Internationalisation and a Big Australia: debates on migration, education and population.
TAFE Directors Australia 2011 National Conference
Sheraton on the Park Sydney
Tuesday 6 September 11.20 to 12.05 pm

Peter Mares Presenter, ‘The National Interest’, ABC Radio National; Adjunct Fellow, Institute for Social Research, Swinburne University

Abstract: Australia’s skilled migration program is changing in ways that are largely overlooked in public debates. Firstly, temporary migration now rivals permanent migration as a source of skilled labour. Secondly, Australia has increasingly moved to a two-step migration process where migrants live and work in Australia on temporary visas before seeking permanent residence. Thirdly there has been a shift away from independent migration to employer sponsorship. Fourthly migration processing has been prioritised so that applications are no longer processed in the order in which they are lodged, but in line with Australia’s perceived economic interests. These processes will be further entrenched through the planned introduction in 2012-13 of a new migrant application and selection process called SkillSelect. The implications of these changes are far-reaching but little discussed.

Introduction: Media attention in the Immigration portfolio has been focussed almost entirely on asylum seekers arriving by boat - a politically fraught issue but one which is of relatively small import in terms of the future size of Australia’s population, its demographic make-up or the productivity of our economy. Meanwhile there has been a major revamp of our systems for selecting and approving skilled migrants that will arguably have a much greater impact on the future shape of Australian society. More changes are in the works.

Overall, the changes to skilled migration are evolutionary rather than revolutionary in the sense that they build on existing trends in Australia’s migration program apparent since at least the Hawke-Keating era. That is, an increasing focus on skilled migration (rather than migration for family reasons) and an emphasis on more accurately targeting the migration program to address specific needs of business and the economy. The key word here is ‘flexibility’, so that the migration program stays in synch with the changing needs of the labour market. The changes also aim to ensure that migrants are employed in positions that maximise the use of their skills and qualifications (rather the scenario in which accountants end up driving taxis). Some changes have been a response to problems generated by past policy settings, particularly in relation to the international education market.

My aim in the next twenty minutes is to give an overview of these changes and to foreshadow some of their implications, without getting tangled up in the bewildering detail of specific visa subclasses.

1. The rise of temporary migration
The first point to note is the continued rise of temporary as opposed to permanent migration. The annual intake of skilled workers on temporary 457 visas now approaches the annual intake of permanent skilled migrants. (Chart 1)

**Chart 1 Permanent skilled migration vs temporary skill 457 visas 1999-2011**

Indeed in one recent year (2007-08) temporary skilled migration outstripped permanent skilled migration. This could happen again in future, since permanent migration is subject to an annual cap and temporary migration is not.

The 457 visa sub-class was conceived under the Keating government and implemented under John Howard after the Coalition came to power in 1996. It was intended as a transitional measure to help meet short-term skills gaps in Australian labour market while the training and education system caught up with the demand for domestic skilled workers. But use of the 457 visa has grown steadily and it is now a permanent feature of the labour market.

Despite a sharp short-term fall in the number of new visas issued during the global financial crisis, the stock of temporary skilled workers present in Australia is almost double what it was five years ago (up from 64,340 to 116,012.) (Chart 2)
Numbers are anticipated to keep rising. By 2014 the number of temporary 457 workers present in Australia is likely to be 40% higher than today. (Chart 3)

**Chart 2 457 visa holders (stock) 2005-2010**

**Chart 3 Projected stock of 457 visa holders to 2014**
The priority given to temporary migration, and its centrality as a mechanism for meeting skills shortages in the economy was evident in the 2011-2012 federal budget, when the government committed an extra $10 million in the administration of the 457 program, with the aim of halving visa processing times from an already speedy 22 calendar days.\textsuperscript{iv}

The government has also introduced a new form of temporary migration specifically designed to address spikes in demand for labour flowing from the resources boom, especially during the construction phase of major projects. This new mechanism is called an Enterprise Migration Agreement or EMA.

