



Australian Government

**Department of Immigration and
Multicultural and Indigenous Affairs**

**A GLOBAL MARKET:
THE RECRUITMENT OF TEMPORARY SKILLED LABOUR
FROM OVERSEAS**

**Second Report on ARC Linkage Project
"Temporary Overseas Migration to Australia"**

**Prepared for the
Department of Immigration and Multicultural and Indigenous Affairs**

By

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EXECUTIVE SUMMARY

Introduction

This report forms part of a major study of the characteristics, motivating factors, outcomes and impacts of the temporary migration of skilled workers to Australia. The study has been funded by a Linkage Project grant from the Australian Research Council with the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) as a research partner. An important part of the study involves two surveys to obtain information on the factors motivating the sponsorship and migration of temporary skilled workers and the consequences for both employer sponsors and migrants. This report discusses the findings from the survey of employers who have sponsored skilled workers for temporary entry.

The survey of employers

The survey was conducted in mid-2003. Letters were mailed by DIMIA to 295 employers who were on DIMIA's most current list of sponsors. Employers had two options for completing the survey questionnaire: either on the hard copy sent by DIMIA with the approach letter, or online.

Completed questionnaires were received from 135 employers. Although the survey was designed to be small and exploratory, the employers who responded were well represented in terms of location, size of business, type of sponsor and industry sector.

DIMIA also selected 30 employers from the group of 295 to receive special letters asking if they would also be willing to meet with the research team for a face-to-face interview, in addition to completing the survey questionnaire. Ten employers agreed to be interviewed; 8 were located in Sydney, 1 in Melbourne and 1 in Canberra.

Findings from the survey

Employer profiles

Employers that sponsor temporary skilled migrants are very diverse. They include small businesses, large multinational corporations, hospitals, universities, non-government organizations and religious bodies. The majority of employers who responded to the survey were located in Sydney, which is clearly Australia's global city, where many employers think globally in terms of labour recruitment and where many multinational companies have their regional headquarters.

Four types of employers were included in the survey. They were Standard Business Sponsors (SBS), Pre-qualified Business Sponsors (PQBS), Labour Agreement (LA) sponsors and Regional Headquarters (RHQ) sponsors. 75 per cent of all respondents were SBS, 14 per cent were PQBS, 9 per cent were LA sponsors and there was one RHQ sponsor.

The largest number of respondents came from the IT and communications sector followed by the accommodation, café and restaurants sector. A small number of employers had fewer than 5 employees, while over one-quarter of all respondents had more than 300 employees.

Reasons for sponsoring employees on temporary business entry

The reason given most often by employers for sponsoring a worker from overseas was that the required skill was not available or difficult to obtain in Australia. Some of the skills required were very specific, usually in relation to a company's product, systems or corporate knowledge. Other important reasons were: the need for people to train other employees, and that sponsorship suited the company's policy (particularly for multinational companies). For some multinational companies the 457 visa provides the opportunity to move their employees overseas to gain experience in different countries. Lower costs were not a factor as several employers emphasised that it was usually more costly and took a longer time to sponsor an overseas employee than to employ an Australian resident. These reasons indicate that temporary skilled migrants are not taking away jobs from Australians as employers would have preferred to employ local residents if they had the skills needed.

The reasons for recruiting skilled foreign labour suggests an increasing demand for people with specialised skills and knowledge that are often not available in a relatively small population such as Australia's. Australia's growing economy, the need to keep up with technological advance and consumers' preferences for a wider range of goods and services that come with greater internationalisation of tastes have all contributed to this increased demand for specialised skills.

Recruiting from offshore and onshore

Migration agents were not used often for recruiting, neither for offshore nor onshore. Of those employers who had used migration agents, many said that they had used the agents because they understood migration legislation. Employers do not generally believe that migration agents obtained faster decisions and only a minority of employers had used agents because they were able to identify the right people for the employer. The major prohibitive factor was the considerable costs for the services of migration agents.

Some small business owners used their ethnic networks in their country of origin to identify potential employees for sponsorship.

Number of 457 visa holders sponsored

The average number of employees sponsored over the years by SBS did not increase much. SBS sponsored 2-3 employees on average each year. In contrast, the average number of employees sponsored by PQBS and employers with Labour Agreements increased considerably over the years, from 4 in 1997 to 15 in 2002 for PQBS and 2 to 10 for LA employers. One PQBS sponsored more than 100 employees in one year (mainly nurses from UK and Ireland) and one LA employer sponsored more than 50 accountants and managers.

Average length of stay of 457s

Employers reported that their sponsored employees stayed an average of 30 months, with a median of 24 months. Some 457 visa holders left their initial sponsor for other employers or left their employer when they obtained permanent residence. Small businesses faced the most serious challenges retaining staff on 457 visas.

Benefits provided to 457s

Benefits that employers provided to 457 visa holders include temporary accommodation, removal expenses, superannuation, living away from home allowance, food allowance and settling-in allowance. When employees were transferred within multinational companies, they were usually paid by the local office, although some short-term project staff continued to be on the payroll in their usual country of residence. Employers indicated that while salaries in Australia were perceived as low compared to countries such as the UK and US, the tax-free allowances were one of the attractive factors for people coming to work in Australia.

Four out of five employers provided airfares and housing on arrival for their sponsored employees. Employers were less likely to provide housing for the duration of employment. Two-thirds of all employers also provided airfares for dependents of their employees. Although 457 visa holders were not entitled to Medicare benefits, only 60 per cent of employers reported that they provided medical insurance for their 457 visa holder employees. In some cases the employee had to contribute a certain percentage.

School fees in the public school system of New South Wales are an issue for some companies if their employees are paid the minimum salary of \$36,000 per year. As temporary residents, 457 visa holders have to pay full fees for their children to attend public school and this can be as high as \$10,000 per year.

Problems with 457 visa employees

Most employers had not encountered any problems relating to inappropriate or inadequate work skills of their sponsored employees. However, about half of all employers reported a problem with their 457 visa holders' lack of understanding of Australian workplace culture and about one-third reported language problems.

Views about the 457 visa sponsorship arrangements

Employers were generally happy with the information provided by DIMIA on sponsorship arrangements. In the interviews with employers, concerns were raised about wrong and inconsistent information that some companies were given by DIMIA staff. This was usually attributed to DIMIA officers being shifted around in the Department a lot and hence not being always well informed. Several respondents suggested that the situation could be improved by providing each company with a designated DIMIA officer that dealt with all inquiries and all aspects of the process.

Nearly half of all employers in the survey thought the application fee was acceptable and most employers did not feel that monitoring was too onerous.

Some employers, such as small businesses and non-government organisations, were concerned about the minimum salary level required for 457 visa holders, saying that it failed to take into account the non-cash component of the total salary paid to the employee. Employers in regional areas also pointed out that salary levels in regional areas were generally lower than in cities such as Sydney or Brisbane. It was also thought that the minimum salary was difficult to meet for certain occupations such as hairdressers.

Forty per cent of employers rated processing time towards the very slow end of the scale. New Delhi, Seoul and China were among the places where delays had been experienced whereas London and Washington received favourable comments. A few employers suggested a 'fast track' process for visa applicants that they had sponsored in previous years on 457 visas.

Employers also commented that the 457 visa compared favourably to other countries' temporary migration programs in that it recognised unmarried couples and same sex partners, gave work rights to partners and free access to education for children in most states (although not New South Wales). Employers also liked the PQBS arrangement for the flexibility it provided in terms of number of employees that could be sponsored. Some found the new arrangement of pre-approval to sponsor a nominated number quite problematic because they could not know or forecast which projects they would be working on over the next two years. There was also a suggestion to reinstate the Business Advisory Panel, which had played an important role in the introduction of the temporary business entry visa and which was seen as an important avenue for business to liaise officially with DIMIA on migration matters.

Future sponsorship

Most employers expect to sponsor more people on 457 visas in the future. Employers in the health and education sectors had above average proportions expecting to sponsor in future while those in the construction, IT and accommodation, café and restaurant industries had below average proportions intending to sponsor in future.

Conclusions

The survey indicated that skilled workers brought in temporarily from overseas were essential for the successful operation of many businesses, non-profit organisations and service industries. Many employers now have a global view of labour recruitment. While this is understandable for multinational companies with global operations, many small businesses and public sector institutions such as hospitals and education departments are also using the same strategy to obtain skilled labour that they say are in short supply in Australia. The 457 visa has provided employers with the flexibility to tap into the global pool of skilled labour relatively easily. The overall impression is that employers are quite positive about the 457 visa scheme and that it will continue to be an important approach in labour recruitment in the current era of economic globalisation.

1. INTRODUCTION

Background

In 1994-95 the then Labor Government set up a Committee of Inquiry Into the Temporary Entry of Business People and Highly Skilled Specialists to Australia. This was in response to the increasing internationalisation of the Australian economy and concerns expressed by Australian business, economic and trade agencies that existing procedures were too complex for bringing in skilled people from overseas for temporary periods when they had been unable to train or find a suitable person in Australia. The Committee was chaired by Neville Roach, chief executive of Fujitsu Australia, and included representatives from business and the union movement. The Committee's report recommended a radical simplification of the rules and procedures governing temporary entry work visas for skilled business persons and specialist workers. These included no labour market testing¹ (this was implemented in July 2001), no requirement to demonstrate a training benefit to Australian workers and streamlined requirements for medical checks of the potential migrant. The Committee's recommendations were implemented by the new Coalition Government in 1996 and a new temporary business entry visa was introduced that includes a long-stay visa (the 457 subclass) and a short-stay visa (the 456 subclass).

Since then the temporary entry into Australia of skilled workers has increased significantly (see DIMIA 2002; Khoo et al. 2003). In 2002-03, close to 38,000 visas in the 457 subclass were granted for the temporary entry of skilled workers sponsored by employers. The number of people in Australia at 30 June 2003 who were holding such visas was over 56,000 (DIMIA 2004, p. 64, 70).

