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Disclaimer: This study, while embodying the best efforts of the investigators is but an expression of the issues considered most

Contents

Glossary	i
Executive Overview	ii
1. Introduction	1
1.1 Background	1
1.2 Migration to South Australia	2
1.3 This research	3
2. Summary and conclusions from research	5
2.1 6RXWK \$XVUDOLD 1V HFRQRPLF FKDOOHQJHV	5
2.2 Recent changes to skilled migration programs	5
2.3 Business perspectives on skills shortages and the visa system	7
2.4 7KH H[WHQW WR ZKLFK WKH FXUUHQW PLJUDWL RQ V\VWHP PHHWV WKH	9
2.5 International education	9
2.6 Business formation and entrepreneurship	9
2.7 Temporary Skilled Migration Income Threshold (TSMIT)	11
3. Issues that Need to be Addressed if the Migration System is Going to 0HHW 6RXWK \$XVUDOLD 1V 1HHGV	12
3.1 The current visa system no longer offers regional employers the flexibility necessary to meet their skill needs.	12
3.2 The way in which skills are defined in the current skilled migration system does not appear to reflect current industry practice	14
3.3 South Australia would benefit from faster population growth, and in particular growth in the working age population	16
3.4 1DWLRQDO μRFFXSDWL RQDO OLVWV 1 XVHG WR LGHQWLI\ MRE 17DFDQFL skilled migration programs do not necessarily reflect local skill needs	17
3.5 The recent changes to student visas for VET students may have different effects across regions	18
3.6 BIIP visas appear overly focussed on individuals with high net worth rather than on those who could run successful businesses in Australia	20
3.7 Thresholds for minimum investments under the BIIP visa appear high relative to the SA small business sector	20
3.8 Excess processing times reduce the effectiveness of migration in meeting skill needs	20
3.9 Testing the recommendations contained in this report	21
3.10 Other policy changes suggested by stakeholders	21
References	22
Appendix A: Current Migration Policy Setting	24

Executive Overview

Background

SACES was commissioned by a consortium of businesses and peak bodies to explore national immigration policy in the context of challenges facing economic and business development in South Australia, particularly for regional South Australia (SA). It specifically focusses on barriers that current visa regulations may impose on utilising international migration to the benefit of the SA economy, and in particular any aspects of the migration system that may be less effective for South Australian businesses relative to those in more populous, higher wage, states. In doing so, it not only considers skilled labour migration, but also business, student, and temporary graduate student visa access.

The study is built on a series of interviews with businesses and organisations representing business in SA, in particular in regional areas, but also in and around Adelaide. Additional interviews were conducted with

The two latter factors have both been exacerbated by the relatively high level of net interstate migration loss, which is disproportionately concentrated amongst South Australians of prime working age.

6RXWK \$XVWUDOLD¶V EXVLQHVV FRPPXQLWLHV RQ 0RPHV\ORFDLWLRQV VWUDOLD¶V 1HHGV KDQ D Y planning and maintenance of businesses.

Current Migration Policy Settings

Immigration is centrally administered by the Australian Government Department of Immigration and Border Protection (DIBP) and applies uniformly to the whole of the country, with certain specific provisions for areas FODVVLILHG DV µUHJLRQDO¶ E\ WKH 'HSDUWPHQW JLYLQJ D JUHDWHU applicants intending to reside and work in these areas.

The Commonwealth Government recently made a number of changes to the skilled migration programs, and some specific aspects of the operation of visas noted by employers have changed (or will change shortly). These changes are summarised in Section 2.2. It is important to note that these changes are designed to

- x Grant full post-study work rights to VET graduates filling positions in a regional area if the position being filled is in an occupation facing skills shortages in that region
- x Allow VET graduates working in a regional area in an occupation facing skills shortages to apply for other skilled visas in regional areas
- x Abolish or amend the genuine temporary entrant (GTE) test for potential international VET students planning to study in a regional area and undertake a course linked to an occupation in unmet demand in regional areas

Recommendation 4: Update definitions used for occupations in demand, and draw on a wider range of information

Many of these issues could be addressed if the Department were to draw on a wider range of information in identifying occupations experiencing skills shortages and in defining occupations.

For occupations which normally require some level of VET qualification (or equivalent experience) training packages provide up to date descriptions of the skills, competencies and capabilities required for occupations, including details of the nature of activities that might be undertaken by those working in the occupation, which could be used in the migration system.

