



Australian Government
Department of Immigration and Citizenship

**Australia's Migration Programs: Contributing to Australia's
Growth and Prosperity**

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

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

I would like to express my thanks to the Committee for the Economic Development of Australia for inviting me to take part in today's event. I must say that I closely follow the work of CEDA, and that in my role, where I am often required to navigate through a minefield of competing interest groups and political processes, I very much appreciate the independent and evidence-based contribution which CEDA brings to the policy debate.

There is no doubt immigration is a complex portfolio. In 2009-10 over 28 million passengers crossed the Australian border, 4 million visas were issued and 120 000 people were conferred Australian citizenship.

Australians today are more likely than ever to have been born overseas and speak a language other than English at home. Nearly half of our population was either born overseas or have at least one overseas-born parent. Since the department's inception in 1945, more than seven million migrants have settled in Australia. Their contribution to the process of nation-building has been immeasurable, and we should have no doubts that continued migration will play just as important a role in Australia's future social and economic wellbeing.

It is the role of migration in assisting productivity and workforce participation that is the focus of my presentation today. I would like to use the 15 minutes I have been given on the agenda to walk

you through some of the initiatives being progressed that harness the potential of our immigration programs to benefit productivity growth, participation and economic growth in general.

There is no doubt that the structural reforms of the past two decades have served Australia well and are a key reason why the country's economic situation remains promising amidst global economic insecurities. As the Treasurer iterated in Parliament recently, Australia is better placed than just about any other nation to ride out the current global economic turbulence. Australia is experiencing solid economic growth, a strong labour market, an enviable fiscal position, well-regulated and well-capitalised financial institutions, and a proven track record in dealing with global instability.

But while the economy is well placed over the short term, there are some significant challenges on the horizon which the country must prepare for.

As the IMF notes in its most recent economic appraisal,¹ Australia will require not only rising labour supply, but also greater labour mobility across industries and regions if we are to maximise the benefits of our economic situation.

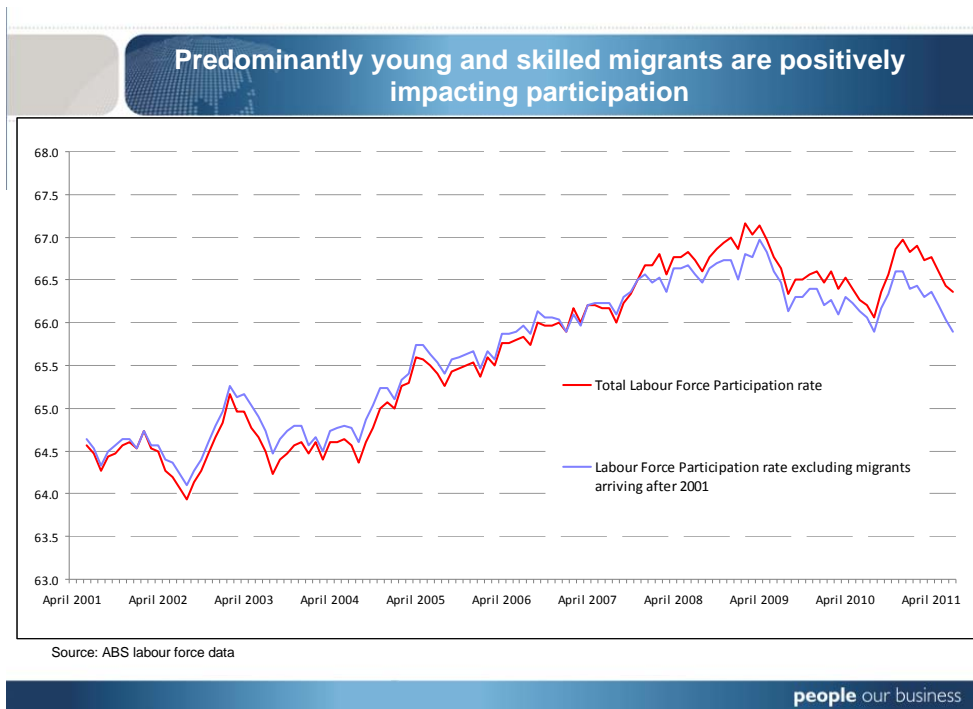
Central to our thinking, is that our skilled migration programs are intended to complement domestic labour market policies through the provision of skilled labour to industries that have a shortage of skilled Australians. The government's efforts to lift labour force participation rates through training initiatives come out of a realisation that the education and training of Australia's existing workforce has a vital role to play in increasing productivity growth and economic output. Not only do educated workers have more skills, but their educational experiences stand them in good stead to learn further and innovate while on the job.