Australia's immigration program has always emphasized permanent settlement, not temporary entry, so the increase in temporary entry is a new and important shift in migration patterns to Australia. The importance of the temporary business entry program, and in particular its long-stay 457 visa sub-class, is indicated by the commission of three studies into the program's impact on government budgets and Australians' living standards (Access Economics 2002a; 2002b; 2002c). The program has also undergone two reviews, in 1999 and 2002, resulting in further streamlining of procedures but also increased monitoring to ensure sponsors' compliance with the undertakings of sponsorship (Business Advisory Panel 1999; DIMIA 2002).

Research knowledge of overseas migration to Australia and on the labour market impact and experiences of migrants is almost totally focussed on permanent or settler migration because of the country's long-standing immigration program. With the exception of the studies noted above, little is known of the effects of the increasing number of skilled temporary migrants in Australia.

This report forms part of a major study to contribute to better knowledge of the characteristics, motivating factors, outcomes and impacts of temporary skilled migration to Australia. The study has been funded by a Linkage Project grant from the

¹ Labour market testing means that employers have to demonstrate that they have been unable to find a suitably qualified Australian resident to fill the position. They could demonstrate this by providing evidence that the job had been advertised in the media but no suitable applicant could be identified.

Australian Research Council with the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) as a research partner. An important part of the study involves two surveys to obtain information on the factors motivating the sponsorship and migration of temporary skilled workers and the consequences for both employer sponsors and migrants. This report discusses the findings from the survey of employers who have sponsored skilled workers for temporary entry.

Research aims

In order to understand the factors motivating temporary skilled migration, it is important to examine the reasons behind the decisions of businesses and employers to recruit skilled labour from overseas. A survey of employer sponsors of skilled temporary migrants was conducted to examine their industry profile, recruitment process, reasons for bringing in skilled workers from overseas and perceptions of the temporary business entry program. This will provide information on how effective the temporary entry program has been in meeting the needs of business and its implications for the Australian labour market and economy. Employers' views of and experiences with the program will also provide feedback to DIMIA about the effects and effectiveness of its temporary entry policies.

Survey of employers

A small exploratory survey of employers that have sponsored employees on the 457 visa was conducted between May and July 2003. Letters were mailed by DIMIA to 295 companies or organisations that had sponsored employees on the 457 visa informing them about the research project and inviting them to participate in the survey. The companies that were contacted were those that were on DIMIA's most current list of sponsors. A reminder letter was sent out three weeks after the initial mailing.

The employers had two options for completing the survey questionnaire. A copy of the questionnaire was enclosed with the approach letter and employers could complete and return it to the research team in the reply paid envelope provided. Alternatively, they could go to the survey website on the internet and complete the questionnaire online and submit it directly back to the research team.

Completed questionnaires were received from 135 employers, yielding a response rate of 46 per cent. Of the 135 employers, 98 (73 per cent) completed and mailed back the hard copy questionnaire and the rest (37 or 27 per cent) submitted the questionnaire electronically.

The survey was anonymous; employers were not asked to identify themselves (although some did so by saying they were happy to be contacted to discuss the 457 visa subclass further). Information was collected on the employer's location, the size of the business in terms of number of employees, type of sponsor and industry sector. The survey questionnaire was relatively short, with sections asking about how and why the employer recruits employees on 457 visas offshore and onshore, information about the number of employees it has on 457 visas, where they come from and what work they do, and finally the employer's views about their 457 employees, the sponsorship application process, processing time and DIMIA's monitoring

arrangements. Space was provided in the questionnaire for employers to write comments if they wished on any aspect of the 457 visa program. Approximately half of all respondents wrote comments, some of which were very detailed. A summary of these comments has been included as an Appendix to this report.

DIMIA also selected 30 employers from the group of 295 to receive special letters asking if they would also be willing to meet with the research team for a face-to-face interview, in addition to completing the survey questionnaire. The interview was to obtain a more in-depth perspective of employers' experience with the 457 visa subclass. Ten employers agreed to be interviewed; 8 were located in Sydney, 1 in Melbourne and 1 in Canberra. Their industry sectors included IT and communication services (two companies); property and business services (three); electricity, gas and water supply (one); construction (one); accommodation, cafes and restaurants (one); and education (two). The three business services companies were recruitment companies or immigration and visa service providers. Six of the ten companies were multinational corporations. Interviews were conducted at the employers' offices in August and September 2003 by members of the research team. The interview was usually conducted with the manager in charge of 457 visa sponsorship or person or persons involved with recruitment and human resources in the case of large companies. The interviews covered similar topics as the survey questionnaire and took between 30 and 60 minutes. They were tape-recorded with the interviewee's permission and the recorded interviews were transcribed.

2. THE GLOBAL EMPLOYERS

Employers that sponsor temporary skilled migrants are very diverse. They include small businesses, large multinational corporations, hospitals, universities, non-government organizations and religious bodies. The one thing they have in common is that they have a global perspective in hiring to fill new or vacant positions. Often they have had difficulty in finding an Australian resident for the job, because the nature of the job requires skills that are not easy to find locally. Sometimes it is just easier and/or faster, although usually not less costly, to bring someone in from overseas whom they know has the skills they need.

To illustrate the nature of the global market and the context in which employers use the 457 visa, we profile four employers and their experiences in the recruitment of skilled workers from overseas. Following this, the survey findings on employers' characteristics are discussed to provide more information on the employers that sponsor temporary skilled labour from overseas.

Four employer case studies

1. A multinational consulting engineering company

This consulting engineering company is a multinational corporation with headquarters in the United Kingdom. It has offices in 33 countries, undertakes work in 50 countries and employs some 6,500 people globally. There are currently some 550 employees in Australia with offices in all states and territories except Tasmania and the ACT. As a consulting engineering company, it is responsible for the drafting, design and documentation of construction projects while the actual construction work is done by other companies. The company works on some very big projects globally in which people from its offices all over the world are regularly involved. If the Australian office coordinates a particular project, it will often draw on staff from overseas and sponsor them to come to Australia on 457 visas. The company likes its staff to have international experience where possible. In addition, the company sponsors people with certain professional skills that are not available in Australia. One example is fire safety officers for which there is no tertiary training in Australia and most of whom come from the UK and Sweden. Overall, some 95 per cent of the 25-30 workers they sponsor each year on 457 visas are intra-company transfers and most are from the UK. At the time of the survey, the company has about 40 consulting engineers and 5 draughtsmen who are on 457 visas. They stay in Australia for about two years on average.

The company is a Pre-qualified Business Sponsor (PQBS); therefore they have been approved by DIMIA to sponsor any number of 457 visa holders during a given year. One concern raised by the company representative was the time involved in applying for PQBS status every year. (This should be less onerous now that the post-July 2003 arrangements allow companies to be approved to sponsor a nominated number of 457 visa holders over a two-year period.) The company outsources this application process to a migration consultant while the visa applications for migrants are prepared within the company. It usually takes a minimum of two months for a new migrant to take up

his position in Australia from the initial posting of the vacancy to the company's overseas offices.

The airfare and removal costs are paid for by the company. On arrival, migrants are provided with four weeks of accommodation, a settling-in-allowance and a welcome-to-the-city-pack with maps and other information. The company also provides some tax concessions, such as a living-away-from-home allowance, and pays 70 per cent of the private health insurance of the 457 visa holders for a maximum of three years. Most migrants come with a partner but the company is hesitant to sponsor the migration of employees with school-aged children to Sydney due to the high school fees in New South Wales. They have not experienced any problems with their 457 visa employees; most of them return home after their work is completed; a few have applied for permanent residence.

Asked for its views of the 457 temporary business entry scheme, the company thought that Australia's system of temporary migration worked well compared to other countries, particularly due to the recognition of unmarried partners². Overall it is satisfied with its dealings with DIMIA. There are some issues with having obtained wrong and inconsistent information from DIMIA's Sydney office, but DIMIA's website was praised for being very user friendly. The company plans to sponsor 15-20 people per year for the next 3-5 years.

2. An Indian restaurant

Apart from its Indian cuisine, this restaurant also specialises in tandoor pot making and retailing. These tandoor pots are sold to other Indian restaurants in the region. It is a small business with only four to five employees and relies on the 457 temporary entry scheme to bring workers from India because Indian chefs and tandoor pot makers cannot be recruited in Australia. Tandoor pot making is a very specialised trade not known in Australia and Indian chefs are hard to find because few Australians of Indian origin are willing to work in this occupation. The restaurant owner therefore uses his networks in Delhi to recruit chefs from a particular hotel. He has employed the same tandoor pot maker several times for periods of approximately two months at a time during which the pot maker produces 60-70 pots. At the time of the survey, he had two employees on 457 visas, a chef and a tandoor pot maker.

Most of his employees arrive alone but some have brought their families. The restaurant owner has a serious problem with retaining his workers. All nine chefs that he sponsored on 457 visas have applied for permanent residence after about two years and have left their jobs in his restaurant in order to open their own restaurants or for other jobs. He would therefore like to see the introduction of a bonding system whereby employees on 457 visas are required to work in their sponsor's business for a certain period of time. He uses a migration agent to prepare the visa application as this speeds up the process. The agent charges about \$4 – 6,000 per applicant which is a lot of money to him. Other complaints about the system concern the lengthy processing times. The restaurant owner talked about his frustrations when he urgently needed a tandoor pot maker for three months but it took him over five months to get the person

² This employer also referred to same sex partners in this comment. However, the 457 visa does not currently allow for same sex partners to be included in visa applications. Partners may be able to obtain 457 or other visas in their own right to come as well.

into Australia. He thought this was unnecessarily long when the tandoor pot maker had worked for him before. According to him, there are long delays in the Delhi High Commission and the processing time is dependent on who one knows and whether one is prepared to pay in order to speed up the process. Moreover, the minimum wage of \$36,000 for 457 visa workers is problematic for small businesses like his restaurant because, including the meals, drinks and uniform for the workers, the costs per person add up to \$40-50,000 per annum.

3. A recruitment and consulting company

The company's core business is the recruitment of temporary professional, technical and industrial staff for other employers. It has operated in Australia and New Zealand since 1994 and currently has some 60 permanent employees in the two countries. It also has some 1000 casual employees, most of whom are blue collar workers outsourced to warehousing and logistic companies. Based on its industry knowledge of particular skills shortage, the company is looking to sponsor workers with these skills from overseas on a temporary basis.

