



Australian Government
Department of Immigration and Citizenship

**Integrity and other challenges in a sustainable migration
program and Australia's skill needs**

Mr Kruno Kukoc

First Assistant Secretary, Migration and Visa Policy Division
Department of Immigration and Citizenship

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Introduction

Good morning. It is a great pleasure to have the opportunity to address you this morning.

Let me begin by acknowledging the Wurundjeri people who are the traditional custodians of this land on which we meet today. I pay my respects to their elders, both past and present and recognise their continuing contribution to the Australian community.

Acknowledgements

I want to thank Mr Alex Ward, President of the Law Council of Australia for his invitation to speak today, and Ms Maria Jockel, for chairing the conference and for her earlier comments.

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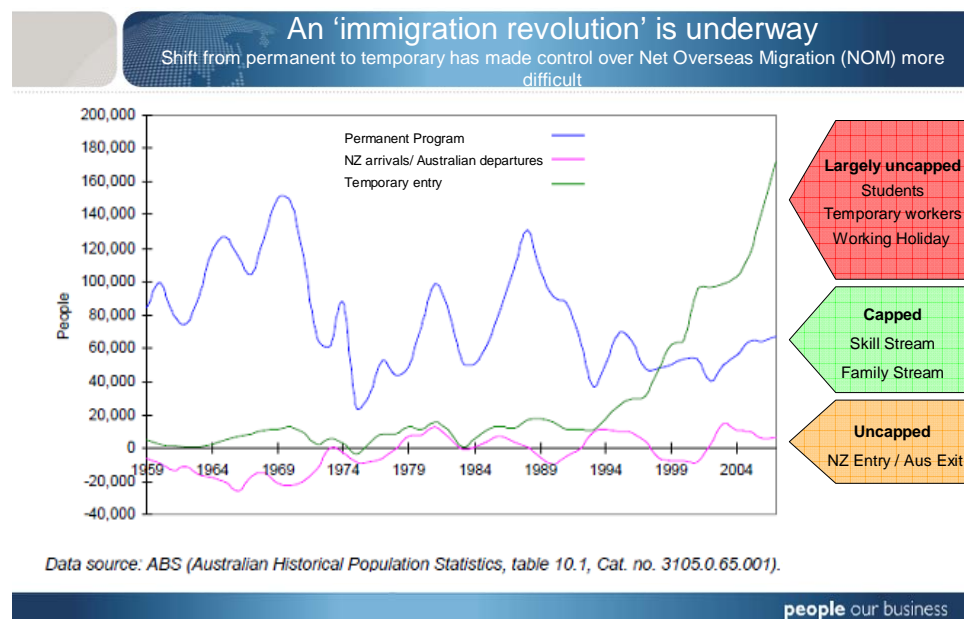
The secretary of my department, Andrew Metcalfe, has provided an overview of the challenges facing the department, both in managing the internal transformation process while continuing the policy reform agenda.

We are also fortunate to have the Hon Chris Bowen MP, Minister for Immigration and Citizenship speak after the morning tea on the government's vision in regards to Australia's migration program and on the broader strategies of the portfolio.

Ladies and gentlemen

Over the last three years, the department has been busy implementing a series of reforms to the temporary and permanent migration programs to ensure that as a whole they are servicing Australia well. Although I'm sure most of you will be fully aware of many of these changes, today I would like to touch on some of these reforms, particularly in relation to the link between permanent and temporary migration programs, and the reasons why the department believes the integrity of Australia's migration system as a whole has been significantly improved.

