

CHAPTER 1 – BACKGROUND

KEY OBJECTIVES OF TEMPORARY RESIDENCE POLICY

- 1.1 Australia's temporary residence program provides for the entry, for periods of up to four years, of people to come to Australia for purposes that result in benefit to Australia. These benefits derive from the work and other activities of temporary residents that contribute to the economic, cultural and social development of the Australian community and help to foster international relations and goodwill. Temporary residents bring to Australia new ideas, contacts, understanding, skills and technology – necessary if Australia is to remain competitive and integrated in a rapidly evolving global community. They contribute to Australia taking its place in the international environment.
- 1.2 This contribution can take many forms. Principally the benefit is economic. New technology has given us the capacity to communicate instantaneously with the markets of the world; it has also made us aware of the interdependence that is a feature of the global economy. To identify and respond to the needs of rapidly changing markets around the world, we need to form direct relationships, draw on international best practice, integrate into this global environment. The movement of temporary residents contributes to this.
- 1.3 There are other benefits that derive from these international movements. Just as Australia recognises the reality of the global village and the need to respond to it, so other governments recognise that Australia plays a part in their response to the world. Foreign governments are represented here in a range of ways, not only in the traditional diplomatic sense but also through other agencies with a brief to promote culture, tourism, trade, defence and so on. This interconnectedness is also enhanced by the role of international

organisations which place staff in Australia on a temporary basis.

- 1.4 There is not only an economic and an organisational dimension to these movements. There is a human dimension. The entry of people from overseas for cultural or social purposes may enhance their experience of the world or enable them to share their experience with us. In either case Australian society is investing in people and benefiting from having them here both during their period of stay and when they return home.
- 1.5 These three aspects of the benefit that temporary residence brings to Australia are discussed in further detail below.

TEMPORARY RESIDENCE ARRANGEMENTS – THE THREE 'STREAMS'

- 1.6 There are a range of provisions for temporary residence that provide visas for a variety of purposes and differing periods of stay in Australia. The 20 visas that are the subject of this Review cover a diverse range of needs of the business and broader community for the temporary entry of overseas residents, and include visas for teachers, academics and researchers, sports coaches, entertainers, doctors, religious workers, public lecturers, managers and business people. The visas provide for periods of stay in Australia from a few days up to four years.
- 1.7 Many of the visa categories deal with skilled persons and their need to obtain a visa to work temporarily in Australia. In numerical terms, temporary business entry accounts for the majority of temporary residence visas granted each year. Some of the other visas in the Temporary Residence Program bring broader benefits to Australia that are less direct and less specific than the economic benefits derived from skilled overseas employees, for example, collaborative research, exchange

opportunities, community program activities, family visits for children, religious work, and other benefits to Australian cultural, community and intellectual life.

1.8 The Temporary Residence Program consists of three broad 'streams' which benefit Australia in different ways:

- **the economic stream**, which allows employers to recruit skilled and key personnel from overseas to meet skills shortages and for the entry of persons to undertake certain business activities;
- **the cultural and social stream**, which allows the entry of people to take part in a range of sporting, entertainment, academic and cultural activities; and

- **the international relations stream**, which fosters international relations and goodwill by allowing for the entry of persons working for foreign governments and international organisations and persons entering under exchange agreements. It also currently includes some visas for persons participating in programs designed to provide cultural opportunities for young people in Australia.

1.9 The Australian National University has recently announced that it will be conducting a study of the characteristics of participants in the Temporary Residence Program, whose current break up across the streams is outlined in Table 1.

TABLE 1: TEMPORARY RESIDENCE PROGRAM

TEMPORARY RESIDENCE PROGRAM – 3 STREAMS	Visas included in each Stream (subclass number)	VISAS GRANTED 1999-2000	VISAS GRANTED 2000-01
Economic Stream	Temporary Business Entry (457)	35,006	40,493
	Educational (418)	1,701	1,738
	Medical Practitioner (422)	2,519	3,498
Cultural and Social Stream	Sport (421)	8,448	8,407
	Entertainment (420)	8,098	8,850
	Media and Film Staff (423)	607	506
	Religious Worker (428)	1,340	1,545
	Retirement (410) ⁽¹⁾	1,622	2,061
	Family Relationship (425)	86	94
	Visiting Academic (419)	3,327	3,546
	Public Lecturer (424)	34	27
International Relations Stream	Diplomatic (995) ⁽²⁾	2,303	2,275
	Foreign Government Agency (415)	283	387
	Domestic Worker (diplomatic) (426)	111	140
	Domestic Worker (executive) (427)	19	40
	Working Holiday (417) ⁽¹⁾	74,487	78,576
	Exchange (411)	2,448	2,038
	Special Program (416)	1,908	3,049
	Occupational Trainee (442)	7,138	8,660
	Supported Dependant (430)	198	233
Expatriate (432)	66	54	
Visitor Program ⁽²⁾	Temporary Business Visa (short stay) (subclass 456)	114,052	124,526

Notes

(1) This visa is not included in this review.

