

Key Issues in Skilled Migration to Australia

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Good afternoon. It is a great pleasure to be with you today.

Let me begin by acknowledging the Wurundjeri people who are the traditional custodians of this land on which we meet today.

Acknowledgements

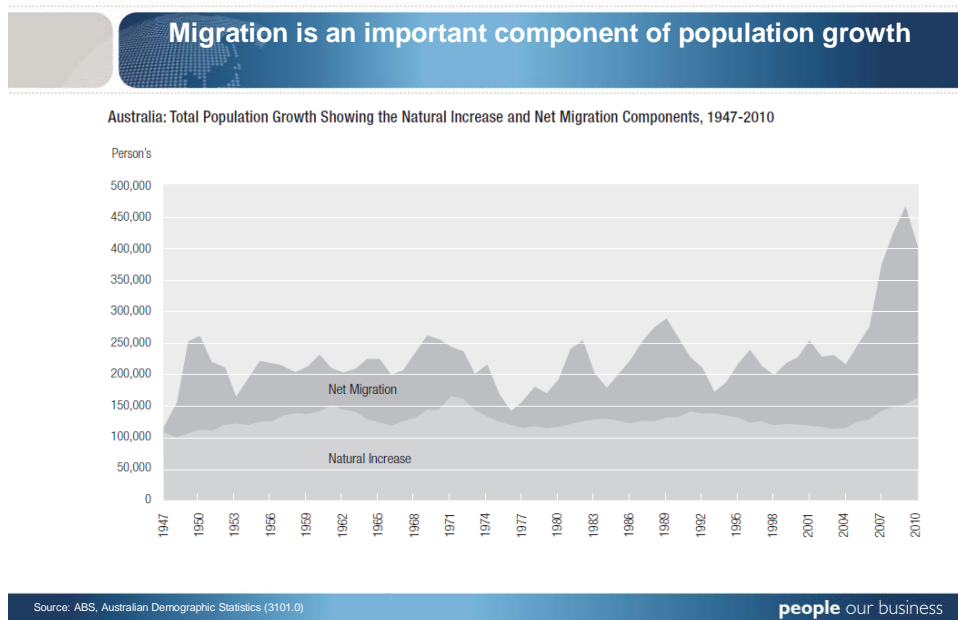
I would first like to extend Secretary Metcalfe's apologies for not being able to speak in person here today. He is currently meeting with his counterparts at the Five Countries Conference in Sydney.

I want to thank Mr Yves Poisson from the Public Policy Forum in Canada, and Professor Lesleyanne Hawthorne from the University of Melbourne for extending their invitation to me to speak here today.

Distinguished guests, ladies and gentlemen, in my presentation today I will talk about the current direction of Australia's Migration Program, and in particular the rationale behind recent changes to Australia's Skilled Migration Program. I will also take you through some of the challenges Australia has addressed and indeed continues to address in these areas. It goes without saying that forums such as the Australia-Canada Roundtable, presents us with an excellent opportunity to share our experiences with each other. Australian and Canadian migration programs are quite similar, and migrants have played an important role in the building of both our nations. There is no doubt that Australia's

skilled temporary and permanent programs are a key factor behind the resilience and strength of Australia's economy which continues to outperform most other OECD countries.

Earlier, Peter Speldewinde, who has carriage of the skill stream in my division, outlined our skilled migration reforms, so I will leave much of this finer detail aside. I will rather position our reforms against a backdrop of competing pressures, such as managing the impact of immigration on population growth while at the same time meeting the needs of our labour market.



To place these reforms in context one needs to take a look at Net Overseas Migration (or NOM) and its impact on the population growth. The Australian Bureau of Statistics calculates NOM as anyone who has lived in Australia for 12 months out of past 16 months. This slide shows the history of formalised migration to Australia since the post-war period. I would like to draw your attention to three things about this chart.