EMAs will be “available to resources projects with capital expenditure of more than two billion dollars and a peak workforce of more than 1500 workers”\textsuperscript{v}. EMAs can encompass not only skilled but also semi-skilled labour - that is not just occupations with an ANZCO skill level of 1,2 or 3 (professions like engineering for example, or skilled trades), but also ANZCO skill levels 3 and 4 (certificate level qualifications).

The government maintains that this will not displace domestic skills formation, since to be approved for an EMA projects will need to develop a comprehensive training plan and:

- commit to training in occupations of known or anticipated shortage
- commit to reducing reliance on overseas labour over time, with particular focus on semi-skilled labour
- demonstrate that training strategies are commensurate with the size of the overseas workforce used on a project
- demonstrate how training targets will measured and monitored and enforced with contractors

In addition, companies using EMAs are subject to the same requirement as employers using the 457 program, that this they must either:

- contribute two per cent of payroll to a relevant industry training fund
- spend one per cent of payroll on training their Australian employees.

The policy question that this poses for the TAFE sector - and one to which I have not found an adequate answer - is whether or not these policy measures result in increased training and skills formation for the domestic population. In other words, does the increased entry of temporary workers enhance training opportunities for Australians - particularly for those hard to reach groups currently outside the labour market? Or are they at risk of being displaced, because it is easier to recruit skilled labour offshore than to train locals?

In this context we should remember that 457 visa holders are not the only long term but temporary residents in Australia with work rights. There are also international students (Chart 4).
Chart 4 457 visas + int. students (stock) 2005-2010

And working holiday makers (chart 5)

Chart 5 457 visas, int students +whms (stock) 2005-2010
There is one other group that we must add to the mix: international student graduates seeking permanent residency who remain in Australia either on bridging visas while their applications are in the processing pipeline, or on 18-month long 485 skilled graduate temporary visas that are designed to give them an opportunity to gain skilled work experience or improve their English language skills. (Chart 6)

Chart 6 457 visas, int students, whms + 485 + bridging visas (stock) 2005-2010

Together these five categories of temporary long-stay migrants now constitute around 5% of the Australian labour force. Since their age profile is generally much younger than that of the general population, this group now makes up around one fifth of the total labour force aged between 20 and 24. vi

While 457 visa holders generally occupy skilled and relatively well-paid positions, international students and working holiday makers mostly enter the job market at lower wage rates and their profile in the labour force is “clearly biased towards lesser-skilled jobs” vii. There is strong evidence that the net employment effect of international students and working travellers is positive overall - that their spending and other activities generates more jobs than they take up - but this nevertheless raises another policy question: to what extent are they displacing “those in direct competition for the same kinds of work” viii? The two groups most at risk of being displaced would be of direct concern to TAFE directors: Australian students and the low skilled, particularly school leavers exiting the education system and entering the workforce for the first time. It is worth remembering that despite Australia’s strong economy the
unemployment rate for 15–19 year olds in July 2011 was 15.6 (and for 15-24 year olds it was 10.2%).

2. Two-Step Migration

The rise of temporary migration brings us to the second major change in Australia's skilled migration and that is the intensifying trend towards two-step migration.

A significant proportion of the temporary long-stay migrants identified above do not leave Australia when the visas expire, but change their status. So for example a working holiday maker at the end of their travels might seek to stay working in Australia on a 457 visa, a graduating student might also move on to a 457 visa or directly to permanent residency, and a considerable proportion of 457 visa holders will eventually be sponsored for permanent residency by their employers. (Chart 7)