In this regard, the government is investing \$3 billion over the next six years to lift Australia's labour force participation. Even so, the strength of the economy and the demand for skilled labour is such that Australia will continue to be reliant on our skilled migration program to deliver the workers where skill shortages emerge. As the graph indicates, in recent years, the emphasis on young skilled

¹ <http://www.imf.org/external/np/ms/2011/080111.htm>

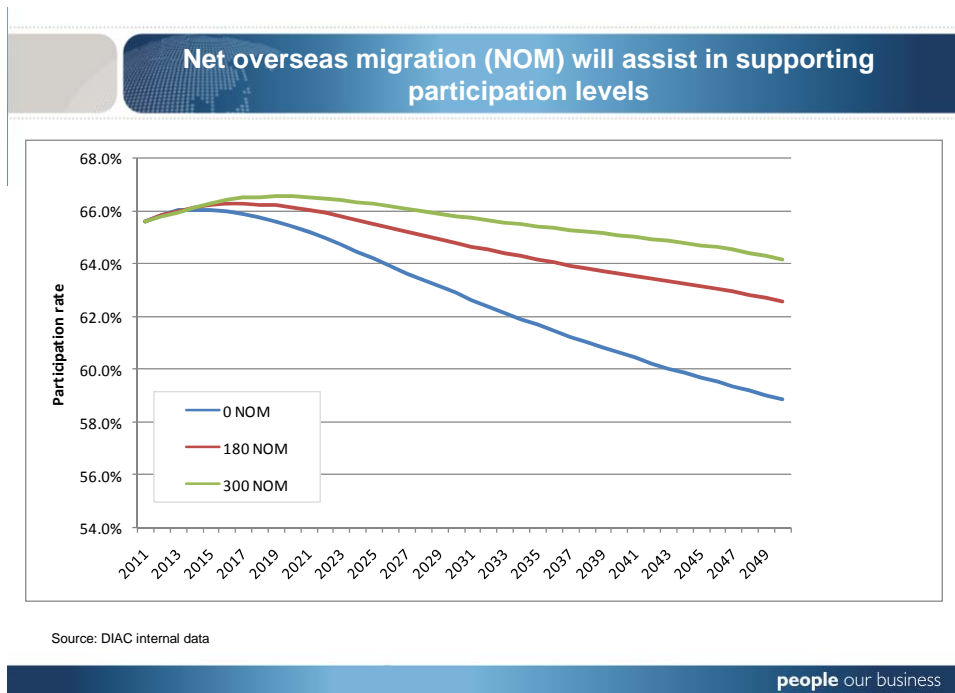
migrants as a key component of our programs has had positive implications for participation.

Diagram 1 – Migrants and the participation rate



As Australia feels the effects of an ageing population leading to a proportionally smaller labour force, migration will continue to provide an important contribution to participation levels.

Diagram 2 – Projected effect of migration on participation



It is important to stress that migrants do not compete with Australian workers for jobs. Instead they come to supplement the labour force. Australia’s skilled migration programs are designed to work in tandem with domestic labour market policies. Since the mid 1990s the Australian economy has experienced steady growth and migration has been increasing while unemployment has been trending downwards. This equates to a win for Australians, a win for Australia’s prosperity and of course a win for migrants.

Skilled migrants by their very nature as ‘migratory workers’ entering the Australian labour market, have a higher level of internal mobility. We have traditionally sought skill sets which are of immediate benefit to the Australian labour market. But increasingly the migration program is attracting younger working age migrants that have much to contribute over their working lives – in 2009-10, ninety-three per cent of migrants were aged under 45 years.

Skilled migrants are far more likely to have university-level qualifications than the local population. They bring with them the experience of having lived and worked in different environments, conditions and circumstances. As a consequence, skilled migrants are likely to be working in a full time job, and have excellent

prospects for generating a high rate of pay in the Australian labour market.