The Department should also establish structures to draw in information from state and territory agencies responsible for skills planning and regional development, into its lists of occupations experiencing skills shortages, and in defining occupations at all skill levels.

Recommendation 5: Remove caveats from skill lists for employers in regional areas

The recent set of visa changes have also introduced a number of caveats for occupations which are eligible for a 457/TSS visa. In a number of cases these restrict applications for certain occupations to employers above a minimum turnover size.

Whilst there may be a rationale for these caveats in large metropolitan areas, they do not reflect the reality of many regions, where no (or few) employers seeking individuals to work in those occupations would be large enough to meet the caveat.

As such these caveats should not be applied to employers in regional areas (or should be applied at a lower level that reflects the actual distribution of firm sizes in regional Australia).

Recommendation 13: Ensure priorities are reflected in visas available

We recommend that the Department reviews its internal allocation of visa grants between visa demand driven, rather than subject to extreme delays. If necessary this could be achieved by shifting

1. Introduction

1.1 Background

In Australia, as in most OECD member economies, the primary focus of labour market policy is on developing a training system that is responsive to (and ideally anticipates) the skills demanded by employers, and on increasing participation in the labour force. Migration policy in this context is focussed on attracting and managing the intake of skilled migrants to fill medium or long term vacancies that could not be filled by training labour locally (at least not in the time available), or encouraging those with the required skills back into the labour force.

Concerns are sometimes expressed that employment focussed migration has negative impacts on the existing population of a recipient country, with fears about impacts on the employment prospects of existing lower skilled employees being particularly widespread. If these concerns were borne out by the evidence then it would be prudent to tightly restrict migration and only allow in a very limited range of high skilled occupations where there are broader benefits to the community (such as doctors, researchers and entrepreneurs). However, the evidence of the impact of migration does not confirm these concerns. Instead the available evidence suggests that migration has a neutral or slightly positive affect on per capita GDP, no impact on the employment rates of the non -migrant population (even at lower skill levels), a very small but positive impact on average wages, and a very small but ambiguous impact on the wages of lower skilled occupations .

Immigration is centrally administered by the Australian Government Department of Immigration and Border Protection (DIBP) and applies uniformly to the whole of the country, with certain specific provisions for areas

time this report was being prepared). This minimum salary level is currently only applied to 457 visas, but from March 2018 will also be required for RSMS and ENS visas.

The three objectives of setting a minimum salary level are to ensure that migrants are paid a wage that secures

Report 2 takes a closer look at the concerns raised by business owners and representatives in the course of the consultations with regard to aspects of the Australian visa and immigration system, the potential impacts of the recently announced changes, as well as the opportunities that changes to the existing immigration system PD\ SUHVHQW LQ OLJKW Bridges V HFRQRPLF F

2 Summary and conclusions from research

The Australian temporary and permanent work and business investment visa systems present both opportunities and challenges for the SA business and education provider communities. A review of key economic and population statistics shows that the SA economy faces a triple challenge of population and labour force ageing, a disproportionate reliance on owner managers of unincorporated businesses with an old age structure, and regional depopulation. In combination, the three lead to and accentuate skill and more general labour shortages, in particular in regional SA. These labour shortages affect semi and low skilled occupations as well as skilled occupations.

2.1 Economic Challenges

The current economic and demographic challenges faced by SA are important background to the issues raised by those we consulted with, although these challenges are not the focus of the report.

South Australia lags the rest of the country in economic output and employment growth whether measured in absolute terms or per capita. The SA population is amongst the oldest in Australia and is getting older over time. Growth in SA is slower than that of Australia as a whole (1.37 per cent) (SACES 2016c).

Underperformance: Weaker initial economic conditions stemming from the 2008-09 financial crisis and the 2014-15 drought. Initial 17.03% (on)4(o)

(MLTSSL), of which there are currently 184, with some additional (regionally focussed) occupations eligible for the RSMS (no details have been provided on what these additional RSMS specific occupations may be);

- ‡ Increase the minimum English language proficiency requirement;
- ‡ Require at least 3 years relevant work experience (which effectively removes the current pathway whereby international VET students could previously apply for a RSMS visa at the end of their studies if they could find a sponsoring employer); and
- ‡ Reduce the age limit from 50 to 45 for the direct entry stream of the RSMS in June 2017, with the minimum age for all streams of these visas reducing to 45 in March 2018.
- ‡ Inflows to the RSMS visa are also likely to be reduced due to the new two tier structure for the 457 visa, with a number of occupations now being precluded from transitioning from a 457 visa to an RSMS visa.