The company has been approved to recruit 200 nurses and 8 mechanics on 457 visas. The nurses will be recruited mainly for private hospitals, nursing homes and private specialist hospitals. Most nurses are from Hong Kong, Philippines and UK while mechanics come from Papua New Guinea, Philippines and UK. The company has one permanent employee who is a 457 entrant. He is a manager from the UK and was already on-shore when he was sponsored for the 457 visa.

The company has had some difficulties in sponsoring nurses due to the lengthy procedures and the amount of paperwork involved in obtaining approval from the Nursing Federation and the Nurse Registration Board. The high school fees in NSW are also a disincentive for nurses with dependent children as their salary is not high enough for them to afford to pay the full fees.

The company pays a salary of \$38,000 to the 457 visa workers. On arrival they are provided with accommodation for four weeks, assistance in finding employment and help in organising credit cards. At the end of the contract, they are paid the return airfare.

The company first found out about the 457 visa through a lawyer. They now get most information from the DIMIA website and only contact the department for specific questions or when submitting the application. While the process to get approved as a business sponsor is simple, the visa application process for the migrants is more problematic. Initially they used an immigration lawyer in the visa application process for the nurses but have stopped using the lawyer due to the high costs. They also thought that the \$38,000 salary minimum³ imposed by the 457 visa sponsorship was difficult to meet for certain occupations. For instance, they were considering sponsoring hairdressers, but may not be able to do so due to the minimum salary.

³ The minimum salary to be paid to 457 visa holders was \$35,828, as of November 2002. However, the amount of \$38,000 was mentioned by this employer. Employers are supposed to pay 457 visa holders the same level of salary as for Australian workers and the minimum salary for particular skills may vary.

4. A multinational ICT company

The company is a privately owned multinational corporation with headquarters in the United States. It also has an office in the Netherlands. The company has developed a specialised software that is used by businesses with large and complex distribution networks. Most employees on the 457 visa are people from within the company who have a lot of experience with the software and its applications. They are brought to Australia to help with specific implementations that can take from six months to two years. Their overseas employees are keen to come to Australia on a temporary basis, usually for two years. Recently they have also sent their Australian staff to the US headquarters and they plan to extend this in the future. At the time of the survey, there were 4 people on 457 visas working in the company: 2 senior supply chain consultants from the Netherlands office, 1 supply chain consultant, also from the Netherlands and a technical services analyst from South Africa.

Most 457 visa holders are single but some have brought their families along. The company pays for the temporary overseas employees' removal expenses and helps with their initial expenses to get set up in a new house; otherwise they are paid on the same terms and conditions as local employees, except that they are eligible for a living-away-from-home allowance, which is not taxable. All their 457 employees who have finished their assignments with the company have returned home.

The company uses an agent to assist with the application process. While initial negotiations with the prospective migrants usually take about four weeks, the visa application and grant is then usually straight forward. The company is satisfied with the 457 visa program as it has helped them to bring in people from overseas in a fairly straightforward manner. They are happy with the visa processing time, but suggest that it would be helpful to have one designated contact person in DIMIA with whom the company could discuss all aspects of the process. However, the company representative summed up the 457 visa arrangements as "an ideal scheme to help us move people around the world".

These four employers are illustrative of the large and small businesses that employ a global perspective in labour recruitment, whether in terms of moving their employees around the world or addressing local skills shortage in very specialised areas. As discussed below, they are come from a variety of industry sectors and provide a wide range of goods and services that seem to be increasingly in demand by Australia's population and economy.

Employers' profiles

Although DIMIA's administrative records would have provided information on the employers' profiles, some of the data are not in a format that could be readily analysed. Thus the survey provided an opportunity to obtain information on which kinds of businesses and employers sponsor skilled workers from overseas on a temporary basis.

Besides the multinational corporations, IT companies and ethnic restaurants, respondents to the survey include an outdoor adventure company, hospitals, a State Department of Education, universities, an overseas aid organisation, an Asian airline,

hairdressing salons, a horse stud and a Hindu temple. Their diversity makes it difficult to generalise as to the types of employers that are likely to become sponsors of temporary skilled migration.

Location

Nearly 60 per cent of the employers who responded were located in Sydney. This was not unexpected as DIMIA's data on 457 visa holders show that half of 457 offshore arrivals for the years 1996-2001 and two-thirds of 457 onshore visa grants in 2000/01 intended to reside in New South Wales, which was likely to mean Sydney. Employers from all States and the Australian Capital Territory were represented in the survey (Table 2.1). Respondents also included a small number of employers located in Cairns and the Gold Coast and in regional areas (Wollongong, and regional Victoria and New South Wales). However, it is clear that Sydney is *the* place where temporary skilled migration to Australia is concerned. As Australia's premier city, it is a global city where employers think globally in terms of labour recruitment and multinational companies headquartered in the UK, US or France locate their office and regional headquarters when they expand into Australia.

Size of business

As noted before, the employer sponsors can be very large, medium size or small businesses. Less than 5 per cent of the survey respondents had fewer than 5 employees, but 25 per cent had 5-24 employees, 26 per cent had 25-99 employees, 19 per cent had 100-299 employees and the remaining 27 per cent had more than 300 employees. Employers with fewer than 25 employees include restaurants, software companies and hairdressing salons. Large employers include those in the construction and manufacturing sectors, health, education and community services (hospitals) and finance and insurance.

Type of sponsor

Four types of sponsors were included in the survey. These were Standard Business Sponsors (SBS) that were approved to sponsor a specified number and type of skilled workers; Pre-Qualified Business Sponsors (PQBS) that were usually large employers approved to sponsor any number of 457 visa holders in a particular year; Labour Agreement sponsors that have a labour agreement to bring in foreign workers; and Regional Headquarters sponsors that are allowed to bring in foreign workers because they had made Australia their headquarters for the Asia-Pacific region.

One hundred employers or 75 per cent of all respondents were SBS; 14 per cent were PQBS and 9 per cent were employers with a Labour Agreement. There was only one respondent who was a sponsor under the Regional Headquarters Agreement. As expected, PQBS were more likely to be large employers, with more than half of those in the survey having 300 or more employees.

Industry

The survey respondents were from all the major industry categories except government administration and defence. The IT and communications sector had the

largest number of respondents, with 15 per cent of the total sample. This percentage was very close to the industry share of 16 per cent based on DIMIA's data on sponsorship approvals for 2000/01. The next largest industry group was accommodation, cafés and restaurants, with 13 per cent of all respondents. This was higher than the 6 per cent based on DIMIA's data on sponsorship approvals in 2000/01. There was good representation in health and community services, personal and other services, manufacturing, education and construction.

Although the survey was designed to be small and exploratory, the employers who responded appeared to be well represented in terms of location, size of business, type of sponsor and industry sector. The survey findings together with information obtained from the in-depth interviews should provide a reasonable indication of employers' experiences with the temporary business entry 457 visa subclass program.

3. REASONS FOR SPONSORING FOREIGN WORKERS

The issues of why and how employers recruit workers from overseas are important to the study. Accordingly information was collected in the survey on the reasons for sponsoring skilled workers from overseas and how employers identify potential employees from overseas. With increasing numbers of 457 visa holders being on-shore conversions from other types of temporary visitors, questions were also asked about the context of on-shore sponsorship.

Reasons for sponsoring employees on temporary business entry

The reason given most often by employers for sponsoring a worker from overseas was that the required skill was not available or difficult to obtain in Australia (Table 3.1). All types of employers, regardless of size of the business or industry sector, both SBS and PQBS, considered this a very important reason for employing a person from overseas and not an Australian resident. In our interviews with employers it was also clear that employers needed people with specialised skills or familiarity with the company's operations or equipment to work on specific projects in Australia. Knowledge of a company's systems, product or culture is a specialised skill and many employers mentioned it as an important reason for bringing in people on 457 visas, usually from their overseas office. Often these employers also needed people at short notice. Other employers said they recruited overseas because there was a shortage of graduates in professions such as audiologists and nurses or because they needed workers with a particular language or cultural background to liaise with foreign clientele such as Japanese tourists and international students. Certain specialist ICT skills are also in shortage as the human resources officer of an ICT company reports:

It was almost impossible at the end of the nineties to get experienced Java programmers who had the work experience locally in Australia because the universities were only just at that stage training up new graduates. The thing about IT until recently is that there's been a terrible lag in these skill sets. I don't know why it happens, but the universities here have not picked up quickly enough.

The need for people to train other employees was mentioned by more than half of the employers in the survey as an important reason for sponsoring employees from overseas. Small employers and those in the restaurant and manufacturing sectors were more likely to report this reason as important.

Forty percent of employers indicated that sponsorship suited the company's policy. This is particularly the case for multinational companies. The vast majority of 457 visa holders in the multinational companies interviewed were intra-company transfers and moving people around the companies' offices in different countries was sometimes part of their strategy to assist workers to gain more experience.

One in four employers indicated that needing people at very short notice was an important reason. Employers in the accommodation, cafes and restaurant sector and PQBS were more likely to indicate this. One PQBS employer indicated that this sometimes involved bringing in the employees on 456 visas and then lodging

applications for the 457 visa onshore. There was the implication that it was faster to bring in someone from overseas than to train a local person.

Only a small minority (about 20 per cent) of the employers believed that foreign workers were more committed to the job and that this was a reason for their sponsoring foreign workers. Smaller businesses (fewer than 25 employees) were more likely to state this as an important reason. Very few employers sponsored 457 visa holders because the visa conditions provided a higher level of control or that 457 visa holders cost less than local workers. Clearly lower labour costs were not an important factor in hiring foreign workers. The opposite seems to be case, with several employers emphasizing that Australian workers would otherwise be preferred because of the higher costs and time involved in sponsoring an overseas employee. One employer reported that they had to recruit overseas to meet labour demand at peak seasons.