Importantly, skilled migrants help establish international networks that foster trade, knowledge sharing and investment in innovation. This internationalisation of innovation is a crucial component of any modern economy striving to boost its competitiveness and productivity. The skilled nature of our workforce, including Australians and skilled migrants, who foster innovation and productivity, is very attractive for the best and brightest migrants seeking to put highly adaptable skills to good use. The ultimate beneficiary of this cycle is local business, industry and Australian society on the whole.

Evidence that our temporary and permanent skilled migration programs are delivering real benefits to Australia's economic performance can be found in skilled migrants' participation rates and earnings, both above those of the Australian born population. For example, the performance of temporary subclass 457 primary visa holders in the Australian labour market is particularly good, as indicated by their average annual earnings, which at \$86,600 are well above the Australian average, and of course their participation rate is close to 100 per cent.

Likewise, our permanent skilled migrant's nation-wide average earnings are also above the Australian average. As you can see from the next chart, the Employer Sponsored category is coming up trumps – a category that we have significantly expanded over recent years.

Diagram 3 – Employment outcomes

Employment outcomes generally exceed the Australian average

	Employer sponsored	Skilled independent	Australian population
Unemployment rate	0.8%	8.7%	5.4%
Participation rate	97.2%	96.7%	65.9%
In full-time skilled work	87.6%	63.1%	25.1%
In part-time and/or unskilled work	8.0%	24.1%	37.4%
Not working	4.4%	12.8%	37.4%
Median annual earnings	\$65,000	\$60,000	\$46,020

- Data on labour force status of Australian population (includes all persons aged 15-64) sourced from Labour Force Australia ABS Cat 6202.0 (Oct 2010 survey)
- Data on median annual earnings for Australian population from Employee Earnings, Benefits and Trade Union Membership, Australia ABS Cat 6310.0 (Aug 2010 survey)
- Outcomes for migrants sourced from Continuous Survey of Australia's Migrants (CSAM) Cohort 3 - October 2010
- Data on full-time and part-time employment from 6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly (November 2010 quarter). Skilled employment defined as Managers, Professionals and Technicians and Trade Workers (ANZSCO major groups 1, 2 and 3)

people our business

The success of our skilled migration programs in assisting economic growth was acknowledged by the Productivity Commission in its Submission to the Taskforce on the Sustainable Population strategy for Australia. The submission found that migrants on average work longer hours than Australian-born workers and have superior labour market outcomes – both findings indicating that skilled migration is making a positive contribution to participation and productivity.

Globalisation has given rise to a large pool of very mobile populations seeking better employment and lifestyle opportunities. It is only natural that Australia with its impressive standard of living and lifestyle would rank near the top of the list, and attract the world's finest. But it is in Australia's interests to be highly selective if we are to maximise Australia's socio-economic gains. There is no shadow of a doubt that the department's efforts to enhance selection policies for our skilled programs have gone a long way to achieving these very positive outcomes. So what exactly did we do?

Firstly, we have been managing a temporary skilled program that is highly responsive to emerging skill needs. The popular subclass 457 temporary entry program has proven its responsiveness over

recent years and through turbulent economic conditions, as the following chart illustrates.

Diagram 4 – Job vacancies and subclass 457 applications



As shown in the graph, 457 visa applications closely correlate to the number of advertised positions in the Australian labour market.

The number of applications clearly dipped during the recent financial crisis, although more recently improving economic conditions have resulted in primary applications increasing. For example, primary applications in the year to 30 April 2011 increased by around 38 per cent on the same period of the previous year.

This program plays a role in assisting regional areas, in particular WA, attracting workers from a global labour market to regional areas which are unable to meet labour needs through domestic sources alone.

The speed with which the department processes 457 applications contributes to the program's popularity. In fact, processing times for 457 applications are very rapid - for the 2010-11 program year they averaged 23 days; however decision ready applications were processed even faster.

Permanent skilled migration programs are also tailored to be adaptable and responsive to Australia's economic needs. To better meet the skill needs of Australia in the longer term, in 2011-12 the Government increased the number of permanent skilled places from 113 850 to 125 850 while the number of permanent family places was raised by 4050.

Notice that the number of skilled places as a proportion of the entire program has increased more than family places, reinforcing the permanent program's focus on skills. Furthermore, out of 125 850 permanent skilled places, 46 000, or 36.5 per cent, is comprised of demand driven categories like Employer Sponsored and the Regional Sponsored Migration Scheme – an increase of 1850 places on the previous year's program.

