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# Terms of Reference

## BACKGROUND

### The General Skilled Migration (GSM) Categories

Australia's general skilled migration categories include the points tested **Skilled Independent**, **Skilled Independent Regional** and **Skilled-Australian Sponsored** (for those sponsored by a relative who is an Australian citizen or permanent resident) visas. They also include the non-points tested **Skilled Designated Area Sponsored** visa for skilled migrants with family sponsors in designated regions.

### Objectives of the GSM

The GSM has three balancing objectives. These are to:

- deliver skilled migrants to strengthen and augment the Australian labour force;
- help sustain Australia's demographic future by complementing natural increase (births minus deaths) with managed immigration in the context of a below-replacement level fertility rate and an aging population; and
- help address the skilled labour needs of regional Australia.

### The Points Test

The GSM points test is applied to principal applicants for Skilled Independent, Skilled Independent Regional (introduced on 1 July 2004) and Skilled-Australian Sponsored visas. These three categories accounted for 54,940 or 77% of all Skill Stream visas granted in 2003-04. (The remaining Skill Stream visas, which were not points tested, and not included in the GSM, were issued in the Employer Nominated and Business Skills categories plus a small number of Distinguished Talent visas).

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## Objectives of the Points Test

The objectives of the points test are to:

- systematically and objectively select the skilled migrants most likely to contribute to the objectives of the GSM, as outlined above; and
- regulate the size of the Skill Stream according to planning levels set by the Government, by varying the number of points required to qualify for a GSM visa.

## Delivery of the GSM

Applications for all GSM visas, from both outside Australia and from within Australia, are now processed in the Adelaide Skilled Processing Centre (ASPC).

## TERMS OF REFERENCE

The terms of reference of this evaluation of the GSM and points test are to:

1. examine the efficiency and effectiveness of the current structure and operation of the GSM and points test (excluding issues relating to the numbers selected through this process, which is subject to policy considerations outside the ambit of this evaluation);
2. assess how well the GSM and points test are meeting their objectives as set out above, principally through an examination of the characteristics and labour market outcomes of GSM principal applicants. This examination should draw substantially on the results of:
  - the longitudinal surveys of immigrants to Australia (LSIA 1 and 2);
  - the recent DIMA survey of SDAS migrants;
  - the recent DIMA survey of former overseas students subsequently granted Skilled Independent visas;
  - the forthcoming third longitudinal survey of Migration Program entrants (first wave data to be available in August 2005); and
  - the three comparisons with overseas migration selection processes to be commissioned in conjunction with this evaluation.
3. examine the administration of the GSM points test in terms of its efficiency and effectiveness;

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4. recommend any changes deemed necessary to improve the administration, operation and outcomes of the GSM and points test, including drawing upon the comparisons of the operations of the Australian and overseas points tests; and
  5. Deliver a report by February 2006 covering all of the above, and including an executive summary, with appendices containing the three overseas points test comparisons.

The evaluation is also to take into account and build upon other studies of Australia's skilled migration processes, including:

- **The Review of the Independent and Skilled-Australian Linked Categories** (DIMA, 1999); and
- **To Make a Contribution: Review of Skilled Labour Migration Programs** (Parliament of the Commonwealth of Australia, Joint Standing Committee on Migration, March 2004).



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# Introduction

## Origin of the Evaluation

On 14 April 2005, the Minister for Immigration and Multicultural and Indigenous Affairs, Senator the Hon Amanda Vanstone, announced the 2005-06 Migration Program. This program, of between 130,000 and 140,000 places, will contain a Skill Stream of 97,500 places, the largest on record.

This expansion of the Skill Stream, for the eighth year running, comes at a time of skill shortages, a growing awareness of the implications of a below-replacement fertility rate for Australia's future labour force growth and increased public support for a well managed Migration Program.

The skill shortages faced by Australia are particularly acute in some strategic sectors, such as mining and infrastructure, and have the potential to create production bottlenecks that threaten economic growth. This in turn has implications for people with fewer labour market skills, who have benefited from the steady expansion of the economy and the consequent decline in the general unemployment rate that have occurred over recent years.

While the Government has stated that expansion of training opportunities for Australians, particularly in the traditional trades, is a priority to address the current situation, skilled and experienced migrants are also needed to help ensure that firms are not hampered from operating at maximum capacity by immediate labour shortages.