(2) The Business (Short Stay) (subclass 456) visa is considered part of the visitor program (which also includes other visas), rather than the Temporary Residence Program, so it is shown separately from the 3 streams of the Temporary Residence Program.

A breakdown of the onshore and offshore components of these visa grants is at Appendix F. Stock data for the visas - which shows the number of people holding a particular visa in Australia at a point in time - is at Appendix G.

The Economic Stream

- 1.10 The temporary entry of skilled workers has many benefits:
- it allows for temporary skilled shortages to be filled, where leaving the position vacant could otherwise result in production or business bottlenecks or some other loss of benefit to Australia;
 - it enables Australia to gain access to skills needed to achieve world best practice;
 - it helps foster the establishment of overseas networks that are useful for collaboration or trade purposes;
 - it provides a mechanism for Australian and overseas workers to improve their skills and professional development by overseas experience including staff development opportunities within corporations; and
 - it may provide an opportunity for a person who does not yet meet the requirements for a permanent visa to obtain some relevant experience in Australia or to demonstrate their skills to an Australian employer so as to be able to meet the requirements for a permanent visa.
- 1.11 A recent study by Access Economics, a leading economic consulting firm, on "The Impact of Temporary Migrants on the Commonwealth Budget" (September 2001) of persons granted temporary business (subclass 457) visas confirmed the strong economic impact of these temporary residents. These visa holders make significant economic contribution because, in summary:
- they are all employed – these visa applicants come to Australia with a secured pre-arranged position;
 - they are all skilled and have relatively high incomes; and
 - they are not eligible for many Government services and programs (social security, Medicare, labour market assistance, education services, English language training and other settlement services).
- 1.12 These factors ensure that their contribution to the Commonwealth Budget is positive, is significant, and continues to increase over the period of their stay. The economic contribution is significantly greater than that for permanent business migrants (who do have access to Government services, and whose average salaries and levels of employment are not as high.)
- 1.13 Access Economics also recently released a study of "The Impact of Temporary Migrants on Australia's Living Standards" (October 2001). The report studied the impact of the temporary business entry (subclass 457) visa applicants, and used the 2000-01 intake level. It concluded that "the benefits to Australian living standards are notable". The report explains how the beneficial impacts on Australian living standards are through the following four channels:
- the direct employment impact, whereby the temporary residents fill well paid jobs, which has the effect of raising both employment and average earnings in Australia. This impact flows from the underlying policy for these visas that is designed to ensure that temporary residents only fill jobs where there are insufficient existing resident Australians with the requisite skills. The study also demonstrated that even if there were to be some displacement of existing residents from jobs, the benefits would not be materially affected.
 - a productivity gain, whereby temporary residents raise the average productivity of Australian workers (given their special skills). This happens in 2 main ways:

firstly employers only take on the additional workers if they expect to increase their profits. The additional profits raise Australian national income and the living standards of existing Australian residents. Secondly, the existing Australian residents working with the temporary residents would pick up some of the specialist skills of the temporary residents. Because this latter effect is difficult to quantify with any precision, it was not included in the modelling.

- a financing benefit, whereby the temporary residents bring some funds with them. The capital reduces the size of Australia's foreign debt, even though most of the benefit accrues to the temporary residents themselves. This is the smallest channel of influence upon living standards in the model.
- the fiscal benefit, whereby government capture considerable net revenue from the migrants as (particularly well-healed) taxpayers. This effect grows over time.

1.14 Initially, most of the benefits are captured by the temporary residents themselves but over time the proportion of the benefit shared by the resident Australian population begins to increase and it continues to increase over time, including after the time when most of the temporary residents would have departed Australia. The modelling is on the basis of a single year's intake of these temporary residents but the report notes that the benefits would magnify over time with the accumulated impact of each successive year's intake.

