South Australian Centre for Economic Studies

The Potential Benefits of Reforming Migration Policies
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Report 2: Areas Where the Migration System Does Not Meet
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Executive Overview

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 Regional Development Agencies (RDA) in SA, organisations providing or promoting training, especially in the vocational education and training sector; and the Local Government Association (LGA). The interviews were conducted by phone, face-to-face or, in one instance, by email. In addition to gathering the views and experiences of businesses, business representatives and economic development agencies, the study analysed secondary data about key demographic trends in South Australia, the structure of the South Australian economy, including wages and costs of living, demographic and migration statistics.

Due to the complexity of the subject matter, and the significant amount of information collected, the research has been split between three reports.

This report (Report 2) takes a closer look at some of 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 immigration

Report 1 provides a brief overview of the national and international evidence on the impact of migration on

experiences, opinions and suggestions we received from our interviews with regional and metropolitan businesses, business organisations and education providers with respect to skill shortages and the challenges of the current visa provisions, including for recent international graduates, from their point of view.

Report 3 concludes with suggestions for adapting the international migration system to improve its responsiveness to changing economic environments and, specifically, capable of supporting the South Australian economy.

Current Migration Policy Settings

There were four key visa subclasses identified by stakeholders as being (potentially) important to their ability to meet their needs for labour , and this study has consequently been focussed on these:

- the Temporary Work (Skilled) visa (subclass 457) visa (to be replaced by the Temporary Skill Shortage visa in March 2018),
- the Temporary Graduate visa (subclass 485),
- the Business Innovation and Investment (Provisional) visa (subclass 188), and
- the Regional Sponsored Migration Scheme (RSMS) (subclass 187).

A description of these visas and their eligibility is included in Appendix A.

Immigration policy in Australia is currently geared towards facilitating and managing the influx of skilled labour though various temporary and permanent migration programs with eligibility criteria such as the lists defining visa eligible occupations (the Skilled Occupation List, SOL; the Consolidated Sponsored Occupations List, CSOL; and the RSMS Occupation List) together with the Temporary Skilled Migration Income Threshold (TSMIT) used for 457 visas adopted to maintain a strategic focus on addressing longer term skills needs with the Business Innovation and Investment Program (BIIP) used to attract high level international investment and business acumen.

TSMIT and the occupation lists are experienced as barriers to the hiring of migrant labour in the absence of suitable local labour supply. TSMIT stipulates a minimum market rate of pay for a job vacancy to be able to be filled by a 457 visa holder, with this minimum level above the going market salary rate of many occupations with supply shortages in regional SA. The occupation lists too have been criticised for not reflecting the needs of SA businesses, in this case through failing to accurately match job titles and job contents. As a result, in-demand occupations are missing from them. At the same time, there is a mismatch between the semi- and low- The bureaucracy and cost of lodging visa applications and the time taken for visa processing were also criticised.

The extent to which the current migration system meets the SA economy's needs and options for reform

The Australian temporary work and ts

a genuine temporary entrant, and can complete their course. If this discourages such students from applying, and/or results in student visa refusals, ational VET students (already disproportionately low) may fall further; and

it was felt that BIIP visas generally do a poor job of increasing the number of entrepreneurs in Australia, or in assisting retiring business owners find potential purchasers, and that the local business environment, and the national investment levels set for key streams of this visa made it even less

More details of each of these issues is provided below.

Temporary Skilled Migration Income Threshold (TSMIT)

all General Skilled Migration visas (subclasses 175, 176, 475, 189, 190, 489, 485) are focussed on facilitating skilled and highly skilled migration, with little scope provided for attracting the supply of labour at other occupational and skill levels often in demand in regional SA. Only the RSMS (subclass 187) currently provides an entry point for Direct Entry applicants (nominated by an employer) with qualifications at ANZSCO levels I (degree), II (diploma, associate degree) and III (AQF Certificate levels III and IV). It also grants permanent residency. SA currently attracts a greater than proportionate share of RSMS visa in Australia, but a lower than proportionate share of subclass 457 visas.