Temporary migration



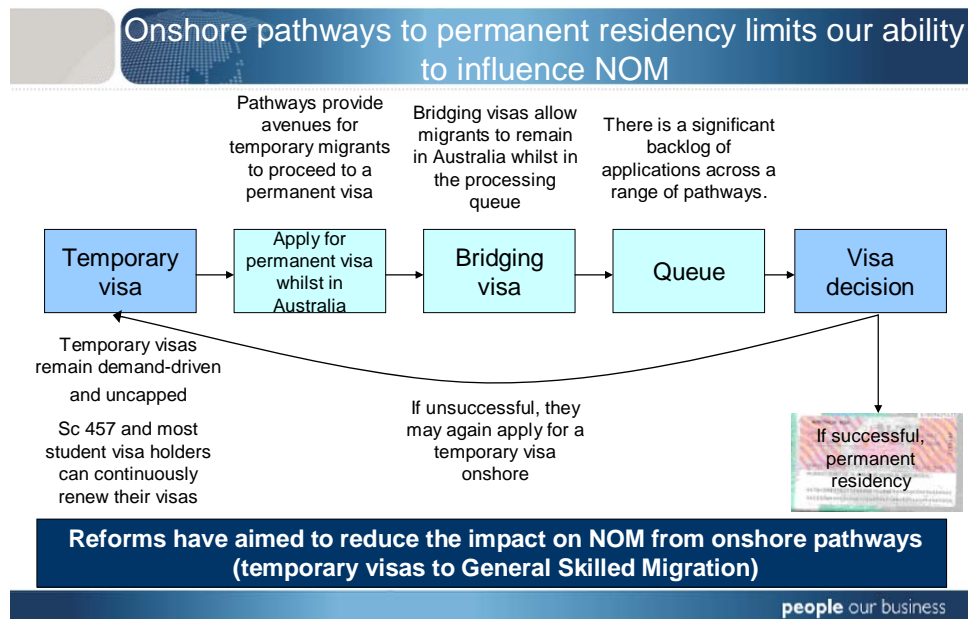
Since 2001, Australia's temporary migration programs have undergone a fundamental shift in both composition and size and have become a major driver of migration levels. This shift has been described by Professor Peter McDonald, among others, as an 'Immigration Revolution'. It is important that we understand the drivers of the temporary migration programs and their impact on Australia's economy and population. This is why Australia's temporary programs and their link to permanent migration program have been the focus of much reform work being done in the last three years.

Australia's temporary migration programs were initially designed to meet the needs of employers and various industries. They have increasingly become an important component of Australia's population and labour force growth with around one in ten Australian workers holding a temporary visa. The programs are largely uncapped with little if any direct control imposed by government in terms of size and composition. In recent years, the

huge expansion of these programs combined with the decision to open up various onshore pathways from one temporary visa to another and from temporary visas to a permanent visa, have challenged the integrity of Australia's migration system in an unprecedented way.

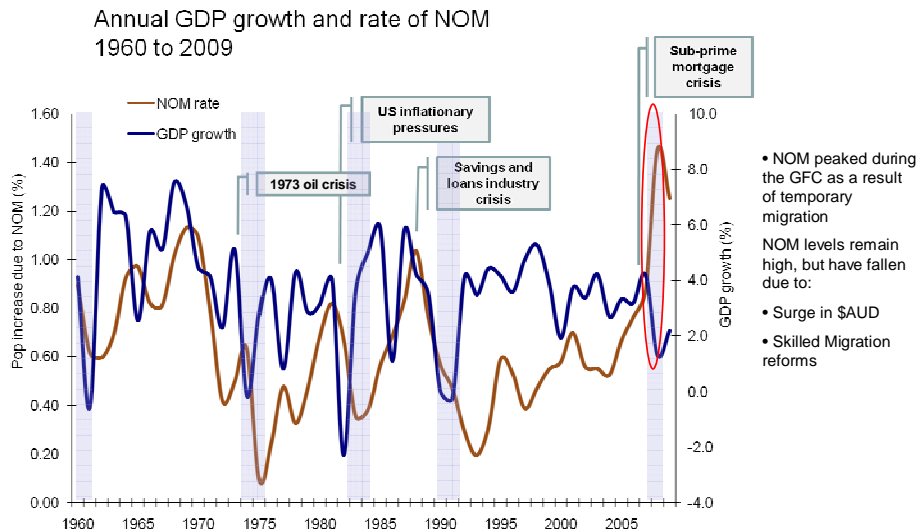
It appears that the migration legislation and policy framework was not prepared for such rapid expansion of our temporary programs. The system was largely designed many decades ago, when migration inflows were largely dictated by the permanent migration program and when there were few long term temporary migrants coming to our shores. In the last few years, it had become apparent that the temporary migration program had begun to dictate the size and composition of the permanent migration program and the overall migration level. This 'tail wagging the dog' situation was unsustainable. It was not helpful in building the public confidence in the government's ability to control the size and the composition of Australia's overall migration intake.

How did this happen?