Chart 7 Ratio of new 457 visas to 457s converting to PR 2001-2011

The proportion of 'new' permanent migrants who are actually 'old' temporary migrants has been steadily increasing. In the skilled migration program in 2010-11, 59 percent of permanent residence visas were issued onshore. (Chart 8)
The potential advantages of a two-step or try-before-you-buy migration process are obvious. As a recent departmental discussion paper notes it allows employers to test a visa applicant's "work skills before sponsoring them for permanent residence" while the temporary migrants "have an opportunity to assess their employers and Australia before applying for permanent residence". There is a potential downside however, as identified by Industrial relations commissioner Barbara Deegan in her review of the integrity of the 457 visa program. She noted that temporary migrants who "have aspirations towards permanent residency" are particularly "vulnerable to exploitation as a consequence of their temporary status." They may put up with "substandard living conditions, illegal or unfair deductions from wages, and other similar forms of exploitation" in order not to jeopardise potential employer sponsorship for permanent residency. Deegan goes on to say that the situation is "exacerbated where the visa holder is unable to meet the requirements for permanent residency via an independent application." This is important because it relates directly to the third major trend in Australia's skilled migration program - the marked shift away from independent migration to employer sponsorship. In other words, rather than migrants applying to come to Australia based on their qualifications, skills and experience, they are increasingly being sponsored by employers, or nominated by state and territory governments.
3. The Shift to Sponsorship

Employer sponsorship is now a major component of skilled migration, a deliberate government policy designed to shift Australia from a ‘supply-driven’ to a ‘demand-driven’ migration program. State and Territory nomination also makes up an increasing segment of skilled migration, while the number of independent skilled migrants (including those sponsored by Australian relatives) is declining. (Chart 9)

Chart 9 Growth of sponsorship as a proportion of permanent skilled migration

There are two components of employer sponsored permanent migration. The first is the Employer Nomination Scheme (ENS) (chart 10), which allows employers anywhere in Australia to sponsor skilled foreign workers for permanent residence in a broad range of occupations, provided they offer an annual salary of at least $49,330 (or $67,556 for certain information technology positions).
The second main component of employer sponsored migration is the **Regional Sponsored Migration Scheme (RSMS)** (chart 11), which allows employers "in regional, remote and low population growth areas of Australia" to sponsor applications for permanent residence. The definition of regional is fairly generous - Perth has just been added to the list of eligible areas, so regional sponsorship now incorporates all of Australia except "Sydney, Wollongong, Newcastle, Melbourne, Brisbane and the Gold Coast".

The selection criteria are also more generous: any skilled occupation can be considered, as long as the nominated position offers an annual salary that "meets any applicable Australia award or relevant legislation" and the visa applicant "holds an appropriate Australian diploma-level or higher qualification". In exceptional or compelling circumstances employers can nominate semi-skilled workers or workers without diploma level qualifications\textsuperscript{v}.
The changes were originally conceived under former Immigration Minister Senator Chris Evans who said the shift from a supply-driven to a demand-driven migration program was designed to ensure that Australia gets "the skills that are actually in demand in the economy, not just the skills that applicants present with". Or putting it more bluntly, he said "we don't want people coming in and adding to the unemployed queue". Rather "employers and state governments and the Commonwealth pick the people who we need."

To ensure the bias to a demand-driven rather than a supply-driven system the federal government has also significantly raised the bar for independent skilled migration through the introduction of a revised 'points test' for skilled migration, which:

- draws on a narrower list of skilled occupations (SOL - Skilled Occupation List, replaces MODL Migration Occupations in Demand List)
- lifts the threshold for English language competency to a minimum benchmark of level 6 under the International English Language Testing System (IELTS) with extra points for Level 7 (+10 points) or Level 8 English (+20 points)
- weakens the link between study in Australia and permanent residence

The new points test took effect on July 1 2011, so it is too early to assess its impact, but the foreseeable result will be an acceleration in the shift towards employer-sponsored and to a lesser extent, state and territory-sponsored migration, and a further decline in independent migration.