1.15 Benefits reflects the fact that the people are relatively skilled workers, are immediately employed in a position appropriate to their skills and bring skills that Australia has insufficient supplies of.

1.16 Economic modelling is based on a number of assumptions. In order to obtain specific

data and knowledge about the behaviour and experience of temporary residents, a study of temporary entrants, focussing on the temporary business entrants (subclass 457 visa) is being conducted by the Australian National University. This study will analyse temporary entrants on the basis of existing DIMIA data but will also undertake a more detailed analysis of temporary business (subclass 457) visa applicants based on interviews with a sample of users of this visa. This survey may be extended to become longitudinal. A greater understanding of the use of this visa will provide an insight into how Australia can remain competitive in attracting highly skilled temporary workers, in the context of increasing competition for these workers.

1.17 There may be circumstances where either the employer or employee prefers temporary residence rather than permanent residence. For example:

- a temporary visa allows an employer to see if the employee has suitable personal skills for the position and is suited to the organisation before offering them a permanent position;
- under the temporary visa arrangements, an employer can fill numerous positions under the temporary business sponsorship arrangements whereas under the permanent sponsorship arrangements a separate sponsorship is required for each position;
- the temporary visa arrangements allow an employer to fill temporary and short term skill shortages whereas under the permanent visa arrangements, the position must be for a minimum period (within two or three years);
- processing times for temporary visas are much quicker than for permanent visas (because of the more extensive checks associated with permanent visas) and therefore allow for a needed worker to come to Australia sooner;

- an employee may prefer to obtain a temporary visa because of the relative ease of finding a sponsoring employer for a temporary visa;
- an employee may wish to see if employment and life in Australia suits them and their family before making a long-term settlement decision;
- skilled people are increasingly mobile in the global economy – temporary visas provide opportunities for skilled persons who are only interested in a temporary overseas work to obtain particular experience but are not interested in permanent migration;
- temporary visa arrangements allow them to move to countries and positions that suit their career and skill developments;
- employees may prefer temporary residence in order to allow more favourable salary packaging.

1.18 Government policy does not favour the use of temporary visas over permanent visas for skilled employment or vice versa – both types of visas are available for skilled workers and the employer and employee may choose which visa arrangements best suit their purposes. Furthermore, there are clear pathways for temporary residents to move to permanent visas while in Australia. These provisions distinguish Australia's temporary residence regime from those in many other countries. This issue is discussed further in Chapter 2.

1.19 In general, the temporary residence program does not allow for the entry of unskilled labour. This is consistent with the historically low unemployment rates for most skilled occupations as compared with the significantly higher rates for unskilled occupations. It would be inappropriate to bring unskilled workers into Australia when there are people available in the community who can readily fill these positions given the need for relatively little or no training.

1.20 In summary the benefits to Australia of the Economic Stream are enhanced competitiveness and therefore greater economic activity and employment, greater skills transfer, and greater integration into the international business environment, in particular the Asia Pacific region.

The Cultural and Social Stream

1.21 This stream allows for the entry of people taking part in a range of sporting, entertainment, academic and cultural activities. This stream contributes to the enrichment of Australian cultural and academic life. For example:

- it provides opportunities for career development (through reciprocal opportunities, professional interchange, high standard competition, professional circuit opportunities etc) for Australians working in sport, entertainment, and cultural fields;
- in some areas it is important that Australia provide opportunities for overseas residents to work in Australia, so that such opportunities will be made available to Australians overseas;
- it ensures that Australia is able to attract world-class academic staff to teach, to research, to observe;
- it provides for the entry of religious workers contributing to the maintenance or development of a wide range of Australian religious communities;
- it gives access to the international media to ensure that stories about Australia and its society are able to be reported on;
- in the sporting area it is important for the development of Australian standards that Australians have an opportunity to participate in high calibre competition and training through the involvement of sports people of high international standard from other countries.

- 1.22 These visa arrangements seek to balance the need to create opportunities for Australians while adding to Australian cultural life.

The International Relations Stream

- 1.23 This stream fosters international relations and goodwill by allowing for the entry of persons working for foreign governments and international organisations, persons entering under exchange or government to government agreements. It currently includes a number of visas that cover persons participating in programs designed to provide cultural opportunities in Australia, visas for young people to broaden their experience of Australia, including under the working holiday visa which provides an opportunity for young people to holiday and travel in Australia and work to supplement their funds (although this visa is not included in this Review).
- 1.24 This stream currently also includes visa arrangements for persons undertaking occupational training to enhance their existing occupational skills. This visa benefits Australia, by providing reciprocal opportunities for Australians to undertake occupational training overseas.

