2022 FEDERAL ELECTION POLICY STATEMENTS

Skilled migration to support a stronger economy

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Key Points

- The permanent migration planning level should be restored from 160,000 to the previous cap of 190,000 places per year.
- Within this total, even greater priority should be given to the skilled migration stream, which should make up at least two thirds of the migration program.
- In the longer term, Australia should move to a growth rate target for annual permanent migration that is linked to national labour force growth, instead of a fixed annual number.
- Temporary skilled migration programs help businesses fill skill and labour gaps that persist despite historically high employment levels. During the COVID pandemic the federal government maintained these programs and we urge all politicial parties to ensure access to these programs is maintained and improved.
- The Skilling Australians Fund (SAF) Levy acts as a deterrent to hiring skilled workers from overseas. As a minimum, the SAF should be modified to allow easier access to refunds where visa holders change employers or leave the country.
- Ai Group opposes any further strengthening of the current already onerous Labour Market Testing (LMT) requirements.

Policy Approach

Ai Group strongly supports Australia's permanent migration program and its focus on skilled migration. Skilled migrants generate great benefits to the Australian community as they contribute directly to our national employment and skills base. Many also bring specialist knowledge that provides even bigger benefits by deepening our entrepreneurship, innovation, and international linkages.

Skilled migrants who enter via the 'demand-driven' streams such as employer-sponsored migration experience a better skills match and faster entry to the labour market - therefore utilising more of their skills more quickly on arrival in Australia – than those who arrive independently to seek work.

While 2020/2021 was a period of incredible disruption, the shortage of skilled and semi-skilled workers remains one of the biggest challenges for members of Ai Group and employers generally.

The COVID-19 pandemic has significantly affected Australia's economy and migration intake with international travel restrictions in place and limited travel exemptions. As at 30 June 2021, there were 1,688,700 temporary visa holders in Australia, compared with 2,000,212 on 30 June 2020, a reduction of 311,512 (15.6%). This is likely to be relatively unchanged given our international borders have only recently re-opened.

While the target of 160,000 permanent migrants was met in 2020/2021, only half were in the skilled stream, a significant reduction from the usual 70%. In a recent survey of over 300 companies, 73% of Australian businesses told us that they expect to have difficulty in finding and/or retaining skilled labour in 2022 (76% of manufacturers, 71% of services businesses and 88% of constructors) and 31% of Australian businesses ranked skills shortages as the primary or secondary factor most likely to inhibit their business growth in 2022.

Engineering is an example of a sector that we will rely on during the COVID economic recovery and beyond but which is experiencing ongoing and significant skill shortages. It is estimated that over the next few years Australia will need 11,000 new engineers annually which is around 2,400 more than the domestic undergraduate engineering completions each year. Some of this shortfall will come from the more than 6,000 overseas undergraduate engineering students who graduate each year and who are able to work for two years in Australia after graduation. These numbers highlight both the risks to Australian industry and the economy if there is a significant fall in overseas students coming to Australia and the reliance we still have on the immigration program to fill the engineering skills gap.

While investment in Australia's training and education system is also essential, for businesses that might have looked to skilled migration to fill skill gaps in their workforce the expected drop in migration will require more dynamic management, more flexible workplace relations, a much greater emphasis on lifting workforce skills, and a step up in innovation.

For these reasons, Ai Group was disappointed with the reduction to a maximum of 160,000 places in the annual permanent migration that was in place for 2020. This reduction was not warranted and despite the barriers to reaching this ceiling we believe it should be returned to 190,000 places in the 2022/23 Federal Budget and a return to at least two thirds of the program being composed of skilled migrants. This would provide an important signal of government support for the skilled migration program and this approach should be supported by all sides of politics.

Permanent Migration produces a *'demographic dividend'* that raises incomes for everyone

Ai Group notes the enduring message from the Productivity Commission's (PC) findings in its formal review of *Australia's Migration Intake* (April 2016)[1]. It found that the greatest benefits to the community come from younger, highly skilled migrants. In the long-term, the PC found that immigration delivers a measurable 'demographic dividend' that will raise output and incomes for everyone:

> *"Continuing [Net Overseas Migration] NOM at the long term historical average rate [of 0.6% of the population] and assuming the same young age profile as the current intake is projected to increase GDP per person by around 7 percent (equivalent to around $7000 per person in 2013 14 dollars) in 2060 relative to a zero NOM scenario.* ***Increasing or decreasing the level of NOM from this rate is projected to have a corresponding impact on GDP per person****, all other factors equal.*
>
> *The results reinforce the importance of age and skills in the migrant intake. Increasing the average age structure of NOM to reflect that of the Australian population is projected to reduce real GDP per person,* ***while increasing the share of migrants entering in***

[1] Source: Productivity Commission, Migrant Intake into Australia, Inquiry Report

higher-skilled occupations is projected to lead to an expansion in real GDP per person. *"* (PC, p. 15).