Many businesses reported that the TSMIT was a significant barrier to using the migration system to address skills shortages. The justification for the TSMIT is that it acts as a proxy for the skill level of a position, and that it ensures migrants have an adequate income. However often quite large differences in wage levels and in the cost of living across regions of Australia mean that a single level for the TSMIT cannot fulfil its functions in all regions of the country (see the discussion in Section 3.1 of this report).

The Australia-wide uniform application of the TSMIT to subclass 457 visas (and its planned extension in 2018 to also cover RSMS visas) systematically disadvantages businesses located in low wage regions, which is a feature that characterises much of SA. Our research with businesses found that the TSMIT makes this visa sub class unusable for many regional SA business whose market salary rates are typically below this minimum level, meaning their vacancy cannot be filled by a 457 visa holder even if the employer would be willing to pay the TSMIT rate (unless they are in an industry with an exception such as the meat industry with a labour agreement that allows salaries to be inflated to meet the TSMIT).

Identifying and naming skilled occupations

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 feeling that this problem is exacerbated by limitations in the ANZSCO classification framework. This was said to be leading to confusion over the types of labour and skill shortages experienced in regional SA and, alongside the fw)A4(s)-5(i)5 [(oc)-3(c)-57(r)-3(e)-9(gi)7(o)-9(na) per of

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South Australia also faces some demographic challenges, with the population having experienced a

overseas in the wake of the collapse of the State Bank.

These challenges form the background which lead to a group of South Australian organisations to commission the SA Centre for Economic Studies (SACES) to explore national immigration policy in the context of challenges facing economic and business development in South Australia. It specifically focusses on barriers that current visa regulations may impose on utilising international migration to the benefit of the South Australian economy. In doing so, it not only considers skilled labour migration, but also business and graduate student visa access, with a particular focus on the four key visa subclasses identified by stakeholders as being (potentially) important to their ability to meet their needs for labour.

The study built on a series of interviews with businesses and organisations representing business in South Australia (many of which were located in regional South Australia). Additional interviews were conducted with Regional Development Agencies (RDA) in SA, organisations providing or promoting training, especially in the vocational education and training sector; and the Local Government Association (LGA). The interviews were conducted by phone, face-to-face or, in one instance, by email. In addition to gathering the view and experiences of businesses, business representatives and economic development agencies, the study analysed secondary data about the structure of the South Australian economy, including wages and costs of living, and migration statistics.

Due to the complexity of the subject matter, and the significant amount of information collected, the research has been split between three reports.

The discussions with industry and other stakeholders undertaken as part of this project identified a number of

2. Recent C hanges to Skilled Migration Programs

Since the fieldwork for this research was undertaken, there have been a number of changes made to Details of these changes have been taken from two fact sheets prepared by the Department of Immigration and Border Protection, the

iences relate to the previous policy settings. However, as all of the announced changes act to reduce access to skilled migrants, the difficulties identified by employers are likely to be if anything exacerbated by these changes. The restrictions on the RSMS program are particularly concerning for South Australia as this is one of the few skilled visa categories where we achieve a share of outcomes that is above our population share.

Throughout this report we will use 457 visa to refer to both the 457 visa and its replacement the TSS visa.

Important changes to Employer Nomination Scheme (ENS) and Regional Sponsored Migration Scheme (RSMS) visas

The Employer Nomination Scheme (ENS) and Regional Sponsored Migration Scheme (RSMS) visas will be modified (with changes introduced progressively from April 2017 to March 2018) to:

- require the position to meet the TSMIT for its normal earnings (currently $53,900), bringing it into line with the 457 Visa;
- reduced the number of eligible occupations for the ENS in April 2017 (removing 216 occupation from eligibility, with applications for the ENS program restricted to the occupations listed on the new STSOL and selected occupations on the MLTSSL. There are also a further 24 occupations which can only be used for ENS applications where the position will be located in regional Australia);
- reduced the number of eligible occupations for the RSMS from March 2018 when the current occupation list specifically for the RSMS will be abolished, with eligible occupations for these visa classes to be restricted to the occupations on the new Medium and Long-Term Strategic Skills List (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 stu<00579doET BT 1 01 01 01 01 01 01 01 01 01 01 01 01 01 01 01 01 01k

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Training visa (subclass 407) - Nomination eligibility type 2 Occupational training to enhance skills in an eligible occupation.