However whether this actually equates to Australia attracting higher quality migrants is contested. Remember that skilled migrants nominated by their employer (through the ENS and RSMS) are not subject to the points test. Bob
Birrell and his colleagues at Monash University argue that "policies for assessing credentials and testing English-language abilities" in this employer sponsored migration "are weak" and "far less stringent" than under the points test.\textsuperscript{xx} For example applicants for permanent residency under the employer nomination scheme only require 'vocational' rather than 'competent' English (that is IELTS level 5 rather than IELTS level 6).\textsuperscript{xxi}

In the case of the Regional Sponsored Migration Scheme, the government can cancel this 'permanent' residency visa if the visa holder does not remain with the sponsoring employer for two years. Although it has not been much used, this power could put pressure on workers to stay with abusive employers and reduce their bargaining power in negotiations over wages and conditions. As Birrell and his colleagues point out it could have perverse impacts in terms of the efficient allocation of labour in that for example "those working outside the resources states of Western Australia and Queensland are effectively prevented for two years from moving to skilled jobs in Western Australia and Queensland.\textsuperscript{xxii}

Birrell and his colleagues also question whether state and territory sponsored migration will deliver quality outcomes given "the lack of rigour in the methods" used to identify occupations and skills required. Employer sponsored and state and territory sponsored migration are both open to a much longer list of skilled occupations that independent migration.\textsuperscript{xxiii}

4 Priority Processing

The changes to independent skilled migration were developed in large part in response to an emerging backlog of valid applications for permanent residency in the processing pipeline. By 2009 the Department had 137,500 applications for independent general skilled migration on hand. That is more than two years supply of migrants in that stream of the program, with new applications coming in every month. The blow out in processing was driven by the link between study and migration, established under the Howard government. As has been well documented, this link created perverse incentives and unintended outcomes and resulted in an explosion of private training colleges providing vocational courses of sometimes dubious quality that offered the shortest possible route to permanent residency.

As well as revising the points test to raise the bar for independent skilled migration, the government also implemented a policy of priority processing. Introduced from the beginning of 2009 and amended several times since, priority processing fundamentally changes the way in which applications for permanent residency are dealt with. Instead of applications being considered in the order in which they are lodged as in the past, they are now sorted into five different categories in line with Australia's perceived economic needs. In descending order of priority these categories are:

1. Applicants under the Regional Sponsored Migration Scheme or applying for a skilled – Regional visa
2. Applications under the Employer Nomination Scheme

3. Applicants nominated by a state or territory government
4. Applicants with an occupation on the Skilled Occupation List
5. All other applicants. xxiv

When he introduced priority processing Senator Evans said the "old system served everyone in order, just like pulling a ticket number from the dispenser at the supermarket deli counter." He said “it didn’t make any sense” that Australia was “taking hairdressers from overseas in front of doctors and nurses” xxvi. This may be true from a national interest perspective, but from the perspective of procedural fairness it has had distressing outcomes for individual applicants. The changes were applied to visa applications that had already been lodged, with the result that tens of thousands of (mostly) international student graduates who are facing in indefinite limbo. They are stuck in 'Category 5' - the lowest priority group – and any new higher-priority application entering the system is processed ahead of them. In effect it is like being stuck at the back of the queue and never moving forward, because others constantly join the queue higher up. There are more than ten thousand applicants who have been in the situation for more than two years and who were recently warned in a letter from the Department of Immigration and Citizenship that "many priority group 5 applicants will still have a long wait for visa processing". xxvii

5 SkillSelect - from queue to pool

Further changes to Australia’s skilled migration program are in the works. The most significant is the planned implementation of SkillSelect, which is intended to take effect progressively from July 1, 2012. This is an innovation as novel as the points test, first introduced by Australia in 1979, and subsequently copied in many other countries. Under SkillSelect prospective applicants first lodge an "expression of interest" in migrating to Australia. They may then be "invited" to make a formal visa application. This is a significant change because it gives the department the capacity to prevent a build up of valid but unprocessed visa applications within the system by only 'inviting' as many applications as it has capacity to process in any given year.