Much work is also being done, in an immigration context, to support regional and rural Australia to prosper and grow. A number of initiatives were announced as part of the Budget in May that aim to encourage skilled migrants to settle in regional areas where there are shortages of skilled workers.

One such initiative is Regional Migration Agreements, otherwise referred to as RMAs. The goal of RMAs is to bring together employers, local and state government representatives and unions to cooperate on addressing local labour needs. They are a custom-designed, coordinated response to regional demands for labour that will set out the occupations and numbers of overseas skilled workers needed in the area. In the event of critical demand for labour, there will be concessions available for access to semi-skilled overseas workers. The first RMA negotiations are expected to commence in 2012. RMAs will serve regional Australia by creating a more demand driven approach to the specific needs of employers and state and territory Governments.

Another measure designed to benefit regional Australia is the announcement in July that Perth is to be considered a regional centre for the purposes of migration. This is borne out of a realisation that the mining and resources boom is creating skills shortages in urban areas as well as regional ones. This will help provide the labour boost that WA needs – already the state receives almost 20 per cent of 457 visa holders despite only having 10 per cent of the country's population. Again I must stress that this is further proof of the migration program's flexibility and

capacity to evolve to suit the needs of the Australian economy and labour demand.

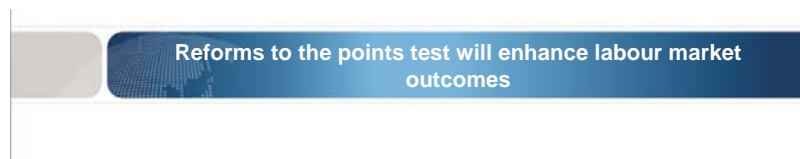
A further commitment to support Regional Australia is the decision to allocate 16 000 places in the permanent skilled category to the Regional Sponsored Migration Scheme, the first time places for regional areas have been specifically reserved. Many of these places may well be taken by existing temporary visa holders – permanent residence applications by 457 holders who have spent at least two years working in regional Australia will be eligible for fast-tracking, demonstrating how permanent and temporary programs can complement each other to the benefit of regional Australia, which is experiencing shortages of certain skilled professions.

An instrumental reform which helps ensure Australia gets the best of the best is the new points test. Released on 1 July 2011, the new points test is another example of a measure intended to boost the migration program's contribution to the economy by assisting productivity and labour force participation amongst our skilled migrants. Some changes implemented include:

- A better command of English
- More extensive work experience requirements, and
- More stringent higher education requirements for qualifications obtained both in Australia and overseas.

By introducing stricter criteria, the quality of the skilled migrants we select will be increased, as you can tell by the predicted earnings levels illustrated in this chart.

Diagram 5 – Points test and earnings



New points test pass mark	Predicted annual earnings	Predicted increase
50	55 345	
55	58 692	3 347
60	60 443	5 097
65	61 464	6 119
70 or higher	63 407	8 061

Source: Continuous survey of Australia's Migrants



Working in tandem with the new points test will be SkillSelect, which is a new and improved model for the selection of skilled migrants. The Model will be an electronic system based upon a two-stage process. Prospective applicants first submit claims for skilled migration through an online expression of interest and subsequently may be invited to make a visa application.

This is a significant change from the current situation, as applicants for independent migration will be required to receive an invitation in order to lodge a visa application. Once invited, SkillSelect will ensure a match between the number of applicants and the number of available program places. SkillSelect significantly enhances the Migration Program's effectiveness in providing the right skilled labour at the right time.