The following visa types can only be applied for if they relate to one of the 184 occupations on the MLTSSL:

Skilled Independent visa (subclass 189), this visa also sees its maximum age reduced from 49 to 44;

3. Temporary Skilled Migration Income Threshold

The Temporary Skilled Migration Income Threshold (TSMIT) is an integral part of the temporary skilled migration visa subclass 457, and is soon to be extended to cover the RSMS and ENS visas which had

this information is well sourced and verified and has been accepted by the Commonwealth Government as the appropriate way to design the content of VET courses. However this rich, industry led, data source only appears to feed into the migration system when they influence periodic revisions to ANZSCO (if at all). A number of individuals consulted in this research suggested that training packages could be used as an alternative way to demonstrate the skill level of a position or to map a job opening at an employer to an occupation on the relevant skills list.

A good example of this problem is Production Horticulture . This occupation involves the management of production in horticultural establishments spanning the range of crops from orchards to vegetables to mushroom cultivation. Individuals filling this role manage a range of production activities including preparing soil, managing the harvest, controlling pests, and managing teams of horticultural labourers on site. For horticulture businesses (particularly the larger ones) having appropriately skilled individuals to undertake this role is critical, however a number of employers indicated that they found it difficult to fill these positions. Despite the skill shortage in this area, and despite it being a well-defined occupation linked to a specific training courses in the VET system as part of the Agriculture, Horticulture and Conservation and Land Management Training Package[13], employers cannot fill these positions using the current skilled migration system as the occupation is not included in ANZSCO. This problem could be avoided if the Department were willing to include other

5. Business Innovation and Investment Program

5.1 Potential contribution to South Australia

The

South

Table 6.1 Selected National Training Package Qualification enrolments and completions, 2013, 2014 (000s)

Training Package Name

6.2 Streamlined visa processing

More recently introduced changes to student visa processing were anticipated to have a more direct and immediate effect on VET providers who are now expected to vet students in order to ensure they will meet the Department of Immigration and Border Protect

who is in Australia solely for the purpose of completing their studies. VET providers expressed concern about the immigration risk rating they will receive twice a year from the Department of Immigration and Border Protection (DIBP), with the Department indicating that the rating is calculated on the basis of the proportion of

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

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Appendix A

A1. Current Migration Policy Settings

Australia operates a complex system of national and regional temporary and permanent migrant visas, for both employees and employers, which is separate from provisions for refugee and humanitarian migration. Immigration is centrally administered by the Australian Government Department of Immigration and Border Protection (DIBP). Important elements of the visa regulatory system are the occupation lists that determine eligibility for the skilled migrant visas. At the time of our research these were the Skilled Occupation List[23] (SOL), the Consolidated Sponsored Occupation List[24] (CSOL) and the RSMS Occupation List[25], with the changes announced in April 2017 replacing them with the Short-term Skilled Occupation List (STSOL) and the Medium and Long-Term Strategic Skills List (MLTSSL), although the RSMS occupation list will not be preplaced until March 2018. The occupation lists identify skilled occupations considered to be in short supply in the Australian economy. Visa applicants seeking a temporary and/or permanent work visa or general skilled migration visa must demonstrate that they have qualifications and/or work experience in those occupations. Besides the principal work and general skilled migration visas, visas are also available for business and investment interests and international students who have graduated with appropriate qualifications from an Australian university or VET college. Concessionary rules apply to permanent employer sponsored work visas for regional parts of Australia. This Appendix

Recent changes to skilled migration

Since the fieldwork for this research was undertaken, there have been a number of changes made to the 457 Visa. Details of these changes have been taken from two fact sheets prepared by the Department of Immigration and Border Protection,

previous policy settings. However, as all of the announced changes act to reduce access to skilled migrants, the difficulties identified by employers are likely to be if anything exacerbated by these changes. The restrictions on the RSMS program are particularly concerning for South Australia as this is one of the few skilled visa categories where we achieve a share of outcomes that is above our population share.