As you can see from this diagram, the range of temporary visas on offer (particularly the various student visas and the subclass 457 program) made it relatively easy for people, once they were onshore, to move through a range of different types of temporary visas until they could finally apply for a permanent visa. While their application was queued and processed, they received a bridging visa that allowed them to live and work in Australia under essentially the same visa conditions as the permanent visa that they had applied for. If the permanent visa application was turned down, many again took up the opportunity to apply for another temporary visa.

Recently NOM outpaced GDP growth – this is now correcting



SOURCE: DIAC

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This situation triggered major integrity concerns about the size and quality of Australia's migration programs. As can be seen from this chart, the rate of Net Overseas Migration (NOM)—the difference between inflows and outflows of long term residents—has generally tracked the ups and downs of the economy. However, this relationship broke during the latest economic down turn (indicated by the red circle), when NOM spiked in the opposite direction to the GDP—the only time this has happened in Australia's history. NOM, which used to be driven mainly by permanent migrants to Australia, had become driven by temporary entrants (around 70 per cent) whose numbers were mostly unaffected by the change in the economic cycle and appear to have been able to remain in Australia regardless of the availability of skilled jobs.

At the end of this chart we can see that NOM and GDP are once again headed towards convergence. This is certainly due to a

number of reforms that the government has put in place to the temporary and permanent visa programs. The key objective of these reforms was to re-establish the temporary nature of the temporary migration programs and to improve the selection process for the permanent skilled program. It also helped ensure that the prolonged stay of temporary migrants in Australia is again subject to the availability of either places in Australia's permanent migration program, or to genuine skilled vacancies in the labour market. Next I would like to discuss some of the more important reforms in more detail.

Subclass 457 visa program

The Temporary Business (Long Stay) Subclass 457 Visa program was designed to provide the fastest route for approved business sponsors to fill skilled positions in Australia with nominated overseas workers. Over the last few years, integrity reforms have ensured that this program continues to provide industry with needed skills, while not undermining local training and employment opportunities.

Worker protection legislation, which came into effect on 14 September 2009, included the requirement to pay overseas workers market salary rates. This meant that subclass 457 visa holders had to be employed based on the same wages and conditions of employment as those provided to an Australian worker undertaking equivalent work in the same workplace. Overseas workers on subclass 457 visas can no longer be seen as a source of cheap labour or used to undercut Australian terms and conditions of employment.

At the same time, the laws also provided greater protection for more vulnerable subclass 457 visa holders to ensure they were not exploited. The legislation strengthened sanctions and introduced fines for those who breach their obligations.

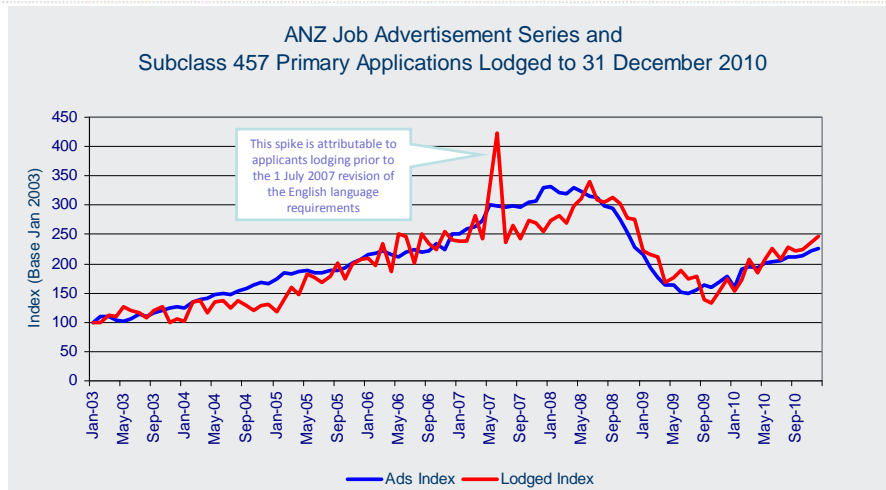
The strengthening of the integrity in this key economic program has enabled the department to make a significant improvement in the time taken to process each visa. In fact, the median time to process a 'decision-ready' subclass 457 visa application has almost halved in the last 5 years and is now around 18 days.

The subclass 457 program is also able to be tailored to meet sudden economic and unexpected national circumstances such as flood reconstruction work in Queensland, New South Wales and Victoria. In fact, applications for subclass 457 visas related to state government-verified flood reconstruction activities that are decision-ready, now have a five-day processing turnaround.