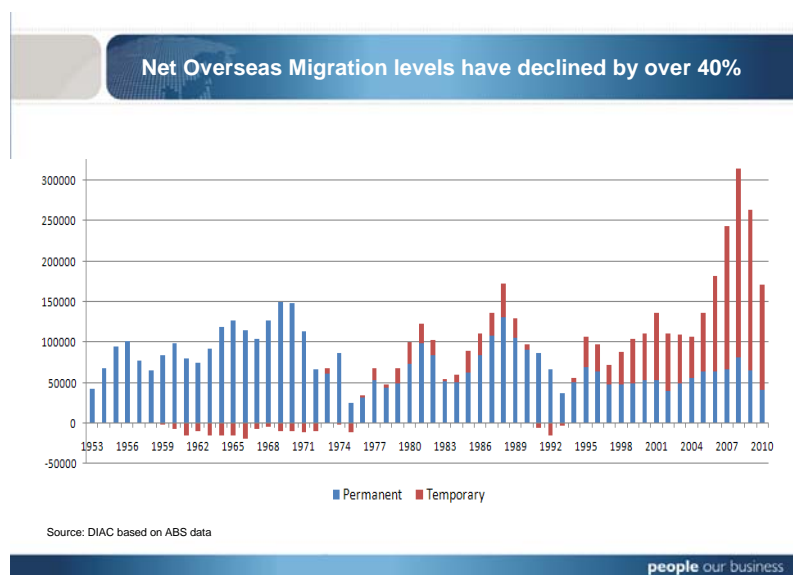
In order to help facilitate the start up of large resource sector projects, Enterprise Migration Agreements or EMAs as they are often called, will be introduced as custom-designed, project-wide migration arrangements. EMAs will ensure that skill shortages do not create constraints on major projects and jeopardise Australian jobs. Through EMAs, major resource projects will be able to access overseas labour for genuine skill vacancies that cannot be filled from the Australian labour market. Only resources projects with capital expenditure of more than two billion dollars and a workforce of more than 1500 workers will be considered for eligibility for an EMA.

All the measures and reforms I have spoken about reinforce the dedication to the migration programs being driven by the needs of Australia’s economy rather than the desires of prospective migrants. They have at their core an aim of maximising the economic returns we get from our skilled migrants. Mechanisms are now in place across temporary and permanent programs that ensure Australia selects the best and the brightest, meaning we are better prepared to meet Australia’s immediate and long term skill needs.

The efforts to fine tune skilled migration are bearing fruit, but there is a lag period in any policy environment to the point outcomes are realised. The understanding we now have of net overseas migration (or NOM), including influences exerted by temporary migration, means that we are now better positioned to advise government on the levers to influence the size and composition of migration flows for the benefit of the economy and society.

For example, an important by-product of recent reforms was reduced levels of net overseas migration to a longer term average – NOM peaked in 2008 at over 315,000, but has fallen to a more sustainable level in the vicinity of 170,000 people. Thus increasing the number of permanent skilled places in the 2011-12 program was achieved without adding significantly to population growth.

Diagram 6 – Net overseas migration



Largely as the result of migration reforms, we are seeing changes to NOM's composition, with an increasing proportion being permanent and temporary skilled migrants. In fact, the skilled proportion of NOM is projected to increase from around 28 per cent in 2009-10 to 45 per cent by 2014-15. While previously NOM was dominated by temporary entrants with limited work rights working in low skilled occupations, its composition now more accurately represents our drive to ensure Australia gets the best economic dividends possible from its skilled migration programs.

Although there are a range of views regarding an optimal level of NOM in terms of our long term demographic future, what we can be certain of is that the value of each program place should be maximised to harness the greatest returns, and this will remain the focus of our endeavours.

I hope I have provided you today with a holistic picture of Australia's skilled migration programs, and their cumulative effects on workforce participation and productivity achieved from significant reforms to skilled migration.

There is no doubt that productivity and participation continue to be major considerations across government. Whilst the department has been undertaking a number of initiatives internally, we have been able to look objectively at our migration programs, in particular the growing skilled component, which has helped fine tune these policies. Australia's system of formalised migration that has been in place for over sixty years, has recently been subjected to major reforms and adjustments that maximise the value of migration now and into the future.

Australia's skilled migration policies are now increasingly well informed, targeted and responsive to Australia's changing labour market needs and have increased their ability to consistently deliver the migrants that Australia needs to maximise economic prosperity. These measures and reforms I have spoken of have, at their core, a strong focus on productivity and participation. As I have illustrated in today's presentation, the success is demonstrated in the earnings and participation rates of our skilled migrants.

In recent years much attention has focussed on the changing nature of NOM, and the broader impacts that this is having on

Australia's labour force and economy. One crucial factor is harnessing the benefits and value that Australia derives from each program place. It is this thinking that will ensure that our programs are responsive to labour force needs while ensuring that each migrant will bring the best possible combination of skills, education and experience now and in the longer term – and this I think you will agree is a great result.