First is that throughout this period Australia has at all times experienced net gain from migration and NOM has made a 30-50 per cent

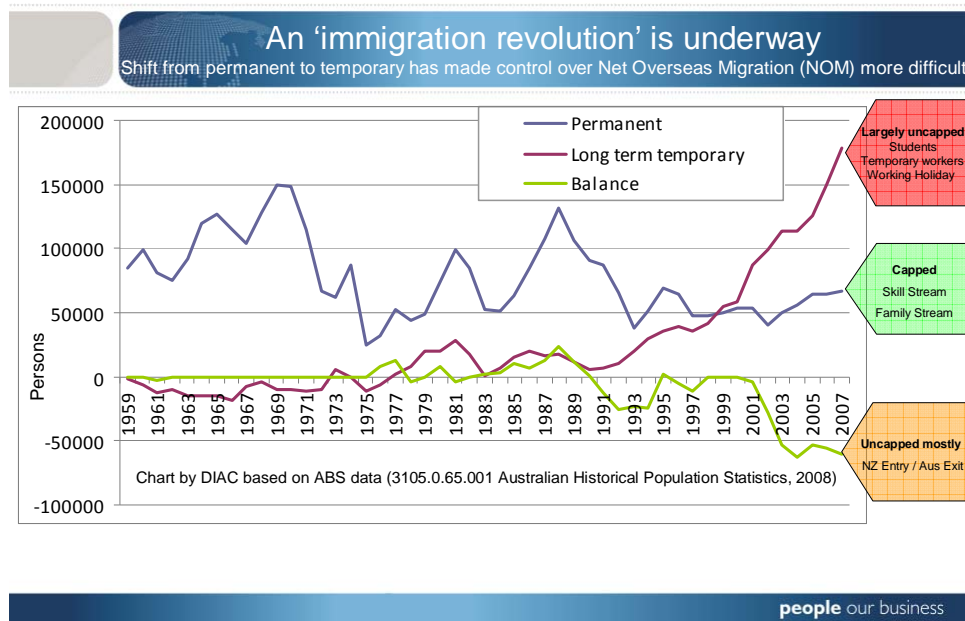
contribution to population growth in this period. Secondly, despite this net gain, NOM levels have been quite varied – a reflection of prevailing socio-economic circumstances and deliberate measures by successive governments to control these levels through adjustments to the permanent migration program. Thirdly, while these levels have historically been around 110 000; in a single five year period in the last decade, NOM reached over 320 000 and became the dominant driver of population growth. This significant and, I must say, unexpected and unplanned increase in net overseas migration from around 2004, peaking in 2009, was due to a complex series of factors influencing temporary migration levels, and creating pressures on the permanent migration program.

In the early 2000s, Australia's labour market grew strongly and unemployment levels fell to a 30 year low. The labour market became very tight, creating an environment that could compromise economic growth. It was clear that with critical skill shortages emerging in key industries, Australia needed access to skilled labour to fill vacancies.

At the time it was determined that the best people to fill critical skill needs were in the first instance Australians through increased participation. However, where this was not an option, temporary skilled migration should be used and concessions for permanent skilled migration should also be available for overseas students that had studied in Australia, and had developed a cultural and social association with Australia with recognised qualifications and skills.

Since then various onshore pathways between temporary and permanent migration have been opened up and the new 'immigration revolution' commenced driven by uncapped temporary migration. As is

the case with all revolutions, this one has led to an unexpected outcome as well.



Under existing legislation the department has a legal obligation to grant a permanent visa to an onshore applicant who meets the baseline criteria. Because of this, after the implementation of this policy (as this slide shows), Australia immediately started to receive large numbers of international students who were attracted to Australian education institutions and the employment prospects which followed. As a condition of their visa, most were given work-rights and began to fill jobs in the unskilled or semi-skilled workforce. Upon graduation, they became eligible to apply for a permanent skilled visa.