The benefits of migration – and especially permanent and long-term skilled migration - to national per capita output and income present a compelling argument for restoring the annual migration intake to its previous cap of 190,000 and for strengthening the focus on skilled migration categories.

In the longer term, the benefits of between skilled migration to local labour market developments should be enhanced by moving to an annual growth rate target for annual permanent migration that is linked to national labour market growth, instead of a fixed annual quota number.

As Australia moves beyond the recovery period, following the COVID-19 pandemic, any further retreat from globalisation and from the global skills market will be even less appropriate.

Policies should support improved access to temporary migration programs to fill skills gaps

Temporary skilled migration programs such as the two to four-year 482 Visa as well as smaller programs including the 'backpacker' working holiday visa; the pacific labour stream; and international student visas help businesses fill skill and labour gaps that persist despite historically high employment levels. During the COVID pandemic the federal government maintained these programs and we urge all politicial parties to ensure access to these programs is maintained and improved.

Businesses will always prefer to train their own staff to fill positions but there are many circumstances where this may not be possible and in such cases businesses turn to temporary or permanent visa programs.

In addition to filling skills gaps programs such as the 482 visa can lead to skills transfers and upskilling of local workforces.

However, for many businesses the costs of recruitment and related visa fees for 482 visas are prohibitively expensive.

Skilling Australians Fund Levy makes 482 visas inaccessible for many

One of the biggest obstacles to using temporary skilled migration programs is the Skilling Australians Fund (SAF) levy. The cost of $7,200 per approved visa for larger businesses can quickly grow into a significant expense when applied across multiple visa applications. For smaller businesses the cost is also substantial and acts as a disincentive especially when it is considered that the visa holder can easily change employer with no SAF refund possible in many cases. The scheme is designed to raise money for the government to support training programs but for businesses that already engage in a high level of local training it is an unnecessary burden.

While the current SAF levy is very high for many businesses, it would not be desirable to return to the previous administratively complex hybrid system where some businesses paid a levy while others met the training requirements by demonstrating that they invested in local training. Such proof of training expenditure. as it applied in the past, was difficult to manage and particularly onerous for labour hire companies and SMEs who may lack training capacity.

The grounds for refunds are limited, leading to cost and administrative difficulties for employers. Refunds of the levy are only available in the following scenarios:

- The sponsorship and visa applications are approved, but the overseas skilled worker (visa holder) does not arrive/commence employment with the employer.
- The employer's sponsorship and nomination application for the overseas skilled worker is approved, but the associated visa application is refused on health or character grounds.
- A Temporary Skill Shortage (TSS) visa holder leaves the sponsoring employer within the first 12 months of employment where the visa period was for more than 12 months. Refunds will only be available in this scenario for unused full years of the SAF levy.

  Note: This does not apply to Employer Nomination Scheme or Regional Skilled Migration Scheme holders who leave their employer within the first 12 months of employment.
- The nomination fee is refunded (for example where a concurrent sponsor application is refused).

There are two major problems with this refund process.

Firstly, if the visa holder leaves their employ in their 13th month of work the employer has no opportunity to obtain a refund for almost three years of the levy which they had been required to pay in advance. This is unfair on the employer. Visa holders generally take more than a year to settle into their positions and then after a year they often move to another employer. This a positive for the visa holder in terms of their flexibility but punitive for the employer. The new employer has to pay the SAF on the remaining term of the visa and so effectively the SAF is paid twice to the government.

Secondly, a refund of the employer's sponsorship and nomination application can be obtained if the visa is refused on "health or character grounds". These grounds are far too narrow. In practice, this means that there is no refund unless health or character are the basis of the refusal. There are many other reasons for refusal such as mistakenly nominating the wrong occupation as can easily occur in the ANZSCO system; the applicant not having enough experience according to the assessor; or the market salary level coming in at slightly higher than the initially nominated wage with no opportunity for adjustment.

The refund rules could be simplified to a single refund condition along the lines of:

- A refund in full or the balance of the SAF Levy will be paid in all circumstance where a skilled worker (visa holder) does not work for the sponsoring employer or no longer works for the sponsoring employer, or .
- If there was an option to replace the up-front payment with periodic payments while the skilled worker remained employed, this would remove many of the issues around refunds when employers change sponsors and take some of the cost pressures off smaller businesses.

Tightening of Labour Market Testing is unnecessary

A further obstacle to accessing 482 visas relates to Labour Market Testing (LMT). Ai Group opposes any further tightening of the current already onerous LMT settings. Employers who urgently need staff with particular skills will know from experience if such workers are unavailable to them locally and LMT requirements can cause unnecessary delays to their overseas recruitment.

Visa sponsors should be given the ability to demonstrate in some other way that the position is unable to be sourced locally. For example, the business need may be for a specialist or rare technical skill which is widely known to be unavailable in Australia. The business could provide evidence of this as an alternative to advertising the vacancy.

There have also been calls for the publication of salaries as part of LMT. For sound business reasons company policies often avoid the publication of salaries in job advertisements. Where this is a visa requirement it becomes a barrier to businesses being engaged with the migration program.