REVIEW OF TEMPORARY ENTRY ARRANGEMENTS FOR BUSINESS PERSONS AND SKILLED SPECIALISTS

- 1.25 Some of the current temporary business visa arrangements were implemented in 1995-96 following the Inquiry into the Temporary Entry of Business People and Highly Skilled Specialists. That Review was initiated due to concern that the processes for temporary entry of business people were too complex and time consuming. There was also a need to review and update the policy for these visas to reflect the internationalisation of the Australian economy and the growing numbers of

people moving into and out of Australia associated with increasing significance of trade in services, especially in tourism, education and the financial and legal sectors.

- 1.26 The 1995-96 Review confirmed the role of business temporary entry as a vital component of Australia's broader economic future and important to the way Australia is perceived internationally. It established that the overriding principle for temporary business entry is that it should be of benefit to Australia. It also made the following conclusions which have equal relevance to the visas in this Review that provide for skilled employees:
- a country of Australia's size cannot expect to be completely self-sufficient at the leading edge of all skills in the area of key business personnel...it is not realistic for Australia to attempt to develop specialised skills in all areas (even the USA, Germany and Japan cannot achieve this);
 - companies must be accountable and responsible for the temporary residents they bring to Australia;
 - companies must have regard to the training needs of Australians; and
 - there should be greater emphasis on monitoring and sanctions after arrival rather than relying on exhaustive and time-consuming checks before approval is given to grant a visa.

- 1.27 The 1995-96 Review also determined a range of principles for the administration of policies and procedures for the business and skilled specialist visas. These principles include: certainty, transparency, simplicity, consistency in interpretation and administration, flexibility so that business can respond quickly and smoothly, streamlined and speedy processing and reduced costs to business. This Review builds on these principles.

INTERNATIONAL DEVELOPMENTS

1.28 This Review of temporary residence visas is being conducted against the background of both Australian and international developments in labour market and business conditions. There are a number of factors relevant to the consideration of issues in this Review. Demographic factors, in particular declining birth rates and the ageing of the population, are resulting in a decline in labour force growth in most industrialised countries. On the demand side of the labour market, changing patterns of production and employment in industrialised countries has seen a reduced demand for unskilled labour and an increased demand for highly skilled labour. There is broad recognition that sustained economic performance cannot be maintained without access to a workforce of sufficient size and skill.

1.29 Employers in the countries regarded as traditional migration countries (USA, Canada, New Zealand and Australia) have been increasing their efforts to attract skilled and professional people to migrate – on both a temporary and permanent basis – to meet demands for skilled labour. This is especially evident in the drive to attract Information and Communications Technology (ICT) professionals because the demand for skilled labour in almost all areas of the rapidly expanding ICT industry exceeds supply, despite the enormous training efforts being made. In addition, countries traditionally regarded as non-migration countries (for example, Japan, Norway, Germany and Spain) have begun to introduce measures to attract overseas skilled labour. Some have introduced specific temporary and permanent migration for skilled workers while other countries, where there is still resistance to the entry of foreign workers to meet skills shortages, are considering other options to address labour shortages, for example, measures to encourage greater workforce participation of older workers.

1.30 Other developments that are relevant to this Review are:

- the increasing flow of temporary international labour as the globalisation process continues;
- increasing mobility generally, for tourism and business purposes, which is creating demand for short term employment opportunities in countries other than home countries;
- the increasing mobility of the skilled and professional labour force in particular and the expectation of many professional groups for some overseas experiences as part of their career development;
- increasing international movements of staff within organisations with overseas operations;
- the development of international, regional and bilateral organisations that require appropriate visa arrangements; and
- increasing international competition for skilled workers (both permanent and temporary).