Employer sponsored applications (including those under the RSMS) would not need to go through the Expression of Interest process - those applications can still be made directly. However the SkillSelect system is designed to create a pool of applications which employers can view and from which they can select prospective staff. In a similar manner, SkillSelect will enable state and territory governments to access “a central database of prospective skilled migrants” which should help them to "maximise the benefit derived from their ... Migration Plans. xxviii

SkillSelect will also fundamentally change the operation of the independent skilled migration program because it essentially embeds a system of priority processing into the system at a much earlier stage in the application process. It will do this by first allocating places to those prospective migrants "who score highest on the points test, in each eligible occupational group". In other words rather than the points test acting as a simple threshold point, beyond
which all applications for permanent residence become valid, the points test will now also serve as a ranking mechanism, giving advantage to those applicants who score the highest marks.

Again this innovation was conceived under former Immigration Minister Chris Evans, who described SkillSelect as “the job matching agency for the nation”. He said that Australia should aim for a skilled immigration that operated much like the system for university entrance: “What do universities do when admitting students?” he asked. "They work out ways of selecting the best from those putting themselves forward." SkillSelect is intended to function in a similar manner.

6. Conclusion.

What do these changes mean for the TAFE sector and Vocational Education and Training? I think several issues emerge.

Firstly, as flagged earlier, there is a need to further investigate the impact of increasing temporary skilled migration under the 457 visa scheme on the training system. Is it encouraging or inhibiting business investment in local skills development? Does it enhance training capacity and skills development for domestic workers, or does it displace that investment?

Secondly, there is a need for further research on the impact of other forms of temporary migration on low-skilled local workers. Are international students and working holiday makers out-competing young Australians workers for entry level jobs? If so how does the training system build the skills of these Australian workers to better participate in the labour market?

Thirdly, temporary skilled migration will continue to grow and two-step migration and employer sponsorship will become the dominant pathway towards permanent residency. This may potentially open up opportunities for education providers like TAFE to team up with major employers to offer courses of study that will supply international students with the qualifications that they need to gain work as temporary skilled migrants under 457 visa schemes or on the new Enterprise Migration Agreements. There could be potentially project specific training opportunities, for example in the resources sector.

Finally, it is also clear that the brief period in which permanent residence was directly linked to particular courses of study, including specific vocational certificates, is well and truly over and unlikely to return. The introduction of SkillSelect and ranking via the points test will make it harder than ever to predict which qualifications might lead to a migration outcome. This means that education providers will have to compete on other measures if they are to lure larger numbers of international students to Australia.

---

1 Data used in this chart was assembled from two sources accessed on the Department of Immigration and Citizenship website: annual reports of the (http://www.immi.gov.au/about/reports/annual/) and the Sub-class visa 457 Business (Long-


vii Mark Cully 'Migrant labour supply: its dimensions and character', paper presented to the Australian Labour Market Research Workshop, University of Sydney, 15-16 February 2010. The figure varies between 4.2% and 6.4% of the overall labour force and between 17.9% and 22.3% of the labour force in the 20-24 year old age bracket, according to the assumptions made about how active these temporary long stay migrants are in the workforce.

viii Mark Cully, Department of Immigration and Citizenship, 'Migrant labour supply: its dimensions and character', paper presented to the Australian Labour Market Research Workshop, University of Sydney, 15-16 February 2010.

ix Ibid


xii Ibid p. 49


xix Department of Immigration and Citizenship '1 July 2011 - Points Test for Certain Skilled Migration Visas' June 2011 online at http://www.immi.gov.au/skilled/general-skilled-
There are three applicable lists: the Skilled Occupation List (Schedule 1) for independent skilled migrants; the Skilled Occupation List (Schedules 1 and 2) for state and territory sponsored migrants and the Employer Nominated Skilled Occupation List (ENSOL). See DIAC Skilled Occupation Lists [http://www.immi.gov.au/skilled/sol/] accessed 27 August 2011.