Important changes to 457 visas

The 457 visa is being abolished and replaced with a new Temporary Skill shortages (TSS) visa, with broadly similar eligibility, however it differs from the 457 visa in several important ways (with changes being introduced in a staggered fashion over the period to March 2018). Most importantly, the new approach to temporary skilled migration:

- ‡ + DV D - W L Z R H G ¶ V W U X F W Year Visas. \ H D U D Q G
 The 2 year visa can be used for (almost) all occupations on the STSOL, although 59 occupations have a caveat restricting the circumstances in which a 457 visa can be used to fill a vacancy, but it can no longer lead to permanent residency, reducing its attractiveness to potential migrants (and to employers who will need to fill the vacancy again after 2 years).
 The 4 year visa can only be applied for if the migrants occupation is one of 168 occupations included on the new MLTSSL, however this visa can lead to permanent residency.
- ‡ 5 H T X L U H V \ H D U ¶ V U H O H Y D Q W Z R U p n o r t h I s d e n t o f t h e a p p l i c a n t o n S S O L F D Q W
- ‡ Increases the minimum English language proficiency requirement;
- ‡ Strengthens the mandatory labour market testing requirement;
- ‡ Reduces the number of occupations eligible for the visa from 651 to 435 (with access to 59 of the remaining occupations restricted for 457 applicants in some way); and
- ‡ , Q W U R G X F H V D V X E M H F W L Y H µ J H Q e x a m i n e d b y t h e R e p a r t m e n t o f t h e W o r k e d Q W ¶ W I
 an assessment as to whether the applicant is only seeking to move to Australia temporarily.

Changes to training requirements

The training requirement for employers sponsoring a 457 visa holder have also changed.

Under the old arrangements for the 457 visa, a sponsoring employer was required to demonstrate that they

(STSOL) and the Medium and Long-Term Strategic Skills List (MLTSSL), although the RSMS will only transfer to using the MLTSSL in March 2018.

As part of this change the total number of occupations eligible for skilled migration programs has fallen from 672 occupations to 435 occupations.

The STSOL which includes 435 occupations will be used for applications for the following programs:

- x Employer Nominated Scheme (subclass 186) ±Direct Entry Stream, up to March 2018;
- x Skilled Nominated visa (subclass 190);
- x Skilled Regional (Provisional) visa (subclass 489) - State or Territory nominated;
- x Temporary Work (Skilled) visa (subclass 457); any occupations which are listed on the STSOL but not the MLTSSL will only be eligible for the 2 year stream of this visa); and
- x Training visa (subclass 407) - Nomination eligibility type 2 ±Occupational training to enhance skills in an eligible occupation.

A number of occupations also have caveats if they are being used to apply for a 457 or TSS visa, imposing additional requirements on the position such as a minimum turnover for the firm, a minimum salary for the occupation, or a requirement that the position to be filled is in a regional area.

The following visa types can only be applied for if they relate to an occupation on the MLTSSL (which only includes 207 occupations, with an additional 24 occupations available for positions located in regional areas):

- x Skilled Independent visa (subclass 189)
- x Skilled Regional (Provisional) visa (subclass 489) - Family nominated
- x Temporary Graduate visa (subclass 485) ±Graduate Work Stream;
- x (from March 2018) the Regional Sponsored Migration Scheme visa (subclass 187); and
- x (from March 2018) the Employer Nominated Scheme (subclass 186).

2.3 Business perspectives on skills shortages and the visa system

Prevalence of skills shortages and recruitment difficulties

'HVSLWH 6RXWK \$XVWUDOLD¶V XQHPSOR\PHQW UDWH UHSRUWV RI VN widespread amongst the firms and peak bodies with which we consulted. This is interesting as it is at odd with findings of the Commonwealth Department of Employment skills in demand research which identified relatively few skills relevant to organisations we consulted with as being in demand.