As the number of temporary migrants seeking to remain onshore increased, applications for permanent skilled visas soon exceeded the number of places available. When you have more than 400 000 students in the country and only around 50-60 000 places in the independent skilled migration program, the imbalance becomes quite obvious. As a consequence the pipeline for permanent visas grew significantly where applicants were awaiting a visa decision. Waiting times for application assessments soon became calculated in years

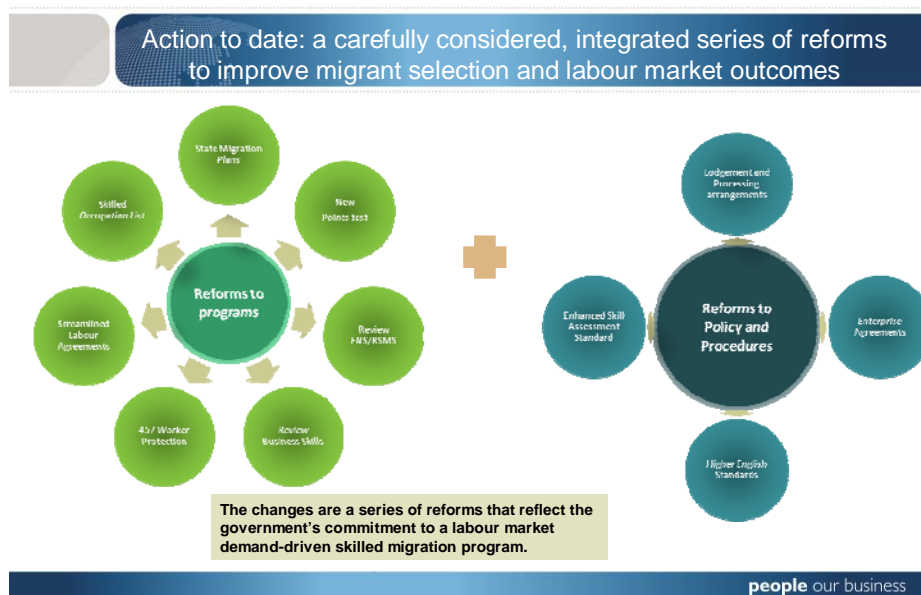
rather than months. The situation resembled a 'pyramid structure', characterised by the uncapped, loosely controlled entry of many students, and a narrow bottleneck of limited places in the annual permanent migration programme.

The higher level of advantage being given to international students also had the effect of encouraging some international students to study in Australia for migration purposes alone. Many of them, once they had obtained their qualification for permanent residence purposes, had little or no intention of following a career path that might naturally follow from the qualifications they obtained. They were opting for the lowest educational point of entry into permanent residence and choosing a handful of occupations which required the least educational effort.

Over time a conundrum emerged. While the Department was granting permanent visas to meet labour force needs, key occupations in need by our labour market remained in shortage. And, as the number of students following this opportunistic path increased, it began to threaten the reputation and quality of Australia's international education sector, which is highly regarded internationally, and of which we are all very proud.

As a side effect, net overseas migration increased steadily through the course of the last decade reaching record levels, and began impacting on population growth rates which peaked at 2.1 per cent in the year ending 30 September 2008. It was largely driven by this practice of parking former students onshore on bridging visas, while they await the outcome of their permanent migration application in the environment of very limited places in the permanent migration program. The 2010 Intergenerational Report released by Treasury projected Australia's population to have almost doubled to 36 million by 2050 based on a net

overseas migration level of around 180 000. With NOM levels in 2009 reaching in excess of 320 000 – in the midst of the Global Financial Crisis when Australian businesses were laying off workers - migration levels received significant media attention and became an important election issue.



In 2008-09, the Government commenced a series of reforms to temporary and permanent programs to ensure that we have the right mechanisms in place to select the best skilled migrants in each category to boost Australia's productivity and participation rate. These reforms, such as the new Skills Occupation List, the transformation of the subclass 457 temporary business skilled visa program, reviews of several of our temporary and permanent skilled visa programs, as Peter Speldewinde detailed earlier, gave priority to meeting Australia's labour market needs, and optimising the benefit to Australia from each permanent program place. In part this has been achieved by disaggregating the role of each of the skilled migration pathways:

- The demand driven employer sponsored pathway – where the migrant fills an immediate skilled vacancy which cannot be filled locally. This pathway is facilitated by fast tracked temporary and permanent employer sponsored skilled visas;

- The regional specific pathway – where applicants are sponsored by state or territory governments via their migration plans to address skill shortages specific to that jurisdiction; and thirdly
- The independent pathway – where the migrant is not sponsored, but possesses a critical skill of long-term benefit to the nation. Due to a significant time lag between selection and arrival of these migrants this category is used to meet the medium to long term needs of our labour market.