When asked about the characteristics that are important to them for hiring foreign workers, all employers in the survey rated work skills as an important or very important characteristic (Table 3.2). There was no difference by type of sponsor, size of business or industry. English language skills were considered very important by about half of all employers in the survey and another 35 per cent considered them to be important. There was a strong correlation with the size of the business. Only 20 per cent of small employers (fewer than 5 employees) rated English language skills as very important but 64 per cent of large employers (300 or more employees) did so. English language skills were less important to employers in the restaurant and construction sectors. Only 57 per cent of employers in the restaurant industry and 71 per cent of employers in the construction industry rated English language skills as very important. This is not so surprising. Indian or sushi chefs working in the kitchens do not need to have good English language skills. There was no difference between SBS and PQBS in their rating of the importance of English language skills.

Fitting in well with other employees was also considered important by many employers. There was no difference by size of employer or type of sponsor, but employers in the property and business services and retail sectors were more likely than others to rate this characteristic as very important to them.

It was not surprising that work experience in Australia was not an important factor in employers' sponsorship of 457 visa holders since they would be unlikely to have much work experience in Australia. There was no difference by size of business, type of sponsor or industry.

A large majority of employers indicated that 457 visa holders were employed to fill new positions (Table 3.3), suggesting that Australia's labour demands for skilled workers were expanding. Half of all employers indicated that 457 visa holders had been recruited to fill positions held previously by other foreigners and an equal proportion of employers reported that 457 visa holders had filled positions held previously by Australian residents. About 30 per cent of employers reported recruiting 457 visa holders to fill both new positions and positions held previously by other overseas workers or Australian residents. Using foreign workers to fill positions held previously by local residents does not necessarily mean displacement of Australian workers. In a growing economy the demand for skilled workers is likely to increase

providing greater job mobility for skilled Australian workers. In the current global market for skilled labour, Australian workers are also likely to move overseas (Hugo et al. 2001; 2003). The six multinational companies interviewed in this research also send Australian employees abroad to work in their overseas offices or on specific projects. This mobility of Australian skilled labour could lead to their positions being filled by foreign temporary labour.

The reasons for recruiting skilled foreign labour suggest an increasing demand for people with specialised skills and knowledge that are often not available in a relatively small population such as Australia's. Australia's growing economy, the need to keep up with technological advance and consumers' preferences for a wider range of goods and services that come with greater internationalisation of tastes have all contributed to this increased demand for specialised skills.

Recruiting from offshore and onshore

Employers were asked about the approaches they used to recruit employees who were Australian residents, 457 visa holders from offshore and 457 visa holders onshore from foreign visitors already in Australia. The aim was to find out employers' strategies for recruiting temporary workers from overseas and whether and how they differed from recruiting employees locally.

Not surprisingly, the most common approach to recruiting 457 visa holders offshore was through the company's overseas office. One in five employers often used this approach and another one in four sometimes did (Table 3.4). There was no difference between large employers and smaller employers. Businesses with 5-24 employees were just as likely to recruit from their overseas office as businesses with 300 or more employees. Of the employers that were interviewed that had offices overseas, the 457 visa was used primarily to bring in company employees from their overseas office who were knowledgeable about the computer software or equipment that the company used in its business operations or were selling to customers. As in the Indian restaurant profiled, small business owners may use their ethnic networks in their country of origin to identify potential employees for sponsorship. The four teachers currently employed on 457 visas contacted the Department of Education while in Australia on other temporary visas about employment opportunities. The issue of "poaching" other companies' 457 employees came up in one interview but due to the sensitivity of the issue, little information was provided.

Where the sponsor is an employment recruitment company, the process is often such that the Australian client company identifies the person they want to employ, who may be a person offshore or a working holiday maker or student who is already onshore and working for them. The recruitment company then provides advice on whether the person is eligible for a 457 visa. If so, they will undertake the sponsorship process on behalf of the client company.

Migration agents were not used often for recruitment, and used only sometimes by one in five employers in the survey for recruiting from offshore and by even fewer employers for recruiting onshore. For obvious reasons, advertising in the media was used less often in recruiting foreign employees than in recruiting local employees. Personnel recruitment agencies were also used less often in recruiting foreign

employees who were already onshore than in recruiting Australian resident employees. At least half of all employers said that they sometimes recruited 457 visa holders, both offshore and onshore, through other employees and a similar percentage said that they contacted the person directly.

Of the 31 employers who had used migration agents to recruit foreign employees, 65 per cent said that they had used the agents because they understood migration legislation and 45 per cent said that the agents obtained a high rate of approval. Employers do not generally believe that migration agents obtained faster decisions and only a minority of employers had used agents because they were able to identify the right people for the employer (Table 3.5). The major prohibitive factor was the considerable costs for the services of migration agents.

Conclusions

It was clear from the survey that the main reason for sponsoring temporary business entrants was that these workers had the skills required by employers and the employers could not obtain workers with these skills from within the Australian workforce. This indicates that the migrant workers are not taking jobs away from Australian residents, as is sometimes perceived by the community. It also suggests that the Australian education and occupational training systems are not training enough people with the skills needed to fill demand in areas such as nursing and secondary school teaching in science and maths. Some of the skills required are also very specific, usually in relation to a company's product, systems or corporate knowledge. In these situations, the 457 visa provides an efficient process for companies to bring in the most appropriate person for the job.

For some multinational companies the 457 visa provides the opportunity to move their employees overseas to gain experience in different countries. The benefit to the employee and the company is obvious, but it is not as clear that Australia benefits in this situation, except if transfer of skills to local residents occur and indirectly in terms of the visiting employees' impact on the economy (Access Economics, 2001a; 2001b). However, most companies who move overseas staff temporarily to Australia also move Australian employees overseas so that Australians residents, like the 457 visa holders, are also gaining overseas experience through this international exchange and rotation of skills.

4. EMPLOYERS AND THEIR TEMPORARY MIGRANT WORKERS

Employers in the survey were asked about the number of people they have sponsored on 457 visas for each of the years from 1997 to 2002, whether the visa applicants lodged their visas offshore or onshore, how many 457 visa holders they had working with them at the time of the survey and what kinds of work they did. Information was also collected on the countries that their overseas employees came from, their average length of stay with the company in Australia and how often they were accompanied by family members. The employer was also asked about whether they provided 457 visa holders with various benefits such as airfares for dependents, housing, assistance with English tuition and assistance with children's education. This chapter examines the employers' experiences with the 457 visa holders they have sponsored.

Number of 457 visa holders sponsored

As expected the number of employers sponsoring 457 visa holders and the number of employees on this visa sponsored by the employers in the survey increased during the period 1997-2002. Only 37 out of the 135 employers in the survey sponsored employees on the 457 visa in 1997, the first full year of operation of the visa. This number increased steadily over the years.

The average number of employees sponsored over the years by SBS did not increase much. SBS sponsored 2-3 employees on average each year (Table 4.1). In contrast, the average number of employees sponsored by PQBS and employers with Labour Agreements increased considerably over the years. This increase was due mainly to a small number of PQBS and LA employers sponsoring a large number of employees. The median number of employees sponsored by PQBS and LA employers in 2002 was just 3; however one PQBS in the health industry sponsored over 100 employees (mainly nurses from UK and Ireland) and one LA employer in the finance and insurance industry sponsored more than 50 (accountants and managers). With the new arrangements since 1 July 2003 in which employers are pre-approved to sponsor up to a certain number over a two-year period, some employers have been approved to sponsor up to 200 people over the next two years.

Table 4.2 shows the average total number of employees sponsored over the period 1997-2002 and the average number of 457 visa holders currently with the company according to type of sponsor, industry and size of business. Although PQBS can sponsor any number of 457 visa holders, half of those in the survey had sponsored fewer than 10 during the six-year period 1997-2002 and had fewer than 8 employees on 457 visas working with them at the time of the survey.

Employers in the accommodation, cafes and restaurant industry tended to sponsor only a few 457 visa holders. More than half of the restaurants in the survey sponsored only one or two chefs. In contrast, employers in the health and business services industries tended to sponsor larger numbers of 457 visa holders. These are large employers such as hospitals and multinational corporations. As expected, small businesses sponsored very few temporary migrants, while larger employers sponsored larger numbers.

Four out of five employers indicated that their 457 visa holders were often (21 per cent) or sometimes (58 per cent) accompanied by family members. There was no difference between SBS and PQBS in whether their 457 visa employees were likely to be accompanied by family members. Employers whose 457 visa holders were not accompanied by family members were mainly in the restaurant, construction, personal services, IT and communications industries, employing chefs, carpenters and joiners, hairdressers and IT support people.

Occupational skills

Employers in the survey were asked to describe three main occupations or position titles held by their current 457 visa employees. Of the 135 employers who responded to the survey, six did not name an occupation or position title. Of the remaining 129 employers, 47 (36 per cent) named three occupations, 34 (26 per cent) named two, and 48 (37 per cent) named one.

Employers sponsored people with a wide variety of skills. Occupations mentioned most often were general managers, specialist managers (IT, sales and marketing), IT consultants, nurses, medical practitioners⁴, various types of engineers, chefs, hairdressers and tour guides. More specialised occupations included trademark attorneys, media strategists, architects, veterinary surgeons, audiologists and temple stonemasons.

Figure 4.1 shows the proportion of employers who sponsored employees in each of the major occupational categories. Following a review of the 457 visa in 2000, a skill threshold was introduced making only occupations in the first four major occupational groups eligible for the 457 visa (DIMIA 2003). These occupational groups were managers and administrators, professionals, associate professionals and tradespersons. There was a wide range of occupational groups sponsored by the employers in the survey. The largest group of employers (47 per cent) sponsored 457 visa holders with associate professional occupations. The most common occupations sponsored in this group were chefs (Japanese sushi chefs and Indian chefs) and business and administration associate professionals (program administrators and office managers). The next largest group of employers (39 per cent) sponsored people in professional occupations, the most common of which were nurses and medical officers/practitioners. Other professions were accountants, architects, IT professionals and engineers. An equal proportion (38 per cent) sponsored managers and administrators while 17 per cent sponsored tradespersons. The most common tradespersons were hairdressers; other trades were cooks, stonemasons, carpenters and joiners.