While the subclass 457 program is well suited to filling immediate skills needs, it is also an important feeder group for the permanent skilled migration program. However it is important to note that the link between the temporary subclass 457 and permanent employer-sponsored programs is strictly controlled by the genuine availability of skilled jobs in Australia on a long term basis. As such this program does not lead to unsustainable pressures on the permanent migration program or on population growth.

This is evident from the next two charts.

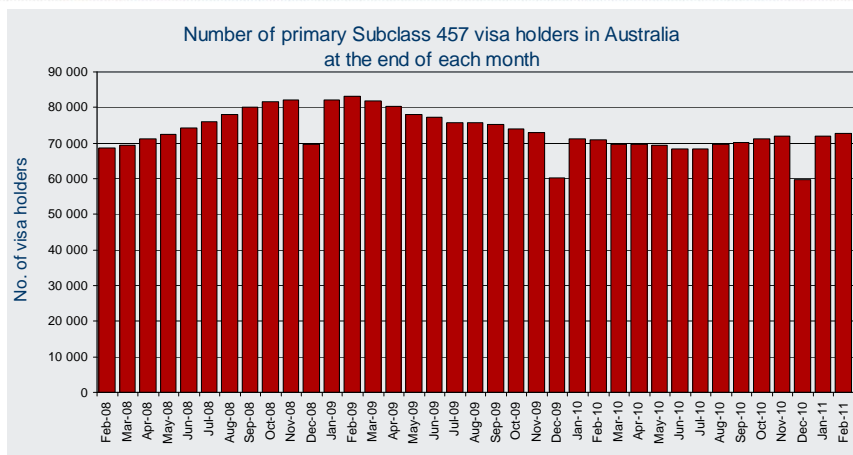
Subclass 457 visa applications have closely aligned with job vacancy trends



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As can be seen from this chart, which compares the ANZ job advertisement series data alongside subclass 457 lodgements, the subclass 457 program is highly responsive to needs of the Australian labour market. As job advertisements increased since May 2009, we have seen a parallel increase in subclass 457 applications.

Subclass 457 visa program is responsive to economic conditions



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Similarly, on the next slide we can see that the number of subclass 457 visa holders who remained in Australia dipped around 15 000

persons as the GFC took hold but then has begun to climb back in recent months.

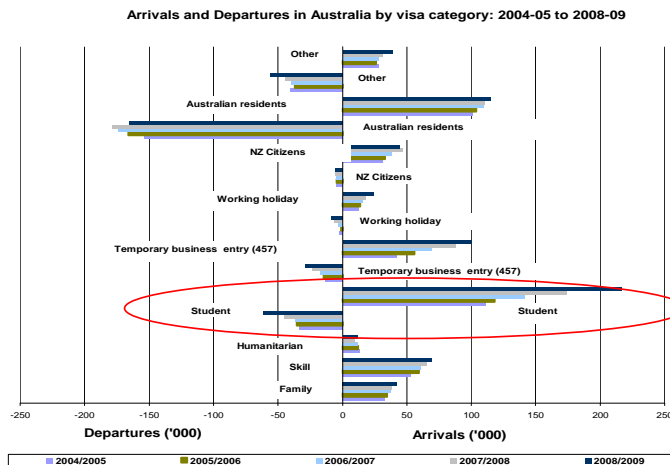
The dramatic reform of the subclass 457 program has enabled the government to have a program that is responsive to genuine business needs for skilled labour. It also ensures that migrants, particularly those entering through the skilled stream, complement and do not compete with the domestic labour force.

Student Visa program challenges

I'd next like to talk about another large and important temporary visa program, the Student Visa program. This program has been a large contributor to the high rate of net overseas migration and population growth over the past five years and, as such, had helped to push NOM out of alignment with the prevailing economic conditions.

At the outset I would like to make a point that a rapid expansion of student visa arrivals was not the key reason for this important program to become a significant contributor to net overseas migration levels and population growth. As all demography experts know, the expansion of temporary categories do not lead to long term increases in net overseas migration or population growth provided they are truly temporary in their nature. Years of large inflows of temporary entrants would be followed by years of large outflows and the impact on the levels of migration and the overall population would be minimal.

Many 'temporary' migrants hope to remain in Australia



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Now look at this chart which shows permanent and long term departures from Australia on the left and arrivals on the right. The differential between departures and arrivals for student visa holders has skyrocketed, to the point where, at its peak in 2008-09, there were nearly four times as many people arriving on these 'temporary' visas than were departing.