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  occupations on the MLTSSL. There are also a further 24 occupations which can only be used for ENS applications where the position will be located in regional Australia);
- Reduced the number of eligible occupations

Increases the fees payable by employers sponsoring 457 visas, for example the fee for a primary applicant and for a secondary adult increases from $1,060 each currently to $1,150 for the 2 year visa and $2,400 for the four year visa. For a family of two adults and two children applying for a 4 year visa the total cost will increase from $2,650 currently to $6,000.

make 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 were spending an amount equal to at least 1 per cent of their payroll on training (or pay a training levy equal to 2 per cent of payroll).

Under the April 2017 changes, sponsoring employers are now required to pay an annual training levy of $1,200 per year or part year for small businesses (those with annual turnover of less than $10 million) and $1,800 per year or part year for other businesses.

It has not yet been announced what will happen to the training benchmark, e.g. will it be abolished, retained at its current level, or if it will be lowered or increased? The Department has also flagged that the policy settings for training benchmark requirements are being clarified and tightened, by setting out the types of training funds and training expenditures that are acceptable for meeting the benchmark. These changes are expected to be announced in July 2017.

The implications for South Australia depend on what the Department does with the training benchmarks:

If they are abolished, responsible businesses who invest in their workers are likely to face substantially higher costs, whilst businesses who would prefer not to train their workers could save money. With the net impact on South Australia (and/or its regions) being a likely ***reduction*** in the availability of training as there is currently no commitment that funds collected from the training levy will be spent in the region from which they derive;

If they are retained at their current level, then the training levy will represent a substantial increase in costs to employers accessing 457 visas, but training should remain constant; and

If there is some way for employers who invest more than the industry benchmark to access a rebate on the training levy then it could result in increased access to training in South Australia.

Changes to the occupation lists

The previous system of having three occupation lists used by the migration system, the CSOL, the SOL and the RSMS occupation list is being consolidated slightly into two lists, the Short-term Skilled Occupation List (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 651 occupations to 435 occupations.

(although certain occupations are only available to jobs that will be located in regional areas) includes 435 occupations and will be used for applications for the following programs:

Employer Nominated Scheme (subclass 186) Direct Entry Stream, up to March 2018;

Skilled Nominated visa (subclass 190);

Skilled Regional (Provisional) visa (subclass 489) - State or Territory nominated;

Temporary Work (Skilled) visa (subclass 457) (once the TSS has replaced the 457 visa, an occupation which is listed on the STSOL but not the MLTSSL will only be eligible for the 2 year stream of this visa, occupations in the 168 occupations listed on the MLTSSL and eligible for 457/TSS applications will be eligible for the 4 year visa. There are also a number of occupations which have a caveat restricting access to the 457/TSS program to some subset of the occupation or requiring additional minimum experience); and

Training visa (subclass 407) - Nomination eligibility type 2 Occupational training to enhance skills in an eligible occupation.

The following visa types can only be applied for if they relate to one of the 184 occupations on the MLTSSL:

Skilled Independent visa (subclass 189), this visa also sees its maximum age reduced from 49 to 44;

Skilled Regional (Provisional) visa (subclass 489) - Family nominated;

Temporary Graduate visa (subclass 485) Graduate Work Stream;

(from March 2018) the Regional Sponsored Migration Scheme visa (subclass 187); and

In contrast, the RSMS is a permanent residency visa for skilled workers in regional Australia, and operates under three streams. The Direct Entry stream is for employer nominated applicants who have never, or only for a short time, worked in Australia. The Temporary Residence Transition stream is for those who do not qualify for the direct entry scheme. Applicants must have held a Temporary Work (Skilled) Visa subclass 457 for at least two years and have been nominated by their employer for a permanent position. Finally, the