A small number of employers sponsored workers whose occupations were below the skill threshold defined by the first four major occupational groups. Eleven employers sponsored people who were tour guides, waiters or other workers in the intermediate clerical, sales and services group. Employers sponsoring tour guides were often Labour Agreement employers. One PQBS employer sponsored kitchen hands, who were classified in the lowest skilled labourers occupational group.

⁴ Although survey respondents have included medical practitioners in answering the question, medical practitioners are not sponsored under the 457 visa; they have their own sponsored visa subclass, 422.

More than half of the employers in the survey sponsored 457 visa holders from only one occupation group, usually the professionals or associate professionals group. One-third of the employers sponsored from two of the first three occupational groups. Few employers sponsored employees with occupations that ranged across three or more major occupational groups.

As noted before, it was apparent from the interviews with employers that some of the people they sponsored from overseas had very specialised skills. However, some of the occupations reported in the survey such as waiters and kitchen hands are not so specialised as to be unavailable in Australia.

Average length of stay

For each occupation or position that was held by their 457 visa employees, employers were asked to state the usual average length of stay with the company of employees with this occupation. The average length of stay among all occupations/positions reported was 30 months, with a median of 24 months. Even though the 457 visa allows the employee to stay in Australia for up to four years, only in a quarter of the occupations/positions mentioned did the occupants stay for the full four years with the company. As reported in our interviews with employers, some 457 visa holders left their initial sponsor for other employers or left the company when they obtained permanent residence. Small businesses faced the most serious challenges retaining staff. One small business owner talked about his experiences:

I employed one person ... but then without giving me any notification, he applied and got permanent residence. He only gave me two days of notice and said "I am not coming back to my job on Monday". It is very hard to find a replacement in Australia. ... I just need some security that they are here for four years. I have sponsored nine people and nine times they have applied for permanent residence and gave me the resignation.

Some temporary business entrants are sponsored for specific projects that are only 6 months or one year while others may have employment contracts for one or two years. The distribution of positions sponsored by duration of stay is shown in Figure 4.2.

PQBS reported a median duration of stay of 36 months compared with 24 months reported by SBS and Labour Agreement employers. Employers in the Accommodation, Cafes and Restaurants industry reported that their chefs often stayed the full four years though some small businessowners in the sector reported problems retaining their workforce.

Countries of origin

DIMIA administrative data show that the UK is the top source country of origin of 457 visa holders. Other major sources are India, US, Japan, Ireland, Korea, Canada, South Africa, China, France and Germany. These were also the main sources of 457 visa holders sponsored by employers in the survey (Figure 4.3). Nearly half (47 per cent) of employers in the survey indicated that they had sponsored employees from the UK. It is possible that the survey questionnaire being in English may have led to

some under-representation in the survey of employers of non-English-speaking background who are likely to sponsor from non-English speaking countries.

Employers in the health sector were likely to sponsor 457 visa holders from the UK in a variety of health professions. The medical imaging technologists, radiographers, radiation therapists, pharmacists and physiotherapists sponsored by employers in the survey were all from the UK. Medical practitioners and audiologists also came from India and South Africa. The nurses were from Zimbabwe, South Africa and Philippines as well as UK and Ireland. A horse stud sponsored veterinarians from the UK, Ireland and South Africa who came for four months each year during the spring breeding season.

The accountants, managing directors and managers sponsored by employers in the finance, insurance and business services sector were also likely to be from the UK and other English-speaking countries such as Ireland, South Africa and US. Tradesmen sponsored by companies in the construction industry and mechanics were also likely to come from the UK and Ireland. Companies have also sponsored engineers and architects from the UK, Germany and Switzerland and stonemasons from Lebanon, Korea, India and Afghanistan.

In contrast, the hairdressers, beauty technicians and nail artists sponsored by employers in the personal services sector were primarily from Korea, China, Japan and Hong Kong. Chefs sponsored by the restaurants in the survey were from India and Japan. Tour companies were likely to sponsor tour guides from Japan.

Some employers sponsored exclusively from one country while others appeared to be extremely multicultural and sponsored from a variety of countries. Examples of the former are small ethnic businesses that sponsored managers exclusively from China or chefs from India, and larger overseas-based companies such as the one that brought in a sales manager, a production manager and a managing director, all from France. One employer with an ethnically diverse workplace sponsored a radio announcer from Indonesia, a presenter/producer from South Africa and a multimedia analyst from India.

The multinational companies that were interviewed sponsored mainly workers from the company's overseas operations. One large multinational corporation in the building industry has sponsored employees from various European countries and the US. One of the two IT multinational companies has sponsored mainly Indians from India and Singapore, the other has sponsored mainly Irish workers.

Benefits provided

The benefits that 457 visa holders receive can include temporary accommodation, removal expenses, superannuation, living away from home allowance, food allowance and settling-in allowance. When employees are shifted within multinational companies, they are usually paid by the local office. Some short-term project staff continue to be on the payroll in their usual country of residence. Employers indicate that while salaries in Australia are perceived as low compared to countries such as the UK and US, the tax-free allowances, such as the living-away-from-home allowance, are one of the attractive factors for coming to work in Australia

Four out of five employers provided airfares and housing on arrival for their sponsored employees (Table 4.3). SBS employers were more likely to provide these forms of assistance than PQBS sponsors (Table 3.4). Employers were less likely to provide housing for the duration of employment. Two-thirds of all employers also provided airfares for dependents of their employees.

Although 457 visa holders are not entitled to Medicare benefits, only 60 per cent of employers reported that they provide medical insurance for their 457 visa holder employees. In some cases the employee has to contribute a certain percentage. Again, SBS employers are much more likely to provide medical insurance for their employees than PQBS employers. (However residents of countries such as UK with which Australia has reciprocal arrangements are automatically entitled to Medicare benefits.)

Half of all the employers in the survey said that they provided assistance for their foreign employees to learn English. However, the proportion of employers providing assistance with English tuition for employees' dependents was much smaller (Table 4.3). Thirty per cent of employers provided some assistance with children's education. There was no difference between SBS and PQBS employers in the provision of these forms of assistance.

School fees in the public school system of New South Wales are an issue for some companies if their employees are paid the minimum salary of \$38,000 per year. As temporary residents, 457 visa holders have to pay full fees for their children to attend public school and this could be as high as \$10,000 per year. School fees are not an issue for companies sponsoring 457 visa holders who are on high salaries as managers or professionals as they can generally afford the fees or they send their children to private schools anyway.

Small employers (those with less than 25 employees) were more likely to provide their overseas employees with housing for the duration of their employment, medical insurance and assistance with English tuition for the employee's family than larger employers. Small businesses and large employers were more likely to provide assistance with English tuition to their employees than medium size businesses. There was no difference by size of business in the provision of airfares for the employees and their families.

5. EMPLOYERS' VIEWS OF THE TEMPORARY BUSINESS ENTRY PROGRAM

An important aspect of the survey and the research project is to canvass employers' views about the 457 visa program, including any problems they have encountered. In addition to their responses to specific questions about problems with their 457 visa holders and how they rate aspects of the sponsorship process, employers were also invited to write in comments about how the scheme can be improved to suit the needs of their company or organization. The interviews with employers were particularly helpful in obtaining the perspectives of different types of employers about the temporary business entry scheme.

Employers' initial source of information about the 457 visa

Employers in the survey were asked how they found out about the 457 visa. The largest number (37 per cent of the total sample) indicated that they found out about the visa subclass from DIMIA (Table 5.1). Migration agents and other employees were other main sources of information. There was not much difference between SBS and PQBS employers in terms of the importance of DIMIA as the main source of information on the 457 visa subclass.

There were some differences by size of the business and industry sector. More than 50 per cent of small businesses (fewer than 5 employees) and large businesses (300 or more employees) in the survey reported DIMIA as their source of information. Medium size businesses (5-99 employees) had a higher than average percentage saying they found out about the 457 visa from migration agents or other employers. Employers in health and community services; accommodation, cafes and restaurants; and finance and insurance sectors were likely to report DIMIA as their primary source of information about the visa subclass. However, among the 20 respondents in the IT and communications industry, a much lower proportion mentioned DIMIA and a higher proportion reported hearing about the visa from migration agents, other employees or personnel recruitment companies.

It is apparent that DIMIA officials have suggested the visa subclass to many employers as the new and faster approach to bring in employees from overseas on a temporary basis. Before the introduction of the 457 visa, universities usually used the education visa (subclass 418) for academic appointments from overseas. Now, on DIMIA's advice they have switched to the 457 visa.

Problems with 457 visa employees

Employers were asked specifically if they had ever experienced the following problems when employing 457 visa holders: language; lack of understanding of Australian workplace culture; and inappropriate or inadequate work skills. Their responses are shown in Table 5.2. Most employers (82 per cent) have never encountered any problems relating to inappropriate or inadequate work skills. However, about half of all employers reported that they had experienced problems with lack of understanding of Australian workplace culture when employing 457 visa holders and about one-third reported experiencing language problems.

The high proportion of employers not having problems in terms of inappropriate or inadequate work skills is not surprising since they usually know the skills of the person they are sponsoring. Nonetheless, small employers (those with fewer than 5 employees) seem more likely to have experienced problems with the skill level of their 457 visa employees than larger employees. Labour Agreement employees were also more likely to report having experienced this problem than SBS or PQBS employers.

Small employers were also more likely to have experienced problems with language with their 457 visa employees, with 80 per cent of those with fewer than 5 employees reporting that they sometimes had language problems with their 457 visa employees. Two-thirds of Labour Agreement employers also reported experiencing language problems. Employers in the retail and wholesale trade and transport and storage industries were also more likely to report encountering language problems, while employers in the finance and business services industries were the least likely to report experiencing language problems, with 80 per cent reporting never having such problems.

Employers in the finance and insurance industry were also the least likely to report having problems relating to lack of understanding of Australian workplace culture. In contrast, over 70 per cent of employers in the manufacturing industry reported experiencing problems relating to lack of understanding of workplace culture. Nearly two-thirds of PQBS employers also reported experiencing this problem.