The department's analysis suggested that many of these 'students' came to Australia, with their primary intention being not to gain a qualification or advance their skills and experience in their choice of industry, but to find work and permanent residence. They utilised, quite legitimately mind you, the fact that there was a significant level of advantage given to international students through the skilled migration system. This had the effect of encouraging some international students to choose a course of study in Australia for migration rather than educational outcomes.

This situation led to a lowering of the quality of both education and skilled migration. Integrity problems in this important visa category have grown and, as many of you would know, the department has experienced a significant amount of rorting of the Student Visa program in some of our major overseas markets.

The unchecked link between international education and permanent migration led to unsustainable migration and population outcomes and integrity problems. The only way out of this situation was to 're-establish' the temporary nature of this program with much stricter controls over the onshore links to permanent residency. The implementation of a range of skilled migration reforms will ensure this link will again be guided by the genuine needs of employers and by the availability of places in Australia's permanent migration program.

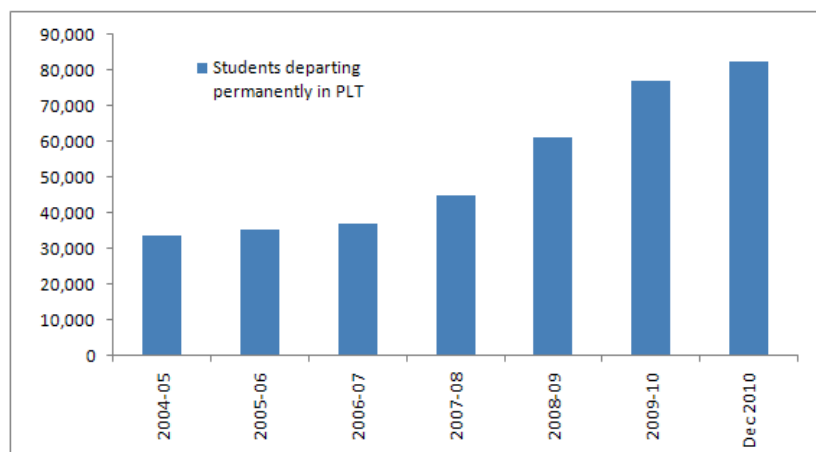
The government proposes to introduce a new points test on 1 July 2011, subject to the commencement of supporting legislation to better address Australia's skills needs. It will apply to anyone lodging an application from 1 July 2011 and will recognise applicants (with more points) who have higher levels of English language skills, work experience and high level qualifications. Changes have also been made to age ranges in recognition of those with outstanding skills or attributes.

In February 2010 the Migration Occupations in Demand List was revoked for new applications. It was replaced, on 1 July 2010, with a new, more targeted Skilled Occupations List or 'SOL' for general skilled migration applicants. The new SOL, based on research

conducted by Skills Australia, includes 183 occupations, which is less than half the previous list. The new SOL looks to Australia's future skill needs, not those of the past. In addition, as the new SOL will change less frequently, it offers a greater level of certainty to prospective migrants in choosing a career path. However it also means that prospective students should be discouraged from choosing their course solely based on this list because it no longer guarantees a pathway to permanent residency.

Through these reforms the government has removed the perverse incentives to come to Australia to study for the sole purpose of permanent migration. This has already led to a rebalancing of the inflows and outflows of this temporary visa category.

Students departing permanently in Permanent and Long Term Movements (PLT)



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On this chart we can see student outflows (that is, numbers of students leaving Australia at the end of their temporary visa) increasing as these reforms took hold. Such a situation will again give the government and the public confidence in the Student Visa program. It will set grounds for future expansion of this

economically important program, without fear that it will impact on levels of migration, population growth and, in particular, on the permanent migration program in an unsustainable way.

The concerns about the integrity of the Student Visa program have also led to the introduction of a range of changes to student visa processing to combat fraud in the caseload, which have included:

- upgrading the interview program for Student visa applicants to confirm genuineness and financial capacity
- removing or restricting eVisa access for some student visa agents where there is evidence of fraud
- introducing new migration legislation that requires student visa applicants to demonstrate they have genuine access to the funds declared in their applications
- clarifying student visa cancellation provisions for those who defer/suspend their course for other than compelling or compassionate reasons
- changing migration legislation regarding course packaging arrangements.