Essentially these reforms aimed to ensure that temporary and permanent migration programs had the right mechanisms in place to select the best people to better meet Australia's immediate and long term skill needs. Ultimately, they ensure such programs are responsive to Australia's labour market demand, rather than facilitating the supply of people seeking skilled migration.

I'll explain this demand-driven approach in more detail. Too often Australian industries look to immigration claiming that skill shortages are prevalent in certain sectors. The government often had to determine whether this is a true reflection of a skill shortage or an attempt to reduce labour price.

The government's new emphasis on a demand-driven approach is to ensure key skill gaps are plugged in the Australian labour market by employers directly where domestic workers are unable to be sourced. In the Temporary Business (Subclass 457) visa category, before the department will grant a visa, employers must demonstrate that overseas employees will receive comparable rates and working conditions as the domestic workforce, therefore not undercutting the local workforce.

The reforms also provided a system of identifying in advance exceptionally high value skills needed over the long term. From these adjustments, priority is given to meeting economic needs and optimising the benefit to Australia from each program place.

Australia's migration programs are a key part of the Government's strategy alongside domestic training and skill development projects to ensure Australia can source skilled labour required for a wide set of occupations. Industries employing the largest share of skilled visa holders were Health and Community Services, Professional Scientific and Technical Services and the Accommodation and Hospitality industries. Collectively these three industries employed 40 per cent of all skilled visa holders. In comparison these industries only employ a quarter of the general population – a reflection of the need for skilled migrants to fill critical skill gaps.

Australia is focused on attracting the best and brightest from around the world, to match Australia's unique labour force needs while boosting productivity. To this end, the government must be prepared to review and adjust further the various migration streams to ensure they continue to meet Australia's needs.

As with Canada, Australia's geography is expansive with an irregular pattern of settlement. While there may be an excess of tradespersons in some regions, there can be a shortage in others. Labour mobility afforded through the migration program supports the diverse needs of Australia's regional economies through matching skill vacancies with workers more readily, and providing capacity to direct to regions most in need. One initiative that aims to help to meet specific skill needs at a local level are the state and territory Migration Plans. These have been introduced across all jurisdictions to help meet specific needs at a local

level. Each list is based on objective evidence compiled by the jurisdictions concerning their specific skill needs, and includes a quota and list of occupations eligible for nomination under the General Skilled Migration category. These are drawn together through a memorandum of understanding with the Minister for Immigration and Citizenship, the Hon. Chris Bowen, and each State and Territory government. The Plans will provide State and Territory governments with flexibility to address specific skill shortages and local labour market needs within the Migration Program.

Additionally the more demand-driven component of the temporary migration program is significantly more responsive to changes in the business cycle. For example they have facilitated an increase of around 40 per cent in the number of workers heading to resource-rich states of Western Australia and Queensland.

The issue of labour mobility is also connected to how Australia will regard non-Australian qualifications and work experience for the purpose of migration to Australia into the future. Let me begin by saying that it is important for Australia's migration program to have a system in place to recognise skills and qualifications gained in other countries. The current points test, that advantages cooks from a local college over PHD graduates from, say, the University of British Columbia, acts as a long term brake on Australia's potential economic growth.

The new points test that will be released on 1 July 2011, will recognise a range of skills and attributes from applicants both offshore and in Australia, including:

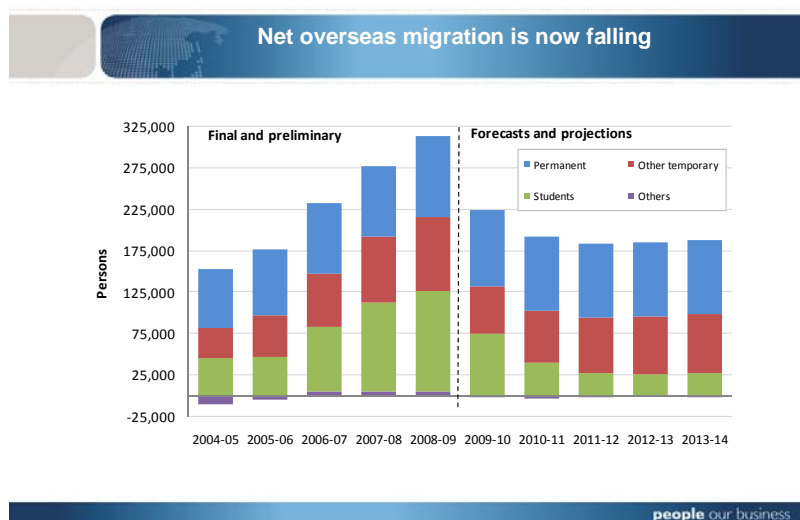
- better English language levels,
- more extensive skilled work experience, and
- higher level qualifications obtained in Australia and overseas.

One thing the government is hoping from the new points test is that, through the recognition of overseas skills and qualifications, it will improve both domestic and international skilled labour mobility. To achieve this, the Department will draw on the expert advice of assessing authorities on the applicant's overseas work and qualifications in order to maintain a high level of program integrity and to ensure that there are no legitimate concerns about potential Occupational Health and Safety issues that may arise due to doubts about someone's academic and professional background.

Those candidates whose qualifications and experience are recognised will potentially provide employers and the Australian economy with a wider set of skills and candidates from which to choose from. Of course, for potential applicants, their learning and skills will be recognised internationally, and we hope Australia will be seen as a favoured destination.

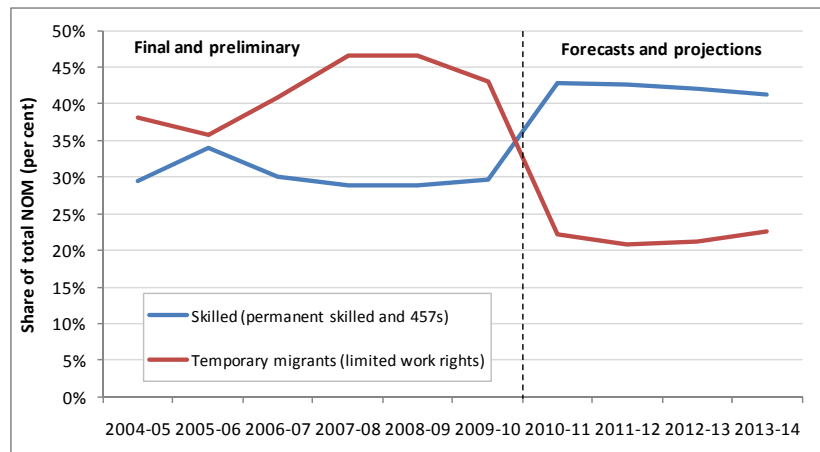
Concluding remarks

I would like to conclude my speech today by showing you a few indicators that has convinced the department of the effectiveness of these reforms.



In the midst of the reforms to the skilled migration program, we can see that net overseas migration has fallen by over 40 per cent to a longer term average of around 180 000 as projected in the Department of the Treasury's Intergenerational Report 3.

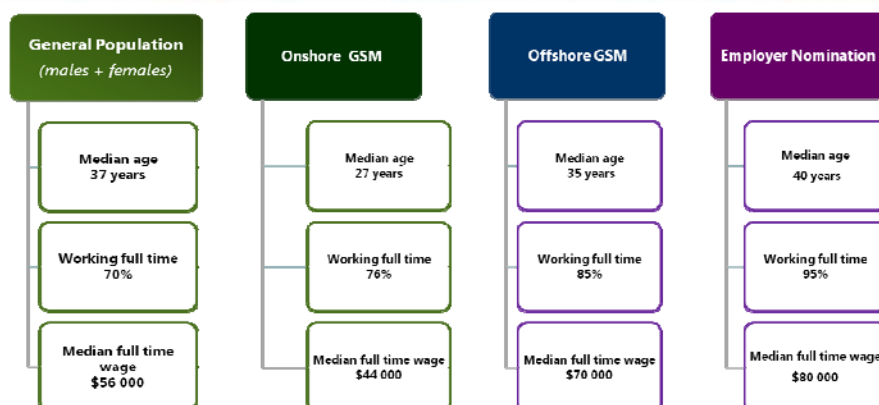
Skilled migrants are now contributing to a larger proportion of NOM than temporary migrants