Only 1 in 5 employers had ever ended a contract prematurely with their 457 visa employee. Among Labour Agreement employers, the proportion was higher at one-third (Figure 5.1). There appears to be an inverse relation between size of company and likelihood of prematurely ending a contract with their sponsored employees, with a much higher proportion of smaller companies reporting having ended a contract prematurely than larger companies (Figure 5.1).

Views about the 457 visa sponsorship arrangements

In the survey, employers were asked to rate the following 457 visa sponsorship arrangements on a scale of 1 to 5:

- The information provided is easy/complicated to understand.
- Application procedures are simple/complex.
- Application fee is very low/very high.
- Processing time is very quick/very slow.
- Monitoring by DIMIA is very simple/very difficult.

The lowest score of 1 indicates a positive view while the highest score of 5 indicates a negative view in relation to each statement. Employers' responses are shown in Figure 5.2. Mean scores were also calculated for the whole sample and by employers' characteristics (Table 5.3). A mean score of 3 implies that on average employers thought the arrangements were not as good as they would like but acceptable.

Employers were generally happy with the information provided by DIMIA on sponsorship arrangements, with 42 per cent giving a rating of 1 or 2 and 22 per cent

rating 4 or 5. The mean scores of small employers and Labour Agreement employers were higher than that of the total sample, indicating more of them thought the forms were not so easy to understand. In the interviews with employers, concerns were raised about wrong and inconsistent information that some companies were given by DIMIA staff. This was usually attributed to DIMIA officers being shifted around in the Department a lot and hence not being always well informed. Several respondents suggested that the situation could be improved by providing each company with a designated DIMIA officer that deals with all enquiries and all aspects of the process.

Employers had a mean score of 3 when asked to rate whether application procedures were simple or complex, with about equal numbers giving a rating of 1 or 2 and 4 or 5. With 38 per cent of employers rating application procedures as being on the complex end of the scale, it would appear that the more streamlined procedures introduced on 1 July 2003 seemed justified. Again Labour Agreement employers and smaller employers had higher mean scores than other employers. One LA employer thought that “the forms to be completed are complex”.

Nearly half of all employers in the survey thought the application fee was acceptable. Only 8 per cent rated it as very high. Small employers and Labour Agreement employers again had higher mean scores than other employers.

Some employers, such as small businesses and non-government organisations were more concerned about the minimum salary level required for 457 visa holders, saying that it fails to take into account the non-cash component of the total salary paid to the employee. Employers in regional areas also point out that salary levels in regional areas are generally lower than in cities such as Sydney or Brisbane.

Forty per cent of employers rated processing time in the slow end of the scale. Employers can now lodge visa applications on the internet (since November 2003) and the commitment of some DIMIA Business Centres to achieve a 48-hour turn-around time by giving priority to processing such e:lodged applications is likely to be welcomed by these employers. The interviews showed that there were serious concerns about delays in offshore visa processing in Australian High Commissions or embassies in some countries. New Delhi and Seoul and China were among the places where delays had been experienced whereas London and Washington received favourable comments. A couple of employers suggested a ‘fast track’ process for visa applicants that they have sponsored in previous years on 457 visas.

Most employers did not feel that monitoring was too onerous; only 20 per cent rated it in the difficult end of the scale. The overall mean score was 2.8. Labour Agreement and small employers again had higher mean scores (3.3 and 3.0 respectively) than other employers.

Employers’ responses to these aspects of the sponsorship arrangements indicate they were generally satisfied with the sponsorship process. Labour Agreement employers and small employers appeared to be less satisfied than other employers. Employers in the finance and insurance industry seemed the most satisfied of all, with mean scores ranging between 2.2 and 2.7.

Among the positive comments received from employers were:

“The current structure is working fairly well for us. It is far better than the previous process and criteria.” (A large employer in the manufacturing industry)

“I find that the current scheme is fine. We have not used our visas quota as much as we would have liked, because our business model has not materialised in the way we would have wanted in Australia, but nevertheless the Labour Agreement has been flexible and the staff at DEWR in Canberra and DIMIA in Parramatta are very open to dialogue and review.” (A Labour Agreement employer in the IT and communications industry).

“ In all honesty I found the process efficient and professional. The staff were always approachable, friendly and pleasant to deal with both by phone and in person. The process was quick and simple to understand. Conclusively, our organization was extremely happy with the Department of Immigration and Multicultural Affairs.” (A Standard Business Sponsor in the finance and insurance industry)

Employers also commented that the 457 visa compares favourably to other countries’ temporary migration programs in that it recognises unmarried couples, gives work rights to partners and free access to education for children in most states (although not New South Wales). Employers also like the PQBS arrangement for the flexibility it provides in terms of number of employees that can be sponsored. Some found the new arrangement of pre-approval to sponsor a nominated number quite problematic because they could not know or forecast which projects they would be working on over the next two years. There was also a suggestion to re-instate the Business Advisory Panel, which had played an important role in the introduction of the temporary business entry visa and which was seen as an important avenue for business to liaise officially with DIMIA on migration matters.

Future sponsorship

Do employers expect to sponsor more people on 457 visas in the future? Seventy-eight per cent answered ‘yes’. Among PQBS employers, the percentage was even higher (84). There was a positive correlation between size of employer and likelihood of future sponsorship, with 88 per cent companies with 300 or more employees expecting to sponsor in future compared with just 62 per cent of businesses employing fewer than 25 people. Employers in the construction, IT and accommodation, café and restaurant industries had below average proportions expecting to sponsor in the future while those in the health and education sectors were more likely to continue to sponsor. This may be that they expect the shortage in such skills as nursing and secondary school teaching to continue in the future, while there has been a slow down in the IT sector and possibly in the construction sector as well.

Employers were also asked the number of 457 visa holders they expected to sponsor over the next five years. Not all employers who expected to sponsor in future gave a number to this question, presumably because they were uncertain or did not know in advance. Of those employers who gave a number, half expected to sponsor just six or fewer employees over the next five years. However, one employer – a PQBS in the health sector – expected to sponsor 800 people (most of them nurses). The average among the 85 employers that gave a numerical response was 20 over five years.

As expected, larger employers expected to sponsor more employees than smaller employers and PQBS expected to sponsor more people than SBS (Table 5.4). Employers in the construction and health sectors expected to sponsor more people than other employers. One employer in the construction industry expected to sponsor 50 people over the next five years. Aside from the employer in the health and community services sector that expected to sponsor 800 people, there were two others in the same sector that expected to sponsor 70-80 people. Employers in manufacturing, IT, business, finance, education and personal services expected to sponsor about 7-8 people on average, although one employer in the education sector that was interviewed had been approved under the new procedures that came into effect on 1 July 2003 to sponsor 200 people over the next two years. Employers in the accommodation, café and restaurant and wholesale trade sectors expected to sponsor the least number of people, an average of just over 2 over the next five years.

Of the 68 employers who answered the question on the number of employees they intended to sponsor over the next 12 months, half expected to sponsor just one or two people and another 20 per cent planned to sponsor three or four. About 10 per cent expected to sponsor between 10 and 20 people. The number of employers giving a numerical response declined when asked to specify the number of people they expected to sponsor in the next 1-2 years and 3-5 years. Of those giving a numerical response, each employer expected to sponsor on average six people during the next 12 months, eight during the next 1-2 years and twelve during the next 3-5 years. Among PQBS, the corresponding numbers were 21, 38 and 68 while SBS averaged three, four and five.

6. CONCLUSIONS

This report summarises the main findings from a survey of 135 employers that have sponsored employees on 457 visas and from in-depth interviews with ten of these employer sponsors. The survey and interviews provided an indication of employers' experience with the 457 visa program, covering a wide range of issues including the characteristics, motivating factors, outcomes and impacts of the temporary business entry 457 visa subclass.

As already obvious from the case studies of four companies presented at the beginning of this report, the businesses sponsoring the migration of skilled workers on temporary 457 visas are very diverse in terms of size and industry, ranging from large multinational finance companies to small ethnic restaurants. However, they all share a global perspective on labour recruitment. The majority of businesses included in the survey are located in Sydney. This is a result of Sydney's role as Australia's major global city and as the main node articulating the Australian economy with the global economy hosting many multinational companies. This exposure makes Sydney employers more likely to adopt a global approach to labour recruitment.

The number of employees sponsored under the 457 visa program has increased steadily since the introduction of the visa in 1996. Not surprisingly, larger companies tend to sponsor a higher number of skilled workers than smaller businesses. Almost four-fifths of employers expected to sponsor more people on 457 visas in the future.

The main reason for sponsoring temporary business entrants was that these workers had the skills required by employers and the employers could not obtain workers with these skills domestically. Accordingly, most employers sponsored 457 visa holders with associate professional occupations, followed by those with professional occupations. Some of the skills required are very specific, usually in relation to a company's product, systems or corporate knowledge. In these situations, the 457 visa provides an efficient process for companies to bring in the most appropriate person for the job from their overseas offices. For some multinational companies, the 457 visa provides the opportunity to move their employees to Australia for a few months or years as part of a corporate strategy for them to gain experience in different countries. Most companies who move overseas staff temporarily to Australia also move Australian employees to their headquarters or other offices overseas so that Australians, like the 457 visa holders, are also gaining overseas experience through this international exchange and rotation of skills.

In short, with the internationalisation of the Australian economy, there is an increasing demand for people with specialised skills and knowledge that is not available in Australia's relatively small labour market. If the skills and knowledge were available in Australia, most employers indicated that they would not go through the costly and lengthy process of recruiting workers from overseas.

The costs of employing workers from overseas are higher than the costs for local workers not only because of the sponsorship application and visa costs and airfare for the sponsored employee but also because most employers grant 457 visa holders special benefits that are not granted to Australian employees. These may include

removal expenses, temporary accommodation on arrival, various tax-free allowances, such as a living away from home allowance, private health insurance and others.

