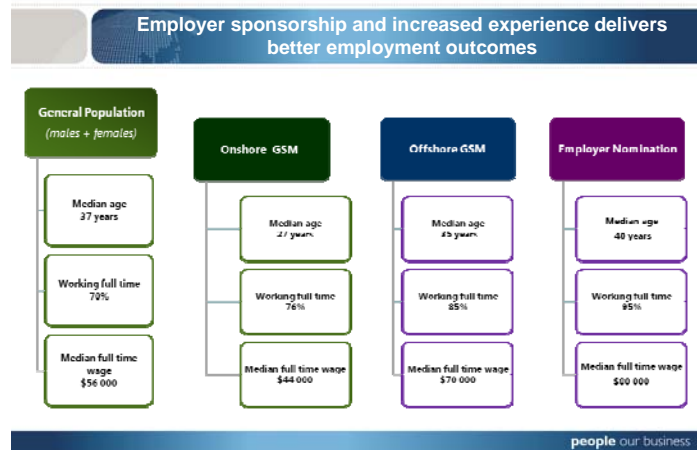


Modelling commissioned by DIAC from the experts at the Australian National University, found that a NOM levels in the range of 160,000 to 210,000 would have the most desirable effect on ageing of the population and the rate of growth of GDP per capita.

While NOM has been reduced from recent peak levels, there has been a strong shift in NOM away from temporary entrants with limited work rights towards skilled workers, both permanent and temporary with full work rights.



Beyond numbers and composition, we can determine the quality of our migrants. Data sourced from the department's Continuous Survey of Immigrants and Longitudinal Survey of Immigrants in Australia indicates that employer-sponsored migrants have the best employment outcomes for migrants. They work more than the general population, and earn well above the national average. The data also show that the average migrant is also of an age that he or she is likely to work for longer than the matching Australian workforce.



So looking through all three Ps¹ of economic growth, skilled migrants make a great contribution to our economy.

Conclusion

The migration reforms are providing Australian businesses with an effective lever to acquire the skills they need when a genuine skills shortage exists. They are also leading to more sustainable levels of net overseas migration after recent peak levels.

Recent media attention has highlighted a divergence of views about Australia's migration programs – their levels and composition. As I noted before, immigration is not just about numbers. The composition of our immigration programs matter in terms of achieving the best economic and labour force gains from each program place.

As such, there is a need for a more sophisticated debate on the issues. An all-or-nothing approach to immigration is less productive than one that focuses on its effectiveness and long term costs and benefits.

Reforms to our skilled migration programs have shifted the focus to a more 'demand' driven system that will ensure that they deliver the skills that are actually in demand in the economy, not just the skills that applicants present with. They better address our longer term needs and will continue to have important implications for a more sustainable Australia.

I trust I have shed some light on the benefits our skilled migration programs, especially the 457 program, provide for business, prospective migrants and the Australian community.

Thank you.

¹ The three Ps are Productivity, Participation and Population.