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As can be seen on this slide, Australia's migration program now attracts a higher proportion of full time employed skilled migrants that have much to contribute to the labour force over coming decades. These migrants are often highly educated and have benefited from several years of work experience. They have a high propensity to work and are highly skilled – most have a university qualification.

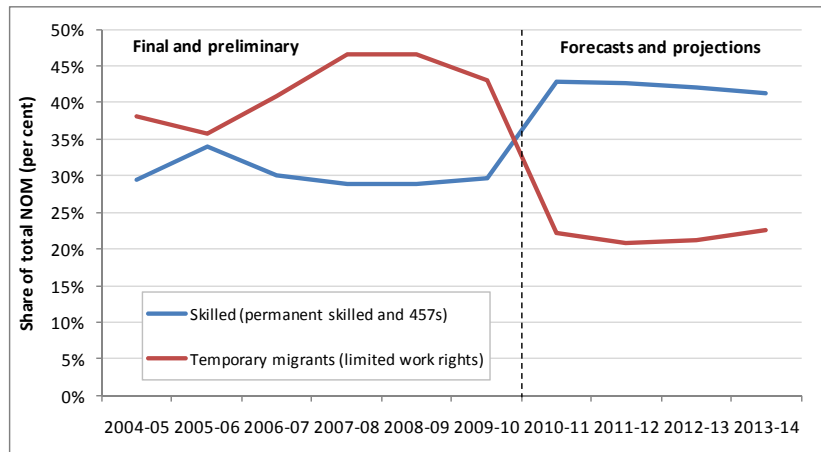
Employer sponsorship and increased experience delivers good employment outcomes at low cost to Australia



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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 their annual full time earnings reflect this.

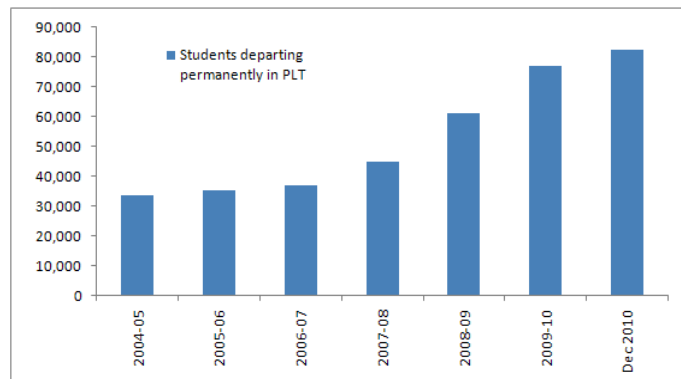
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The other feature of the recent trends in net overseas migration is the reduction of the impact that temporary migrants with limited work rights have on net overseas migration and population. This has been achieved through a better balance between inflows and outflows of this in essence a temporary visa category.

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



Source: DIAC internal analysis

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As can be seen on this next slide, permanent and long term departures of students at the end of their studies have almost doubled in the last three years. These are students who either didn't have an intention to stay permanently or who couldn't qualify for permanent residence via the General Skilled Migration program, or employer or state sponsored programs. In effect, the government has re-established the 'temporary nature' of Australia's temporary visa programs.

With more tightly controlled onshore pathway to permanent residence and more focused and responsive systems in place, migrants will contribute further to growing Australia's economy. The disaggregation of each of the categories in the skill stream have made Australia's migration program more efficient. We believe this has provided the right balance in relieving labour market pressures and keeping the economy growing, whilst managing the impact of immigration on population growth and not restricting the opportunities the growing economy presents to Australians.

This brings me to the end of my speech today. I look forward to hearing your views and continuing to work with our Canadian counterparts towards shared goals, whether it be skilled migration, the joint work on eHealth system, or emerging regional development initiatives.

Thank you.