The reasons given for sponsoring foreign workers and the costs involved indicate that the temporary migrants do not take away jobs from Australians. Employers would have preferred to employ Australian residents if they could find local people with the skills or expertise they required. The survey also shows that employers do invest or are willing to invest in training Australians to do specialised jobs. However, they either have difficulty in finding people who are willing to train for these jobs (eg. Indian restaurant chefs) or that training programs take a few years (eg. patent and trade mark attorneys, secondary school maths and science teachers), and they needed people to do the work immediately. It is significant to note that the employers who indicate that they are likely to continue sponsoring a large number of overseas workers on 457 visas in the future are those in the health and education sectors rather than the business sector. This suggests that it is these service industries rather than business that expect to experience continued labour shortage that is not expected to be met with local training.

The top source countries are the main English speaking countries of UK, US, South Africa, Ireland and Canada with India, Japan, Korea, China, France and Germany also being among the major sources. With an average of 30 months stay in Australia, a considerable proportion of workers on 457 visas stay in Australia for less than the maximum period of four years allowed under the visa.

Overall, the surveyed employers were satisfied with the operation of the 457 visa and with the performance of their sponsored employees. The majority has never encountered any problems relating to inappropriate skills of their employees but some problems were experienced due to a lack of knowledge of Australian workplace culture and language problems. The employers overall rated the visa sponsorship arrangements and their dealings with DIMIA as satisfactory. Small businesses were more likely to be concerned about the complexity and costs of the visa application process and the visa conditions.

The survey indicated that skilled workers brought in temporarily from overseas were essential for the successful operations of many businesses, non-profit organisations and service industries. Many employers now have a global view of labour recruitment. While this is understandable for multinational companies with global operations, many small businesses and public sector institutions such as hospitals and education departments are also using the same strategy to obtain skilled labour that they say are in short supply in Australia. The 457 visa has provided employers with the flexibility to tap into the global pool of skilled labour relatively easily. The overall impression is that employers are quite positive about the 457 visa scheme and that it will continue to be an important approach in labour recruitment in the current era of economic globalisation.

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Table 2.1. Profile of employers in the survey

	Number of employers	%
Head office location		
Sydney	79	59%
Melbourne	20	15%
Brisbane	12	9%
Cairns	3	2%
Gold Coast	3	2%
Adelaide	4	3%
Perth	5	4%
Hobart	1	1%
Canberra	1	1%
Other locations	5	4%
Not stated	2	2%
Number of employees		
<5	5	4%
5-24	33	25%
25-99	34	26%
100-299	25	19%
300+	36	27%
Type of sponsor		
Standard business sponsor	100	75%
Pre-qualified business sponsor	19	14%
Labour agreement	12	9%
Regional headquarters agreement	1	1%
Not stated	3	2%
Industry		
Agriculture, mining	1	1%
Mining	4	3%
Electricity, gas and water supply	1	1%
Manufacturing	9	7%
Construction	9	7%
Transport and storage	8	6%
Health and community services	15	11%
Culture, sport and recreations ervices	2	2%
Accommodation, cafes, restaurants	17	13%
IT and communication services	20	15%
Property and business services	6	5%
Financial and insurance	6	5%
Education	9	7%
Personal and other services	14	11%
Retail	6	5%
Wholesale trade	6	5%
Government administration and defence	0	0%
Not stated	2	0%
Total	135	100%

Table 3.1 Reasons for hiring a 457 visa holder rather than an Australian resident

Reason	% of employers who said reason was:		
	Very important	Important	Total
Required skills difficult to obtain in Australia	70	19	89
Need people to train others	27	30	57
Sponsorship suits company's policy	16	24	40
Require people at very short notice	10	16	26
Foreign workers more committed to the job	12	10	22
Visa conditions provide a higher level of control	2	10	12
Sponsored employees have a lower cost	4	5	9

Table 3.2. Employee characteristics important to employers in sponsoring workers on 457 visas

Employee characteristic	% of employers who said characteristic was:		
	Very important	Important	Total
Work skills	90	10	100
English language skills	48	35	83
Fits well with other employees	41	42	83
Work experience in Australia	2	15	17

Table 3.3. Per cent of employers who would recruit 457 visa holders to fill these positions.

	% of all employers
New positions	73
Positions held by other migrants	56
Positions held by Australian residents	52
All the above	28

Note: including Not stated.

Table 3.4. Methods of recruitment of employees on 457 visas, offshore and onshore, compared with recruitment of Australian employees: percentage of employers who used each method often or sometimes.

Recruitment method	% of employers who used this method to recruit:		
	457s offshore	457s onshore	Australian employees
Personnel recruitment agency			
Used often	-	4	19
Used sometimes	-	38	54
Other employees			
Used often	5	4	20
Used sometimes	51	57	66
Advertising			
Used often	14	19	48
Used sometimes	38	41	46
Contacting person directly			
Used often	8	4	11
Used sometimes	42	40	63
Overseas office			
Used often	21	-	-
Used sometimes	27	-	-
Migration agent			
Used often	2	1	-
Used sometimes	19	13	-

Table 3.5. Percentage of employers who used migration agent, by reason for using agent.

Reason	% of employers who used agent for this reason
Agent understands migration legislation	65
Agent gets a high rate of approval	45
Agent obtains faster decision	36
Agent is able to identify the right people	26

Table 4.1 Average number of 457 visa holders sponsored by employers in the survey, 1997-2002, by type of sponsor

Type of sponsor	1997	1998	1999	2000	2001	2002
Standard business sponsor	2 (26)	2 (42)	2 (46)	3 (70)	3 (81)	3 (85)
Pre-qualified business sponsor	4 (6)	10 (8)	10 (10)	12 (12)	12 (14)	15 (18)
Labour Agreement	2 (4)	2 (4)	2 (4)	4 (6)	15 (9)	10 (9)
Regional Headquarters	2 (1)	2 (1)	3 (1)	2 (1)	3 (1)	2 (1)
Total	2 (37)	3 (55)	3 (61)	4 (89)	5 (105)	6 (113)

Note: The number in parentheses refers to the number of employers who reported the number of 457 visa holders they sponsored that year.

Table 4.2. Mean and median number of 457 visa holders sponsored, 1997-2002, and mean and median number currently with employer, by type of sponsor, industry and size of employer.

Employer characteristic	Total no. 457s sponsored		(Number of employers)	No. currently with employer		(Number of employers)
	Mean	Median		Mean	Median	
<i>Type of sponsor</i>						
Standard business sponsor	9	6	(100)	5	3	(98)
Pre-qualified business sponsor	41	10	(19)	22	8	(19)
Labour Agreement	24	7	(12)	17	5	(12)
Regional Headquarters	14	14	(1)	2	2	(1)
<i>Industry</i>						
Agriculture	7	7	(1)	4	4	(1)
Mining	6	7	(4)	3	3	(3)
Manufacturing	14	10	(9)	5	4	(9)
Construction	22	12	(9)	8	2	(9)
Electricity	68	68	(1)	29	29	(1)
Transport and Storage	18	14	(8)	7	5	(8)
Health and community services	41	13	(15)	24	10	(15)
Accommodation, cafes, restaura	3	3	(17)	3	2	(16)
Culture,sport and recreation	8	4	(2)	8	8	(2)
IT and communication	8	7	(20)	4	3	(2)
Property and business services	12	12	(6)	6	7	(20)
Finance and Insurance	34	6	(6)	25	3	(6)
Education	6	6	(9)	3	4	(6)
Personal Services	12	8	(14)	5	3	(9)
Retail	9	6	(6)	6	4	(14)
Wholesale trade	6	4	(6)	3	2	(6)
<i>Size of business</i>						
Less than 5 employees	3	1	(5)	2	1	(5)
5-24 employees	7	6	(33)	3	3	(32)
25-99 employees	10	6	(35)	5	3	(35)
100-299 employees	11	7	(25)	5	3	(25)
300+ employees	32	9	(36)	19	5	(35)
Total	15	7	(134)	8	3	(132)

Table 4.3. Benefits/Assistance provided by employers to 457 visa holders

Benefit/assistance	% of employers who provided benefit:			Number of employers*
	Often	Sometimes	Total	
Airfares	41	38	79	102
Airfares for dependents	31	34	65	89
Housing on arrival	39	43	82	102
Housing for duration of employment	12	33	45	100
Medical insurance	29	31	60	106
Assistance with English	12	37	49	74
Assistance with English for dependents	3	16	19	63
Assistance with children's education	5	24	29	75

* Excluding employers who answered 'not applicable'.

Table 4.4. Benefits/Assistance provided by employers to 457 visa holders, by type of sponsor

Benefit/assistance	Standard business sponsor	Pre-qualified Business Sponsor
	% provided benefit/assistance	
Airfares	83% (N=75)	63%* (N=16)
Airfares for dependents	69% (N=65)	50% (N=14)
Housing on arrival	82% (N=73)	65% (N=17)
Housing for duration of employment	49% (N=71)	35% (N=17)
Medical insurance	63% (N=75)	39%* (N=18)
Assistance with English	50% (N=52)	46% (N=13)
Assistance with English for dependents	21% (N=42)	23% (N=13)
Assistance with children's education	33% (N=51)	29% (N=14)

**p<0.10 in chi-square test, indicates difference between percentages for SBS and PQBS is statistically significant.

Note: Number in parentheses refers to number of employers who responded to the question excluding those who responded as 'not applicable'.

Table 5.1. Employers' initial source of information about the 457 visa

Source of information	Number of employers	% of respondents*
DIMIA	50	37%
Migration agent	29	21%
Other employees	23	17%
Other employers	13	10%
Personnel recruitment company	6	4%
Australian embassy staff	4	3%
Other	8	6%
Not stated	2	1%
Total	135	100%

* Excluding not stated

Table 5.2. Percentage of employers who experienced problems when employing 457 visa holders

Problem	% of employers experiencing problem			Number of employers
	Often	Sometimes	Never	
Language problems	1	35	64	132
Lack of understanding of workplace culture	5	48	48	130
Inappropriate or inadequate work skills	0	18	82	131

Table 5.3. Mean scores of employers' responses to aspects of the 457 visa sponsorship arrangements, by employer's characteristics.