While current shortages may, to a large extent, be short term and cyclical, they are also harbingers of a longer term, demographically driven tightening of labour supply. Australia's fertility rate has fallen sharply since 1961 to its current rate below 1.8 children per woman. The long term consequences of this are an aging population and smaller numbers of people of workforce age, which both contribute to an increasing dependency ratio. The rate of growth of people of workforce age has been slowing since 1999. On current trends, in little more than ten years, if not for immigration, this group could begin to shrink.

At the same time, Australia is facing increasing competition for skilled migrants from countries facing similar demographic futures. Indeed, many countries, particularly in Europe and Japan (but also Canada with a fertility rate of 1.6) are facing a more rapid and acute shrinking of their labour force age populations. The UK is only the latest such country to enter the race for skilled migrants.

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Research suggests that we have certain inherent advantages in this competition, not least climate and lifestyle. It would be foolish to believe, however, that skilled workers seeking a better life will not have an increasing range of destinations to choose from in the future.

These factors all point to the need for Australia to retain a highly effective system for choosing skilled migrants.

Against this background, in mid-2005, Senator Vanstone asked three independent immigration experts to examine Australia's selection processes for skilled migrants, in particular the General Skilled Migration (GSM) visa categories and the points test used in conjunction with the GSM.

### **The role of the GSM categories within Australia's skilled migration strategy**

In announcing the 2005-06 Migration Program, Senator Vanstone set out the Government's priorities for selecting skilled migrants.

The first priority is to target employer sponsored migrants, who move straight into jobs where there is a direct and clear need for their skills. These migrants are not included in this evaluation as a number of initiatives are already underway to assist Australian employers identify and sponsor skilled migrants for direct employment in their businesses.

The second priority is to target migrants who have been sponsored by States and Territories as they are best placed to identify the skill needs of their cities and regions. Two of these programs, the points tested Skilled Independent Regional and the non-points tested Skilled Designated Area Sponsored (SDAS) visas are included in this evaluation as they are GSM visas.

The third priority is to target migrants who have an occupation on an expanded and more responsive Migration Occupations in Demand List (MODL). The MODL is an inherent element of the points test and is therefore included in the ambit of this evaluation.

### **Importance of the points tested GSM visas**

While priority has been given to employer and state/territory sponsored migrants in the 2005-06 Program, the GSM categories remain critically important.

In 2004-05, the points tested categories comprised 73% of all Skill Stream visas. In 2005-06 this proportion is expected to fall as the share of non-GSM employer and State sponsored visas increases. The continued importance of the GSM visas can be seen however, from the fact that 49,200, or half of the 2005-06 Skill Stream, will consist of Skilled Independent visas (this does not include the considerable number of SIR and SDAS visas that will also be granted in this year).

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In other words, the GSM categories will remain the major route to skilled migration in Australia in the immediate future. It is essential, therefore, to ensure that they continue to deliver the best skilled migrants to Australia.

## **The Authors**

The authors of this report are Professor Sue Richardson, of the National Institute of Labour Studies, Flinders University, who has particular experience in analysing the labour market outcomes of new migrants to Australia, Associate Professor Lesleyanne Hawthorne of Melbourne University, who has extensive knowledge of skilled migration to both Australia and Canada, and Dr Bob Birrell, Centre for Population and Urban Research, Monash University, who is probably Australia's most experienced immigration analyst.

The growing international competition for skilled migrants also prompted the inclusion in this evaluation of comparisons between Australia's skilled migration processes and those of two established immigration countries, New Zealand and Canada, and a third relative newcomer, the United Kingdom. These comparative papers are examined in depth in Chapter 5, and printed in full in Appendix A1 to A3. They have been written by leading immigration experts, Professor Dan Hiebert, University of British Columbia, Professor John Salt, University College London, and Professor Richard Bedford, University of Waikato.

In the course of compiling this report, the authors have spent many hours talking to the diverse people and organisations who have an interest and a role in the selection of GSM migrants. These include the Commonwealth Departments of Employment and Workplace Relations, and Education, Science and Training, assessing bodies and staff of the Adelaide Skilled Processing Centre.

DIMA would like to record its gratitude to the authors for the diligent and effective way in which they have addressed the terms of reference of the evaluation. Skilled migration makes a very significant contribution towards the social and economic fabric of Australia. This report will help ensure that Australia stays ahead of its international competitors and that the GSM continues to deliver skilled workers and future Australians of the highest calibre.

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