There was significant dissatisfaction with the way in which all the mechanisms for meeting labour demand were functioning at the present time:

- x Employers expressed the view that a significant proportion of jobseekers they are seeing have significant barriers to their work readiness that makes them unsuitable for employment. It was felt that WKH H[LVWLQJ SURJUDPV VXFK DV WKH &RPPRQZHDOWK *RYHUQPH not sufficiently addressing these barriers. Substance use (particularly methamphetamines) was mentioned by several consultees and was particularly of concern for employers in the food product manufacturing sector.
- x ,W ZDV IHOW WKDW 9(7 HGXF DWLRQ SDUWLFXODUO\ VLQFH WKH HQC and not targeted at regional skill needs; and
- x The process of securing a 457 visa was too time consuming, bureaucratic and costly, and that for many of the employers covered by our consultation either the TSMIT and or the relevant skill lists meant that in many cases they could

A further specific concern to SA businesses have been the occupation lists (CSOL, RSMS Occupation List), which apply to subclass 457 and 187 visa applications, and the specification of occupations on those lists, which it is felt do not always and accurately reflect how job contents relates to job titles, with some stakeholders

3. Issues that Need to be Addressed if the Migration System is Going to be Able to 0HHW 6RXWK \$XVWUDOLD¶V 1HHGV

This study reviewed some of the economic contexts in which the current system of regulation of labour migration operates in and how they affect SA. This identified potential adverse effects and risks that may disadvantage the regional SA economy.

The complexity of the immigration system, and the way in which it is embedded in a broader set of labour market, training system, and regional development policies means that it is not possible for a report of this

x Allow access to a greater range of occupations (and to lower skill levels) .

Regional labour markets typically do not have the depth of labour markets of major metropolitan areas. Regional workers often have fewer years of training and several more of on-the-job experience, and un-skilled jobs, which can be rapidly supplied by the training system (and thus are not suitable for skilled migration) does not necessarily apply. As such hard to fill vacancies in regional areas can occur at lower skill levels than would be the case in a large city. This means that the Temporary Regional V

This greater reliance on AL3 country students is likely to pose an additional administrative burden on South Australian education providers relative to their competitors interstate for two reasons. First, under the new SSVF, education providers are required to determine that a prospective student meets the Genuine Temporary Entrant (see Appendix A) conditions at the point of course application. Secondly the GTE provision potentially

- x State or Territory Government
- x Publicly Funded Research Organisation
- x Investor registered as an Australian Venture Capital Limited Partnership or Early State Venture Capital Limited Partnership
- x Specified Higher Education Provider

Recommendation 14: Consider implementing the recommendations of this report initially in only one jurisdiction

We recommend that the Department considers testing the recommendations of this report by initially introducing them in only one jurisdiction, such as South Australia, and monitoring their impact to test their interaction with other elements of the migration system and identify any unintended consequences that might arise.

3.10 Other policy changes suggested by stakeholders

The consultations produced a number of additional suggestions from participants. It was however beyond the scope of the current study to examine these suggestions for their capacity to resolve current labour supply and labour migration challenges. These included:

- x introducing a 3 year semi-skilled visa that required visa holders to work 15 months with the same employer before they would be allowed to change;
- x providing a 2 year sponsored temporary visa not tied to specific skill levels, followed by 2 year training and a further 2 years with the original employer, after which permanent residency could be obtained;
- x replacing sponsored visas with (time limited) generic entry permit system that allowed some entrants to work, leaving the matching and meeting of skills supplied and sought to the employer and the employee; and
- x legislating for income tax concessions to migrants and others willing to settle in regional areas.
- x Allowing those on temporary entrant v L V D V SDUWLFXODUO\ WKRVH RQ WKH QHZ μ V not be able to apply for permanent residency) to receive superannuation guarantee payments as current income rather than have it paid into superannuation funds to be claimed back when they leave the country, with these additional payments included in the income that is counted towards the TSMIT.

Concessionary and customised YLVD VFKHPHV VXFK DV -specific criteria for low-skilled U\ workers in the food and beverage processing, and hotel and lodging sectors DV ZHOO DV & DQ DGD 1 V business program, were suggested as warranting examination as to their lessons for and suitability for (regional) businesses in (South) Australia.

An extended review may wish to consider and assess the feasibility and economic and social implications these additional suggestions.

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Agreement stream covers subclass 457 visa holders who are nominated by their employers under a company-specific or industry labour agreement, a project agreement or a designated area migration labour agreement. Direct Entry stream applicants must demonstrate that their nominated occupation is listed on the relevant legislative instrument²⁰ and that they have relevant qualifications and/or work experience. Failing that D S O L F D Q M O N S T R A T E T H A T [t]hey have the qualifications listed in ANZSCO as necessary to perform the tasks of [their] occupation²¹. Employers, on the other hand, must obtain formal advice from their regional certifying body in support of their nomination. In the case of SA, the certifying body is Immigration SA.

Designated area agreements may, in principle, consider occupations at ANZSCO Skills Level 1- 4 for nomination, that is, AQF Certificate II or III, and higher.

A1.5 Skillg b