Employer characteristic	Q1*	Q2*	Q3*	Q4*	Q5*
Type of sponsor					
Standard business sponsor	2.6	3.0	2.9	3.1	2.7
PQBS	2.9	3.0	3.2	2.8	2.6
Labour Agreement	3.2	3.7	3.4	3.3	3.3
Size of business					
< 5 employees	3.2	3.4	3.4	3.2	3.0
5-24 employees	2.9	3.4	3.2	3.5	2.8
25-99 employees	2.6	3.1	3.1	3.2	2.9
100-299 employees	2.5	3.0	2.7	3.0	2.9
300+ employees	2.7	2.7	3.0	2.6	2.7
Industry					
Mining	3.3	3.5	2.3	3.8	3.5
Manufacturing	3.0	3.1	2.8	2.4	2.7
Construction	2.7	3.6	2.9	3.2	2.4
Transport and storage	3.0	3.8	3.6	4.5	3.0
Health and comm.services	2.6	3.1	3.2	3.0	2.6
Accommodation, cafes	2.6	2.8	3.1	3.2	2.4
IT and communications	2.7	2.9	3.0	3.2	2.8
Property and business	2.8	3.2	3.0	2.2	2.8
Finance and insurance	2.2	2.7	2.2	2.2	2.5
Education	2.8	2.8	3.0	2.9	2.9
Personal services	2.4	2.9	3.0	3.0	2.8
Retail trade	3.0	3.3	3.2	3.0	2.8
Wholesale trade	2.7	2.7	3.2	3.3	3.2
Total	2.7	3.0	3.0	3.1	2.8
(Number of employers)	(132)	(132)	(131)	(130)	(128)

*Q1: Information provided is easy/complicated to understand.

*Q2: Application procedures are simple/complex.

*Q3: Application fee is very low/very high.

*Q4: Processing time is very quick/very slow.

*Q5: Monitoring by DIMIA is very simple/very difficult.

Scores range from 1 to 5. For example, in Q1, a score of 1 refers to easy, a score of 5 refers to complicated.

Figure 4.1. Per cent of employers who sponsored 457 visa holders in each major occupational group.

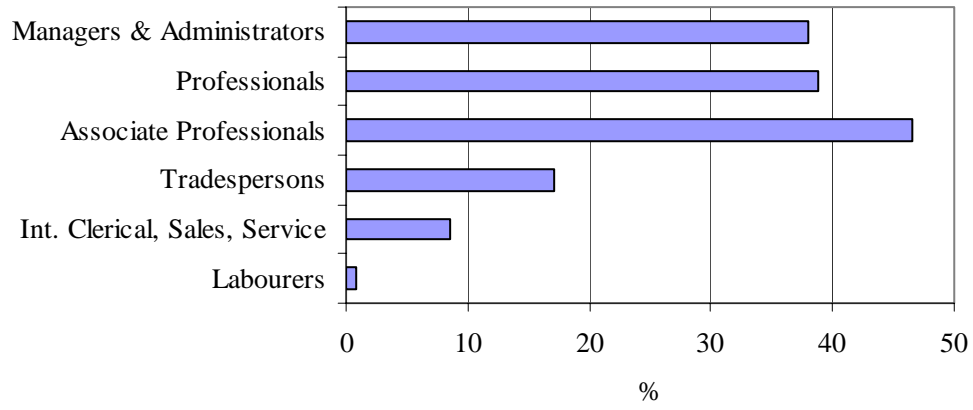


Figure 4.2. Duration of stay of 457 visa holders sponsored by employers

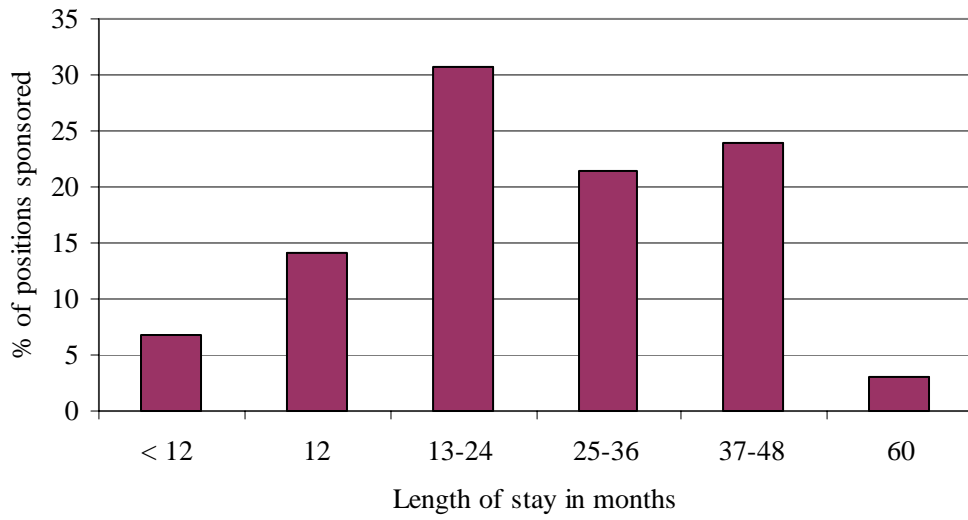


Figure 4.3. Country of origin of 457 visa holders sponsored by employers in the survey

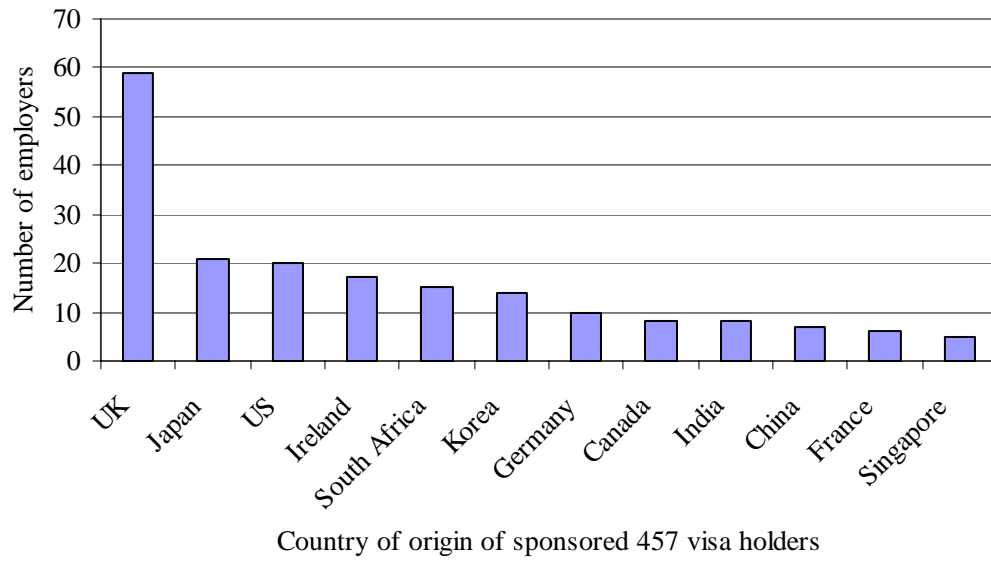
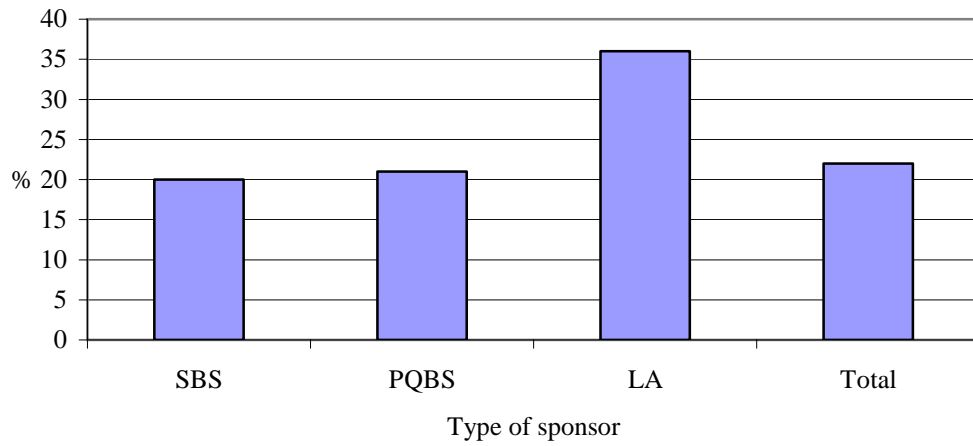


Figure 5.1. Percent of employers who have prematurely ended a contract with their 457 visa employee, by type of sponsor and size of business

A. By type of sponsor



B. By size of business

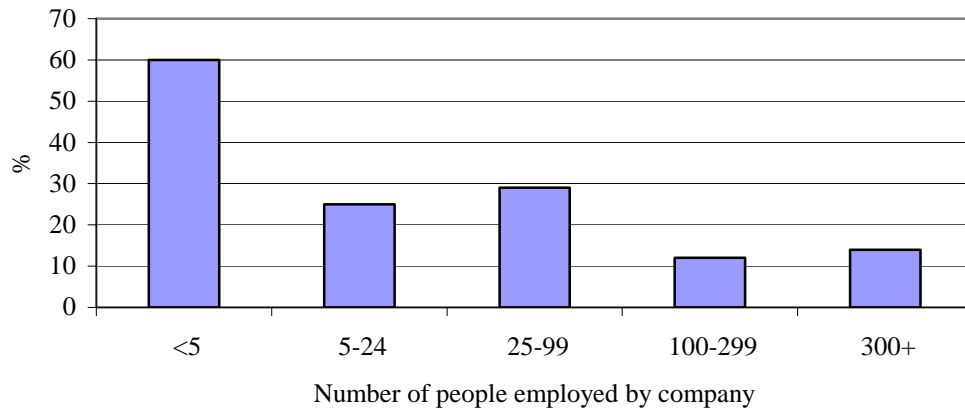


Figure 5.2. Employers' responses to aspects of the 457 visa sponsorship arrangements.