Along with the measures to improve program integrity, changes were made to ensure that students have adequate health insurance for the duration of their visas. This not only aimed at better protecting international students, but also ensure that public expenditure on health services is contained.

The government supports a sustainable and high quality international education sector. Genuine international students bring great benefit to Australia. Not the least of these are the

bilateral and person-to-person ties that international education fosters with key partner countries, the employment the sector generates in the Australian economy, as well as the high-value skills that graduates bring if they successfully gain employment in Australia in a job that fully utilises the skills they have graduated with.

In order to continue to support this important sector into the future, it is timely that we have a closer look at key integrity mechanism in this area: the 'Assessment Level' system. This system was developed more than a decade ago in a completely different environment, where there were significantly fewer numbers of overseas students applying for places which were mostly in the higher education sector. While the system aims to provide transparency, consistency and natural justice to applicants, it has also proved to be a rather rigid instrument when applied to the current international education environment. It is unable to distinguish between 'good' and 'bad' education providers within the same sector, or genuine and non genuine students from the same country. Essentially it put whole countries and educational sectors into one common 'basket'.

Given the sum total of apparent integrity problems in the Student Visa program, in December 2010 the government announced a strategic review of the Student Visa program with the aim of ensuring that Australia's immigration policies and program settings are well placed to contribute to the long term viability of this important sector.

The Minister for Tertiary Education, Skills, Jobs and Workplace Relations, Senator Chris Evans and the Minister for Immigration and Citizenship, Mr Chris Bowen jointly commissioned the Hon Michael Knight AO to undertake the review and to report to them by mid-2011.

The review invites education providers and stakeholders to share their vision of the sector's future. It will look at enhancing the continued competitiveness of the international education sector, as well as strengthening the integrity of the Student Visa program, possibly including the assessment level system. It will also investigate major student sources and competitor countries to gain a broader appreciation of international education and the role of their Student Visa programs. Recommendations made by Mr Knight will be aimed at enhancing the quality, integrity and competitiveness of the international education sector.

The government, without waiting for the review to be finalised, announced an interim package of measures on 16 December 2010 that have been, or are in the process of being implemented, in response to the challenges currently facing the international education sector. These measures include:

- reducing student visa Assessment Levels for 38 countries in one or more sectors
- publication of a quarterly report on the Student Visa program (which has been warmly received by education providers, academics and industry as providing more transparency and details around the program)

- introducing a more flexible approach for students studying Certificate IV courses
- further enabling pre-paid boarding fees to be counted towards a students' cost of living requirement as part of their student visa application.

Other Reviews

Let me briefly touch on some of the other important reviews currently being progressed by the department.

The secretary has already mentioned the visa simplification and deregulation initiative which aims to reduce temporary work visa subclass numbers by 50 per cent by 2012 and target a reduction of 50 per cent across all visa subclasses by 2015. I understand that the minister will also touch on this topic.

Apart from this initiative, the department is also currently reviewing the Business Skills Visa program to address a number of integrity concerns in the caseload, which have arisen under current policy settings. The vision for this program was that successful business people who have proven innovation experience would bring this experience to Australia, and in the process generate business activity in Australia. However, the department's analysis showed, among other things, that in the 2009-10 program year, some 35% of the business enterprises run by business skills visa holders were small take-away and convenience stores. It is reasonable to assume that this industry mix is not introducing high value innovation and making Australia more productive and competitive.

In a similar vein, the department is in the process of preparing a review of the Employer Nomination Scheme and Regional Sponsored Migration Scheme to ensure that these programs continue to meet the needs of Australian employers while maximising the employment outcomes of persons entering through these categories.

Conclusion

In conclusion, the recent and ongoing work to reform the temporary and permanent migration programs are about optimising their value and worth to the Australian economy and society. With recent concerns about Australia's rate of population growth and the need for sustainable population strategies, it is vitally important that Australia maximises the benefit of every place in the migration program. After all, a permanent residence place is a scarce resource and should be valued as such.

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

Reforms to Australia's skilled migration program 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 Australia's longer term needs and will continue to have important

implications for a more sustainable Australia. Collectively these initiatives are positioning the skilled migration program to better serve Australia, while providing more certainty for prospective migrants.

I trust I have shed some light on the work being undertaken in reforming key components of the temporary and permanent migration programs, and the value which they provide to Australia.

Thank you.