AUSTRALIAN FACTORS/DEVELOPMENTS

1.31 Australia has shared in these international developments. As well, there are a number of domestic considerations that make it timely to review the temporary residence visas:

- shifts in Australia's demographic patterns due to a fertility rate below replacement level will start to impact on the capacity of the Australian labour force to meet demands for labour, particularly skilled labour: annual labour force growth in Australia is projected to decline from 1.6 per cent in 1998-99 to 0.4 per cent by 2015-16, which will be a historical low and still falling;
- as well, Australia's labour force is ageing – 10 per cent of the labour force was aged fifty-five years or over in 1998 but by 2016 this is projected to be 15 per cent. The number of people retiring each year will, therefore, increase considerably;
- long-term temporary movements are now responsible for more than 50 per

cent of net overseas migration each year – traditionally it was the level of permanent migration that had the main impact on net overseas migration each year. The size and variety of long-term temporary movements to Australia have largely outstripped permanent movements;

- the role that Australia plays as a member of the international community, which results in significant movement to Australia of people for a range of international relations purposes and which require Australia to have temporary and permanent entry visa arrangements in line with international expectations;
- there is increasing pressure for faster processing of temporary resident visas, especially those for relatively short periods of stay in Australia. The electronic visa arrangements (for low immigration risk countries) provide a convenient and quick mechanism for visa grant, and provide a stark contrast with requirements and processes for other temporary residence visas and pressure for comparably convenient options for visas for more than three month stays. It is essential that immigration systems for short to medium term temporary stay do not seriously diverge from the streamlined approach available through the Electronic Travel Authority for short-term visitors from 'low risk' countries. Otherwise the temptation will be for persons to use electronic visas for purposes for which they were never intended;
- many of the temporary resident visas in this Review have not been reviewed for many years and need to be updated to ensure they reflect current policy objectives; and
- for the business and skilled specialist visas that were subject to recent review,

this Review provides an opportunity to draw on the first four years of experience of the new arrangements and to consider if any refinements are necessary/appropriate.

- 1.32 There is a need to ensure that the policy settings keep up to date with the needs of the Australian community (both the economic and the broader social and cultural community) in the new millennium.
- 1.33 In addition, procedures need to reflect the expectations for client service in the 21st century. There has been concern expressed about existing procedures for processing temporary visas and the need to ensure that these do not impede Australia's efforts to become internationally competitive. As the international demand for additional skilled labour grows Australia needs to position itself to provide appropriate temporary residence arrangements for the current needs of the business and broader community. Efficient processing arrangements are also important for visa applicants who are visiting Australia for purposes other than sponsored employment – these clients also expect processes to be smooth and quick.
- 1.34 Australia also needs to enhance its comparative advantage in immigration management and in its ability to attract and retain skilled people. As Australia engages in increasing competition for skilled people, there is a need for well established mechanisms to reinforce our advantage in this important area. If our requirements are more complex or complicated, and our processes slower, than for other countries, it may reduce incentives for mobile skilled personnel to take up temporary appointments in Australia, even though the demand for their labour will continue.

BUSINESS DIRECTIONS FOR IMMIGRATION

- 1.35 One of DIMIA's principal objectives is "the lawful and orderly entry and stay of people". It follows that immigration integrity is of fundamental importance. In order to achieve this in a way which is consistent with whole-of-government objectives, its 'Business Directions 2001-2003' document identifies a number of client and corporate objectives which include to:
- serve the Minister, Government and Australian people to the best of our ability, drawing on the depth of our experience in managing immigration and entry issues;
 - implement our strategic plan – *Investing for 2005 and beyond* – to ensure that our client needs for accessibility, transparency and added value through an organization which is business-like and cost-effective.
- 1.36 This strategic plan identifies the technological, social and other environments DIMIA is likely to face over the 5-year period from 2000, and proposes strategies to respond to and take advantage of them in the context of its overall business directions. It is a plan for investing in better ways of doing DIMIA's core processing and decision-making functions with a view to meeting clients' needs in an efficient and equitable manner. The plan identifies the following strategies, amongst others:
- the provision of services that are simple for clients to access and staff to deliver;
 - transparency in service delivery;
 - accountability in service delivery;
 - greater emphasis on front end loading for applications;
 - the use of expert third parties to undertake specialised assessments prior to application lodgement;
 - greater standardisation across visas;
 - clearer information for clients on visa and other requirements;
 - reduced number of client contacts per application;
 - increased number of complete applications;
 - reduced processing times (ie between lodgement and decision);
 - facilities for clients and staff to communicate electronically; and
 - having integrity measures in place.
- 1.37 This planning process aims to strengthen the management and reform of DIMIA's business processes and to identify, in an integrated and coordinated way, business solutions for the future. This report supports these strategies in the context of temporary residence visas and identifies specific measures to improve processes, respond to client expectations and benefit from technological developments.